CMIG Capital Limited

(incorporated in the British Virgin Islands with limited liability)

U.S.$700,000,000

MEDIUM TERM NOTE PROGRAMME EITHER

UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY

CM INTERNATIONAL FINANCIAL LEASING INVESTMENT HOLDING LIMITED (中民國際融資租賃控股有限公司)

(incorporated in Hong Kong with limited liability)

AND WITH THE BENEFIT OF A KEEPWELL AND LIQUIDITY SUPPORT DEED BY

CHINA MINSHENG INVESTMENT GROUP CORP., LTD. (中國民生投資股份有限公司)

(incorporated in the People's Republic of China with limited liability)

AND A KEEPWELL AND LIQUIDITY SUPPORT DEED CM INTERNATIONAL FINANCIAL LEASING CO., LTD.

(中民國際融資租賃股份有限公司) AND

A DEED OF EQUITY INTEREST PURCHASE UNDERTAKING BY CM INTERNATIONAL FINANCIAL LEASING CO., LTD.

(中民國際融資租賃股份有限公司)

OR

UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY

CM INTERNATIONAL FINANCIAL LEASING CO., LTD.

(中民國際融資租賃股份有限公司)

(incorporated in the People's Republic of China with limited liability)

AND WITH THE BENEFIT OF A KEEPWELL AND LIQUIDITY SUPPORT DEED BY

CHINA MINSHENG INVESTMENT GROUP CORP., LTD. (中國民生投資股份有限公司)

AS SPECIFIED IN THE PRICING SUPPLEMENT OF A SPECIFIC TRANCHE OF NOTES

Under the U.S.$700,000,000 Medium Term Note Programme described in this Offering Circular (the "**Programme**"), CMIG Capital Limited (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "**Notes**"). The Notes will be unconditionally and irrevocably guaranteed (the "**Guarantee of the Notes**") either by (i) CM International Financial Leasing Investment Holding Limited (中民國際融資租賃投資控股有限公司) ("**CM Leasing HK**") or (ii) CM International Financial Leasing Co., Ltd. (中民國際融資租賃股份有限公司) (the "**Company**") (each, a "**Guarantor**"), as specified in the relevant Pricing Supplement (as defined below) of a specific tranche of Notes. References to the Guarantor herein shall mean only either CM Leasing HK or the Company as specified in the relevant Pricing Supplement, as the case may be.

Where CM Leasing HK is specified in the relevant Pricing Supplement as being the Guarantor, in addition to the guarantee set forth in a trust deed dated 18 May 2018 (as may be amended or supplemented from time to time, the "**Trust Deed**"), the relevant Tranche (as defined in "*Summary of the Programme*") of Notes will also have the benefit of (i) a keepwell and liquidity support deed dated 18 May 2018 given by China Minsheng Investment Group Corp., Ltd. (中國民生投資股份有限公司) (the "**Parent**") (as may be amended or supplemented from time to time, the "**Parent Keepwell and Liquidity Support Deed**"), (ii) a keepwell and liquidity support deed dated 18 May 2018 given by the Company (as may be amended or supplemented from time to time, the "**Company Keepwell and Liquidity Support Deed**" and together with the Parent Keepwell and Liquidity Support Deed, the "**Keepwell and Support Deeds**") and (iii) a deed of equity interest purchase undertaking dated 18 May 2018 by the Company (as may be amended or supplemented from time to time, the "**Deed of Equity Interest Purchase Undertaking**") as further described in "*Offer Structure — The Keepwell and Liquidity Support Deeds*", "*Offer Structure — The Deed of Equity Interest Purchase Undertaking*", "*Description of the Keepwell and Liquidity Support Deeds*" and "*Description of the Deed of Equity Interest Purchase Undertaking*". **Neither the Keepwell and Liquidity Support Deeds nor the Deed of Equity Interest Purchase Undertaking constitutes a direct or indirect guarantee of the Notes by the Company.**

Where the Company is specified in the relevant Pricing Supplement as being the Guarantor, the Company will enter into a deed of guarantee (the "**Deed of Guarantee**") on the issue date ("**Issue Date**") of the relevant Tranche of Notes. In addition to the guarantee provided by the Company, the Notes will have the benefit of the Parent Keepwell and Liquidity Support Deed (as defined above). Upon the execution of the Deed of Guarantee and subject to the prevailing PRC law at the time of issue of the relevant Tranche of Notes, the Company will be required to register or cause to be registered with the State Administration of Foreign Exchange of the PRC ("**SAFE**") the relevant Deed of Guarantee following the issue of the relevant Tranche of Notes in accordance with the Notice Concerning the Foreign Exchange Administration Rules on Cross-Border Security 誇境擔保外匯管理規定) promulgated by SAFE on 12 May 2014. The Company has undertaken to submit for registration the relevant Deed of Guarantee within 15 PRC Business Days after the Issue Date of the relevant Tranche of Notes and complete the registration of such Deed of Guarantee with SAFE as soon as practicable and, in any event, before the Registration Deadline (being 120 PRC Business Days after the relevant Issue Date). Following the occurrence of a No Registration Event (as defined in the *"Terms and Conditions of the Notes"*), each Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all of that Holder's Notes on the No Registration Event Put Date (as defined in the *"Terms and Conditions of the Notes"*) at the relevant Early Redemption Amount (No Registration Event) (as defined in the *"Terms and Conditions of the Notes"*), together with accrued interest up to, but excluding, the No Registration Event Put Date.

The Notes may be issued in bearer or registered form. The aggregate nominal amount of the Notes outstanding will not at any time exceed U.S.$700,000,000 (or its equivalent in other currencies, subject to any duly authorised increase). The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" or any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of the Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Where applicable for a relevant Tranche of Notes, registration will be completed by the Company pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates of the National Development and Reform Commission (Fa Gai Wai Zi [2015] No. 2044) (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知 (發改外資[2015]2044號)) and any implementation rules, regulations, circulars or notices in connection therewith issued by the NDRC from time to time (the "**NDRC Circular**") issued by the National Development and Reform Commission of the PRC (the "**NDRC**") on 14 September 2015 which came into effect on the same day, as set forth in the relevant Pricing Supplement. After the issuance of such relevant Tranche of Notes, the Company intends to provide the requisite information on the issuance of the Notes to the NDRC within the time period prescribed by the NDRC Circular.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing and quotation of any Notes which may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such approval will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of any Notes on the SGX-ST are not to be taken as indications of the merits of the Programme or such Notes, the Issuer, CM Leasing HK, the Company, the Parent or their associated companies. Unlisted Notes may be issued under the Programme. The relevant Pricing Supplement in respect of any Series will specify whether or not such Notes will be listed and, if so, on which exchange(s) the Notes are to be listed.

The Notes of each Series (as defined in "*Summary of the Programme*") to be issued in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note (each a "**Temporary Global Note**") or a permanent global note (each a "**Permanent Global Note**"), and will be sold in an "offshore transaction" within the meaning of Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Interests in Temporary Global Notes generally will be exchangeable for interests in Permanent Global Notes and, together with the Temporary Global Notes, the "**Global Notes**"), or if so stated in the relevant Pricing Supplement, definitive Notes ("**Definitive Notes**"), after the date falling 40 days after the later of the commencement of the offering and the relevant issue date of such Series, upon certification as to non-U.S. beneficial ownership.

The Notes of each Series to be issued in registered form ("**Registered Notes**") will be represented by registered certificates (each a "**Individual Note Certificate**"), one Individual Note Certificate being issued in respect of each Noteholder's entire holding of Notes in registered form of one Series. Individual Note Certificates representing Registered Notes that are registered in the name of, or in the name of a nominee for, one or more clearing systems are referred to as global certificates ("**Global Note Certificates**").

Global Notes and Global Note Certificates may be deposited on the relevant Issue Date with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**"), or with a sub-custodian for the Central Moneymarkets Unit Service (the "**CMU Service**") operated by the Hong Kong Monetary Authority, and in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream and/or the CMU Service, or delivered outside a clearing system, as agreed between the Issuer, the Principal Paying Agent, the Registrar and the relevant Dealer. The provisions governing the exchange of interests in a Global Note for other Global Notes or Definitive Notes or a Global Note Certificate for Individual Note Certificates are described in "*Forms of the Notes*".

The Notes and the Guarantee of the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes that are subject to U.S. tax law requirements. The Notes may not be offered, sold, or, in the case of Bearer Notes, delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S") except in accordance with Regulation S under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Any Series of Notes may be subject to additional selling restrictions. The relevant Pricing Supplement in respect of such Series of Notes will specify any such restrictions. See "*Subscription and Sale*" and the relevant Pricing Supplement. Registered Notes are subject to certain restrictions on transfer as described in "*Subscription and Sale*".

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the relevant Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. See "*Risk Factors*" beginning on page 28 for a discussion of factors that investors should consider carefully before investing in the Notes.

Arrangers

CM Securities (Hongkong) Company Limited | Haitong International

Dealers

BOC International | Standard Chartered Bank

The date of this Offering Circular is 18 May 2018

IMPORTANT NOTICE

Each of the Issuer, CM Leasing HK, the Company and the Parent, having made all reasonable enquiries, accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer, CM Leasing HK, the Group and the Parent Group, and to the Notes, the Guarantee of the Notes, the Keepwell and Liquidity Support Deeds and the Deed of Equity Interest Purchase Undertaking which is material in the context of the issue and offering of the Notes (including the information which is required by applicable laws of the British Virgin Islands, Hong Kong and the PRC and according to the particular nature of the Issuer, CM Leasing HK, the Company and its subsidiaries (the "**Group**"), the Parent and its subsidiaries (the "**Parent Group**"), the Notes, the Guarantee of the Notes, the Keepwell and Liquidity Support Deeds and the Deed of Equity Interest Purchase Undertaking, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, CM Leasing HK, the Group and the Parent Group and of the rights attaching to the Notes, the Guarantee of the Notes, the Keepwell and Liquidity Support Deeds and the Deed of Equity Interest Purchase Undertaking), (ii) the Offering Circular does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, (iii) the opinions and intentions expressed in the Offering Circular with regard to the Issuer, CM Leasing HK, the Group and the Parent Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to the Issuer, CM Leasing HK, the CM Leasing Group, the Parent Group, the Notes, the Guarantee of the Notes, the Keepwell and Liquidity Support Deeds or the Deed of Equity Interest Purchase Undertaking, the omission of which would, in the context of the issue and offering of the Notes, make any statement in the Offering Circular misleading in any material respect and (v) all reasonable enquiries have been made by the Issuer, CM Leasing HK, the Company and the Parent, to ascertain such facts and to verify the accuracy of all such information and statements.

Each Tranche of the Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" as amended and/or supplemented by the Pricing Supplement specific to such Tranche. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of the Notes, must be read and construed together with the relevant Pricing Supplement, see "*Information Incorporated by Reference*". This Offering Circular should be read and construed together with any amendment or supplement thereto and, unless the context otherwise requires, be deemed to include any other documents incorporated by reference herein and, in relation to any Series (as defined herein) of Notes, should be read and construed together with the relevant Pricing Supplement (as defined herein). This Offering Circular shall be read and construed on the basis that any documents incorporated by reference are incorporated and form part of this Offering Circular.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, CM Leasing HK, the Company, the Parent, CM Securities (Hongkong) Company Limited and Haitong International Securities Company Limited (together the "**Arrangers**" and each an "**Arranger**") and the Dealers named herein to inform themselves about and to observe any such restrictions. None of the Issuer, CM Leasing HK, the Company, the Parent, the Arrangers or the Dealers represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, CM Leasing HK, the Company, the Parent, the Arrangers or the Dealers, which would permit a public offering of any Notes or distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for such purposes is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States of America, the European Economic Area, the United Kingdom, Japan, Hong Kong, the PRC, Singapore and the British Virgin Islands, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and the distribution of this Offering Circular, see "*Subscription and Sale*". This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful. By purchasing any Notes, investors represent and agree to all of those provisions contained in that section of this Offering Circular.

MIFID II product governance / target market — The Pricing Supplement may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU, as amended ("**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593, as amended (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

PRIIPs / IMPORTANT — EEA RETAIL INVESTORS - If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC, as amended (the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Neither this Offering Circular nor any related Pricing Supplement is a prospectus for the purposes of the Prospectus Directive. This Offering Circular and any related Pricing Supplement have been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of the offering contemplated in this Offering Circular as completed by the Pricing Supplement in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or any of the Dealers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by the Pricing Supplement which specifies that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State, such offer is made in the period beginning and ending on the dates specified for such purpose in the drawdown prospectus or Pricing Supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of such offer. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor the Dealers have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the Dealers to publish a prospectus for such offer. The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

The communication of this Offering Circular, any related Pricing Supplement and any other document or materials relating to the issue of the Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "**FSMA**"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "**relevant persons**"). In the United Kingdom, the Notes offered hereby are only available to, and any investment or investment activity to which this Offering Circular and any related Pricing Supplement relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this Offering Circular or any related Pricing Supplement or any of their contents.

The Notes have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act"), as amended, or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes that are subject to U.S. tax law requirements. The Notes may not be offered, sold, or, in the case of Bearer Notes, delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S") except in accordance with Regulation S under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Any Series of Notes may be subject to additional selling restrictions. The relevant Pricing Supplement in respect of such Series of Notes will specify any such restrictions. See *"Subscription and Sale"* and the relevant Pricing Supplement. Registered Notes are subject to certain restrictions on transfer as described in *"Subscription and Sale."*

No person has been or is authorised in connection with the issue, offer, sale or distribution of the Notes to give any information or to make any representation not contained in, or not consistent with, this Offering Circular or any other document entered into in relation to the Programme and the sale of the Notes and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, CM Leasing HK, the Group, the Parent Group, any Arranger, any Dealer, The Bank of New York Mellon, London Branch (the "**Trustee**") or The Bank of New York Mellon, London Branch, The Bank of New York Mellon SA/NV, Luxembourg Branch and The Bank of New York Mellon, Hong Kong Branch (together the "**Agents**" and each an "**Agent**") or any of their respective directors, officers, employees, agents or affiliates.

Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no change, or any event reasonably likely to involve any change, in the prospects or financial or trading position of the Issuer, CM Leasing HK, the Group or the Parent Group since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, CM Leasing HK, the Company, the Parent, the Arrangers, the Dealers, the Trustee, the Agents or any director, officer, employee, agent or affiliate of any such person or any of them that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer, CM Leasing HK, the Group and/or the Parent Group.

The maximum aggregate principal amount of the Notes outstanding at any one time under the Programme will not exceed U.S.$700,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into United States dollars at the date of the agreement to issue such Notes calculated in accordance with the provisions of the Dealer Agreement), *provided that*, the maximum aggregate principal amount of the Notes, which may be outstanding at any one time under the Programme, may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

No representation or warranty, express or implied, is made or given by the Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, agents or affiliates as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, any Pricing Supplement or any other information provided or incorporated by reference in connection with the Notes, the Guarantee of the Notes, the Keepwell and Liquidity Support Deeds or the Deed of Equity Interest Purchase Undertaking, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, agents or affiliates. The Arrangers, the Dealers, the Trustee and the Agents and their respective directors, officers, employees, agents and affiliates have not independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee or any Agent or any director, officer, employee, agent or affiliate of any such person makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular or the contents of this Offering Circular or for any other statement made or purported to be made by the Arrangers, the Dealers, the Trustee, any Agent, or any director, officer, employee, agent or affiliate of any such person or on its behalf in connection with the Issuer, CM Leasing HK, the Group, the Parent Group, the Guarantee of the Notes, the Keepwell and Liquidity Support Deeds, the Deed of Equity Interest Purchase Undertaking, the Notes or the issue and offering of the Notes. The Arrangers, the Dealers, the Trustee, each Agent and each of their respective directors, officers, employees, agents or affiliates accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

In connection with the issue of any Tranche of Notes, one or more relevant Dealers (if any) (the "**Stabilisation Manager(s)**") (or persons acting on behalf of any Stabilisation Manager(s) in connection with such issue of Notes) may over-allot such Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment shall be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

In making an investment decision, investors must rely on their own examination of the Issuer, CM Leasing HK, the Group, the Parent Group and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes. Any of the Arrangers, the Dealers and their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer, CM Leasing HK, the Company, the Parent or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes). Furthermore, investors in the Notes may include entities affiliated with the Parent Group. Investors are advised to read and understand the contents of this Offering Circular and the relevant Pricing Supplement before investing. If in doubt, investors should consult his or her adviser.

The Issuer, CM Leasing HK, the Group, the Parent Group, the Arrangers, the Dealers, the Trustee and the Agents and their respective directors, officers, employees, agents and affiliates are not making any representation to any purchaser of the Notes regarding the legality of any investment in the Notes by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice. Each person receiving this Offering Circular or any Pricing Supplement acknowledges that such person has not relied on the Arrangers, the Dealers, the Trustee, the Agents or any of their respective directors, officers, employees, agents or affiliates in connection with its investigation of the accuracy of such information or its investment decision.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of the Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of the Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in this Offering Circular and the relevant Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisors as to the risks and investment considerations arising from an investment in an issue of the Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, CM Leasing HK, the Company, the Parent, the

Arrangers, the Dealers, the Trustee or the Agents or any director, officer, employee, agent or affiliate of any such person that any recipient, of this Offering Circular or of any such information, should purchase the Notes. Each potential purchaser of the Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, CM Leasing HK, the Group and the Parent Group. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigation, as it deems necessary.

None of the Arrangers, the Dealers, the Trustee, the Agents or any of their respective directors, officers, employees, agents or affiliates undertakes to review the financial condition or affairs of the Issuer, CM Leasing HK, the Group or the Parent Group for so long as the Notes remain outstanding nor to advise any investor or potential investor of the Notes of any information coming to the attention of any of the Arrangers, the Dealers, the Trustee, the Agents or their respective directors, officers, employees, agents or affiliates.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer, the Company and the Parent believe this information to be reliable, it has not been independently verified by the Issuer, CM Leasing HK, the Company, the Parent, the Arrangers, the Dealers, Trustee or the Agents or their respective directors, officers, employees, agents and affiliates, and none of the Issuer, CM Leasing HK, the Company, the Parent, the Arrangers, the Dealers, the Trustee or the Agents and their respective directors, officers, employees, agents or affiliates makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of this Offering Circular, investors should obtain independent professional advice.

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") as at 31 December 2015, 2016 and for the period from 16 April 2015 (the date of incorporation of the Company) to 31 December 2015, for the year ended 31 December 2016 (the "**Group's Audited Financial Statements**"), which are included elsewhere in this Offering Circular, have been prepared and presented in accordance with the Accounting Standards for Business Enterprises in the PRC ("**PRC GAAP**"). The consolidated financial statements of the Group as at 31 December 2015, and for the period from 16 April 2015 (the date of incorporation of the Company) to 31 December 2015 has been audited by PricewaterhouseCoopers Zhong Tian LLP, Beijing Branch, and the consolidated financial statements of the Group as at 31 December 2016, and for the year ended 31 December 2016 has been audited by PricewaterhouseCoopers Zhong Tian LLP.

Certain comparative information of the Group as at 31 December 2015 has been reclassified to conform with the presentation of the Group's audited consolidated financial statements as at 31 December 2016. Please refer to Note 14 of the Group's audited consolidated financial statements for the year ended 31 December 2016. Unless otherwise specified, the financial information of the Group as at 31 December 2015 contained in this Offering Circular has been derived from the 2015 comparative information contained in the Group's audited consolidated financial statements for the year ended 31 December 2016.

The consolidated financial statements of the Group as at and for the six months ended 30 June 2017 (the "**Group's Reviewed Financial Statements**") have been reviewed but not audited by PricewaterhouseCoopers Zhong Tian LLP in accordance with China Standards on Review Engagements 2101 "Review of Financial Statements" ("**CSRE 2101**"). Consequently, the Group's Reviewed Financial Statements should not be relied upon by potential purchasers to provide the same quality of information associated with information that has been subject to an audit. Potential purchasers must exercise caution when using such data to evaluate the Group's financial condition, results of operations and results. None of the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, officers or advisers makes any representation or warranty, express or implied, regarding the sufficiency of such consolidated interim financial results for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Group's financial condition and results of operations. The Group's Reviewed Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2017.

The audited consolidated financial statements of the Parent and its subsidiaries (the "**Parent Group**") as at 31 December 2014, 2015, 2016 and for the period from 9 May 2014 (the date of incorporation of the Parent) to 31 December 2014 and for the years ended 31 December 2015 and 2016 (the "**the Parent Group's Audited Financial Statements**"), which are included elsewhere in this Offering Circular, have been prepared and presented in accordance with the PRC GAAP and have been audited by PricewaterhouseCoopers Zhong Tian LLP. As result of the change in accounting policy with effect from 1 January 2016, the summary consolidated financial information of the Parent Group as at 31 December 2014 and 2015 and for the period from 9 May 2014 (the date of incorporation of the Parent) to 31 December 2014 and for the year ended 31 December 2015 (the "**Parent Group's Restated Financial Statements 2014 and 2015**") has been restated in order that it be comparable to the audited consolidated financial statements of the Parent Group as at and for the year ended 31 December 2016 (the "**Parent Group's Audited Financial Statements 2016**"). Such Parent Group's Restated Financial Statements 2014 and 2015 were neither audited nor reviewed by PricewaterhouseCoopers Zhong Tian LLP. Please refer to Note 4 of the Parent Group's Audited Financial Statements 2016 for the impact of such change in accounting policy.

The consolidated financial statements of the Parent Group as at and for the six months ended 30 June 2017 (the "**Parent Group's Reviewed Financial Statements**") have been reviewed but not audited by PricewaterhouseCoopers Zhong Tian LLP in accordance with CSRE 2101. Consequently, the Parent Group's Reviewed Financial Statements should not be relied upon by potential purchasers to provide the same quality of information associated with information that has been subject to an audit. Potential purchasers must exercise caution when using such data to evaluate the Parent Group's financial condition, results of operations and results. None of the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, officers or advisers makes any representation or warranty, express or implied, regarding the sufficiency of such consolidated interim financial results for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Parent Group's financial condition and results of operations. The Parent Group's Reviewed Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Parent Group for the full financial year ending 31 December 2017.

There is no material difference between PRC GAAP and the International Financial Reporting Standards ("**IFRS**") for the Group, while PRC GAAP differs in certain material respects from IFRS for the Parent Group. For a discussion of certain differences between PRC GAAP and IFRS, see "*Summary of Significant Differences between PRC GAAP and IFRS*".

The audited consolidated financial statements of CM Leasing HK as at 31 December 2016 and for the period from 14 September 2015 (the date of incorporation of CM Leasing HK) to 31 December 2016 (the "**CM Leasing HK's Audited Financial Statements**"), which are included elsewhere in this Offering Circular, have been prepared by and presented in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") and have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

The condensed consolidated interim financial information of CM Leasing HK as at and for the six months ended 30 June 2017 (the "**CM Leasing HK's Reviewed Financial Statements**") have been reviewed but not audited by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410, "Review of condensed consolidated interim financial Information Performed by the Independent Auditor of the Entity" ("**HKSRE 2410**"). Consequently, CM Leasing HK's Reviewed Financial Statements should not be relied upon by potential purchasers to provide the same quality of information associated with information that has been subject to an audit. Potential purchasers must exercise caution when using such data to evaluate CM Leasing HK's financial condition, results of operations and results. None of the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, officers or advisers makes any representation or warranty, express or implied, regarding the sufficiency of such consolidated interim financial results for an assessment of, and potential investors must exercise caution when using such data to evaluate, CM Leasing HK's financial condition and results of operations. CM Leasing HK's Reviewed Financial Statements should not be taken as an indication of the expected financial condition or results of operations of CM Leasing HK for the full financial year ending 31 December 2017.

"Preface to Hong Kong Financial Reporting Standards" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") sets out the relationship between HKFRS and IFRS. The Council of HKICPA (the "**Council**") has a policy to achieve convergence of HKFRS with IFRS. Each HKFRS issued by the Council contains information about the extent of compliance with the equivalent IFRS. Where the requirements of an HKFRS and an IFRS differ, the HKFRS should be followed by entities reporting within the area of application of the HKFRS. As at the date of this Offering Circular, there are no material differences between HKFRS and IFRS which will impact the financial position and results of operations of CM Leasing HK.

CERTAIN DEFINITIONS AND CONVENTIONS

Unless the context otherwise requires, references in this Offering Circular to "**Hong Kong dollars**", "**HK dollars**" or "**HK$**" are to the lawful currency of Hong Kong, "**Renminbi**", "**CNY**" and "**RMB**" are to the lawful currency of the PRC, "**U.S. dollars**", "**U.S.$**" and "**USD**" are to the lawful currency of the United States of America (the "**United States**"), "**S$**" are to the lawful currency of Singapore, "**PRC**" and "**China**" mean the People's Republic of China which for the purpose of this Offering Circular excludes Hong Kong, Macau and Taiwan, "**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC, and "**Macau**" means the Macau Special Administrative Region of the PRC.

In this Offering Circular, where information has been presented in thousands, millions, or billions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

Solely for convenience, this Offering Circular contains translations of certain Hong Kong dollar amounts and Renminbi amounts into U.S. dollar amounts. Unless indicated otherwise, the translation of Hong Kong dollar amounts and Renminbi amounts into U.S. dollar amounts has been made at the rate of HK$7.8055 to U.S.$1.00 and RMB6.7793 to U.S.$1.00, respectively, the exchange rates set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 30 June 2017. These translations should not be construed as representations that the Hong Kong dollar or Renminbi amounts could actually be converted into any U.S. dollar amounts at the rates indicated or at all.

Unless specified otherwise, references in this Offering Circular to, and financial and other information presented with respect to, the CM Leasing Group and the Parent Group are to such information of the Company and the Parent, respectively compiled on a consolidated basis.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates titles and the like are translations of their Chinese names and are included for identification purposes only.

In this Offering Circular, references to:

the "**Board**" are to the Board of Directors of the Company;

the "**CBRC**" are to the China Banking Regulatory Commission;

the "**CIRC**" are to the China Insurance Regulatory Commission;

the "**CM Leasing HK**" are to CM International Financial Leasing Investment Holding Limited (中民國際融資租賃投資控股有限公司);

the "**Company**" are to CM International Financial Leasing Co., Ltd. (中民國際融資租賃股份有限公司);

the "**CSRC**" are to the China Securities Regulatory Commission;

the "**Group**" are to the Company and its subsidiaries, taken as a whole;

the "**Issuer**" are to CMIG Capital Limited;

the "**MOF**" are to the Ministry of Finance of the PRC;

the "**MOFCOM**" are to the Ministry of Commerce of the PRC;

the "**NDRC**" are to the National Development and Reform Commission of the PRC;

the "**Parent**" are to China Minsheng Investment Group Corp., Ltd. (中國民生投資股份有限公司)

the "**Parent Group"** are to the Parent and its subsidiaries, taken as a whole;

the "**PBOC**" are to the People's Bank of China;

the "**SAFE**" are to the State Administration of Foreign Exchange of the PRC; and

the "**State Council**" are to the State Council of the PRC.

Any reference to any PRC government authority or department includes such authority or department at central, provincial, municipal and other levels, such competent authority and their respective successor authority or department.

INFORMATION INCORPORATED BY REFERENCE

This Offering Circular should be read and construed together with any amendment or supplement thereto and, unless the context otherwise requires, be deemed to include any other documents incorporated by reference herein and, in relation to any Series (as defined herein) of Notes, should be read and construed together with the relevant Pricing Supplement (as defined herein).

Copies of all documents which are incorporated in, and to form part of, this Offering Circular will be available free of charge during normal business hours at the principal place of business of the Trustee as set out at the end of this Offering Circular.

FORWARD-LOOKING STATEMENTS

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

- the risks inherent to the industry in which the Group and the Parent Group operates;
- the business and operating strategies and the future business development of the Group and the Parent Group;
- the general economic, political, social conditions and developments in the PRC;
- changes in competitive conditions and the Group's and the Parent Group's ability to compete under these conditions;
- the Group's and the Parent Group's operations and business prospects;
- the Group's and the Parent Group's capital expenditure and development plans;
- the Group's and the Parent Group's expectations with respect to its ability to acquire and maintain regulatory qualifications required to operate its business;
- the availability and charges of bank loans and other forms of financing;
- the Group's and the Parent Group's financial condition and results of operations;
- the Group's and the Parent Group's dividend distribution plans;
- changes in currency exchange rates;
- macroeconomic policies of the PRC government; and
- other factors beyond the Group's and the Parent Group's control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "*Risk Factors*" and elsewhere in this Offering Circular. The Issuer, CM Leasing HK, the Company and the Parent caution investors not to place undue reliance on these forward-looking statements which reflect their managements' view only as at the date of this Offering Circular.

None of the Issuer, CM Leasing HK, the Company or the Parent undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur.

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SUMMARY

This summary does not contain all the information that may be important to prospective investors in deciding whether or not to invest in the Notes. Prospective investors should read the entire Offering Circular, including the section entitled "Risk Factors" and the financial statements and related notes thereto, before making an investment decision.

THE ISSUER

The Issuer is a limited liability company incorporated on 4 May 2017 under the laws of the British Virgin Islands (Company Number: 1944103). The registered agent for the Issuer is Vistra (BVI) Limited and its registered office is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The Issuer is authorised to issue a maximum of 10,000 shares of a single class each with a par value of U.S.$1.00. As at the date of this Offering Circular, 10,000 ordinary share has been issued by the Issuer to its sole shareholder, the CM Leasing HK, which is wholly owned by the Company. See "*Description of the Issuer*" for more information.

CM LEASING HK

CM Leasing HK is a limited liability company incorporated under the Companies Ordinance (Cap. 622) of Hong Kong (CR No. 2285663). It was incorporated in Hong Kong on 14 September 2015. Its registered office is 2/F Hongkong Offshore Centre 28, Austin Avenue Tsim Sha Tsui, Kowloon. See "*Description of CM Leasing HK*" for more information.

THE COMPANY

The Company is a private Sino-foreign leasing company, established on 16 April 2015 with the registered capital of RMB1.8 billion upon the approval of Tianjin Commission of Commerce (天津市商務委員會).

The Company has a strong shareholder base. As at 30 June 2017, the Company's shareholders include CMIG Leasing Holdings Limited (中民投租賃控股有限公司), Korean Hana Bank (株式會社韓亞銀行), CM International Investment Holdings Limited (中民國際投資控股有限公司), each holding an equity interest in the Company as to 60.56%, 25% and 10%, respectively. Please refer to "*Description of the Company — Ownership and Corporate Structure*" for a comprehensive ownership and corporate structure chart.

The Company targets to achieve a national leading position and become an internationally well-known enterprise in the financial leasing industry. Fully leveraging on the strength of its Chinese and foreign shareholders, the Company adopts a two-pronged strategy of developing its core leasing business and expanding through investment and acquisitions. With special focus on general aviation, shipping, clean energy and high-end equipment, the Company strives to promote its financial leasing business through investments and bolster its investments with its financial leasing business. Through such a two-pronged development strategy, the Company aims to realise prominent growth and become a national leader and a well-known global player in the financial leasing industry.

On the one hand, the Company has built a professional, sustainable and characteristic development path; on the other hand, with global vision and regional strategy, the Company vigorously explores the overseas market, promotes the transition and upgrade of the real economy, serves the national strategy of "going global" and is committed to becoming a domestically leading and internationally renowned leasing company with prominent main business and promising profitability.

The Group showed a strong financial position for the two and a half years of its operation. For the period from the Company's date of incorporation on 16 April 2015 to 31 December 2015, the Group recorded net profit of RMB141.23 million and operating income of RMB327.66 million. For the year ended 31 December 2016, the Group recorded net profit of RMB237.23 million and operating income of RMB1,260.03 million. For the six months ended 30 June 2016 and 30 June 2017, the Group recorded net profit of RMB152.28 million and RMB231.03 million, and operating income of RMB406.07 million and RMB1,100.49 million, respectively. As at 30 June 2017, the Group had total assets of RMB37.70 billion.

The Group's business scope covers financial leasing, leasing, purchase of leased property at home and abroad, residual value treatment and maintenance of leased property, lease transaction advisory and guarantee for leasing assets factoring (as sideline business) relating to the core business. The Group is operated primarily through its subsidiaries. It is now mainly engaged in four business segments, namely (i) general aviation; (ii) shipping; (iii) clean energy; and (iv) high-end equipment.

Recent Development

Subsequent to 30 June 2017, the Group, the Parent Group and CM Leasing HK recorded increases in operating income/revenue and net profit for the year ended 31 December 2017 as compared with the year ended 31 December 2016. Save as the changes in capitalisation and indebtedness as disclosed in this offering circular, there had been no other material change or material adverse change in the Group's, the Parent Group's and CM Leasing HK's financial or trading position or prospect since 30 June 2017.

In August 2017, the Company completed the registration of its domestic non-public green corporate bonds with an aggregate principal amount of RMB1.0 billion.

On 4 September 2017, the Company issued a tranche of private placement bonds with total amount of USD62.5 million. On 22 September 2017, the Company issued its first one-year private placement notes with the principal amount of RMB1.0 billion.

As at the date of this Offering Circular, the Company has obtained 16 container ships (four under construction) as leased assets, with capacity of 85,000 Twenty-foot Equivalent Unit ("**TEU**"). The Company has provided financing to clean energy power stations with 1.5GW capacity in total, proving its leading position in "green leasing" and the fleets managed by the Company amounts to 129 aircrafts.

THE PARENT

The Parent is a leading private investment company, established on 9 May 2014 with the support of 65 well-known PRC private enterprises acting as shareholders of the Parent. Its establishment was led by All-China Federation of Industry & Commerce ("**ACFIC**") (中華全國工商業聯合會). The Parent is highly supported by the PRC government as it is the only private enterprise approved by the State Council to use "China" in its name and it aspires to be the equivalent of China Investment Corporation (中國投資有限責任公司) in the private sector. The Parent undertakes the state mission by integrating over-capacity industries and focusing on strategic emerging industries and aims to build itself into a conglomerate with an advanced business model, comprehensive investment portfolio and robust investment capability.

The Parent Group operates primarily through its subsidiaries. It currently mainly engages in six business segments, namely (i) insurance; (ii) investment and asset management; (iii) real estate; (iv) business aviation management; (v) modern property management; (vi) new energy; (vii) general aviation; (viii) cross-border investment and financing; and (ix) financial leasing business.

The Parent Group showed a strong financial position for the three years of its operations. For the period from the Parent's date of incorporation on 9 May 2014 to 31 December 2014, the Parent Group recorded a net profit of RMB6,280.14 million and a revenue of RMB3,778.43 million. For the years ended 31 December 2015 and 2016, the Parent Group recorded a net profit of RMB4,641.34 million and RMB3,676.50 million, and a revenue of RMB4,663.62 million and RMB19,514.82 million, respectively. For the six months ended 30 June 2016 and 30 June 2017, the Parent Group recorded a net profit of RMB246.75 million and RMB4,702.97 million, and a revenue of RMB3,331.32 million and RMB13,195.92 million. As at 31 December 2014, 2015, 2016 and 30 June 2017, the Parent Group had total assets of RMB56.44 billion, RMB147.02 billion, RMB272.47 billion and RMB313.81 billion, respectively. See "*Description of the Parent Group*".

The Parent Group believes that it has the following competitive strengths:

- Strong government and prestigious shareholders' support;
- Clear strategies with diverse businesses and huge development potential;
- Outstanding financial performance and strong liquidity position;
- Prudent corporate governance with sound risk management system and investment management mechanisms;
- Expert support from a global advisory committee and cooperation with well-known international and local business partners; and
- Disciplined investment approach and strict investment management procedures.

The Parent Group intends to strengthen its market position and enhance its future prospects through the following business strategies:

- Active participation in the PRC's economic transformation and contribute to the PRC economy's healthy development;
- Fulfil corporate-social responsibility by participating in poverty alleviation projects;
- Adhere to the virtues of "empathy" and "honesty" and be a law-abiding body corporate;
- Continuous integration of target industries;
- Strategic positioning of industry-finance integration;
- Strives to be China's largest value-added provider for communities by offering comprehensive community services through property management
- Enhance its ability to provide business support and management improvement to different subsidiaries.

OFFER STRUCTURE

The following is a description of the structure of the offering, which should be read in conjunction with the sections entitled "Risk Factors", "Terms and Conditions of the Notes", "Description of the Keepwell and Liquidity Support Deeds" and "Description of the Deed of Equity Interest Purchase Undertaking". Unless otherwise defined herein, defined terms used in this section shall have the meanings given to them in the Terms and Conditions, the relevant Keepwell and Liquidity Support Deed and the Deed of Equity Interest Purchase Undertaking, as the context may require.

THE NOTES AND THE GUARANTEE OF THE NOTES

The Issuer is incorporated in the British Virgin Islands and is an indirect, wholly-owned subsidiary of the Company. CM Leasing HK is incorporated in Hong Kong and is a direct, wholly-owned subsidiary of the Company.

The Notes will be issued by the Issuer. The Notes will constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer which will at all times rank *pari passu* and without any preference or priority among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

On the Issue Date, each Tranche of Notes will have the benefit of the Guarantee of the Notes by either CM Leasing HK or the Company, as either of them are specified in the relevant Pricing Supplement as being the Guarantor in relation to that Tranche of Notes. Pursuant to the Guarantee of the Notes, the relevant Guarantor will unconditionally and irrevocably guarantee the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. The Guarantee of the Notes will constitute direct, unsubordinated, unconditional and unsecured obligations of the relevant Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of such Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Where CM Leasing HK is specified in the relevant Pricing Supplement as being the Guarantor, in addition to the guarantee provided in the Trust Deed, the relevant Tranche of Notes will also have the benefit of (i) the Parent Keepwell and Liquidity Support Deed, (ii) the Company Keepwell and Liquidity Support Deed and (iii) the Deed of Equity Interest Purchase Undertaking.

Where the Company is specified in the relevant Pricing Supplement as being the relevant Guarantor, the Company will in respect of such Tranche of Notes enter into a Deed of Guarantee pursuant to which it will unconditionally and irrevocably guarantee the due and punctual payment of all sums from time to time payable by the Issuer in respect of such Notes. In addition, the relevant Tranche of Notes will also have the benefit of the Parent Keepwell and Liquidity Support Deed.

THE KEEPWELL AND LIQUIDITY SUPPORT DEEDS

CM Leasing HK as the Guarantor

The Issuer, the Guarantor and the Company have executed the Company Keepwell and Liquidity Support Deed and the Issuer, the Guarantor, the Company and the Parent have executed the Parent Keepwell and Liquidity Support Deed (as further described in the section entitled "*Description of the Keepwell and Liquidity Support Deeds*") in favour of the Issuer, the Guarantor and the Trustee. For the purposes of this sub-section, references to "Guarantor" mean CM Leasing HK only.

Ownership of the Issuer and the Guarantor

In relation to Notes where the Change of Control Put is specified in the relevant Pricing Supplement, for so long as any of such Notes remain outstanding, each of the Company and the Parent, in the relevant Keepwell and Liquidity Support Deed, has undertaken with the Issuer, the Guarantor and the Trustee that it shall:

- procure the Guarantor to, directly or indirectly, own and hold all (in the case of the Company) or directly or indirectly own and hold not less than 50.1% of (in the case of the Parent) the outstanding shares of the Issuer, free and clear of any security interest, claim, lien or encumbrance and will not directly or indirectly pledge, charge, mortgage, grant a security interest, or in any way encumber or otherwise dispose of any such shares, unless required to dispose of, or permit the disposal of, any or all such shares pursuant to a court decree or order of any governmental authority, in each case, not obtained at the direction or request of the Issuer, the Guarantor, the Company or the Parent; and

- directly or indirectly remain the single largest holder of issued share capital of the Guarantor (whether through direct or indirect shareholding (including beneficial ownerships) held by the Subsidiaries of the Company (in the case of the Company)/Parent (in the case of Parent) or otherwise).

Solvency, Maintenance of Net Assets; Liquidity

For so long as any Note remains outstanding, each of the Company and the Parent, in the relevant Keepwell and Liquidity Support Deed, has undertaken that it shall cause:

(i) each of the Issuer and the Guarantor to remain solvent and a going concern at all times under the laws of their respective jurisdictions of incorporation or applicable accounting standards;

(ii) each of the Issuer and the Guarantor to have Consolidated Net Assets of at least U.S.$1.00 (or its equivalent in any other currency) at all times; and

(iii) each of the Issuer and the Guarantor to have sufficient liquidity to ensure timely payment by it of any amounts payable in respect of the Notes and the Coupons in accordance with the Terms and Conditions and otherwise under the Trust Deed and the Agency Agreement.

Relevant Indebtedness

For so long as any Note remains outstanding, each of the Company and the Parent, in the relevant Keepwell and Liquidity Support Deed, has undertaken to the Trustee that it shall not, and shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or guarantee of Relevant Indebtedness without at the same time or prior thereto (i) securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (ii) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders.

Irrevocable Cross-border RMB Standby Facility, Liquidity Support and Parent Investment

Trigger Notice

Upon the receipt of a Trigger Notice and in accordance with the relevant Keepwell and Liquidity Support Deed, the Company (or, as the case may be, the Parent), in accordance with the applicable laws and regulations of the PRC, has undertaken to:

- as soon as practicable grant to the Issuer or the Guarantor a committed cross-border standby facility in an amount in RMB which upon conversion will not be less than the Relevant Amount;
- provide the liquidity support to the Issuer and the Guarantor; and
- invest in the Issuer, the Guarantor and/or any Offshore Subsidiar(ies),

in each case, subject to it having obtained the Company's (or, as the case may be, the Parent's) shareholder approval and all relevant Regulatory Approvals (which the Company or the Parent, as the case may be, shall use its reasonable endeavours to obtain), so as to enable the Issuer and the Guarantor to (i) make payment in full of any outstanding amounts as they fall due under the Trust Deed, the Notes, the Coupons and the Guarantee of the Notes (including any interest accrued but unpaid on the Notes) if the Triggering Event is a Liquidity Notice Failure Event or an Event of Default or (ii) remedy the Financial Ratio Failure or the Shortfall Event if such Triggering Event has occurred.

Irrevocable Cross-border RMB Standby Facility

Pursuant to the relevant Keepwell and Liquidity Support Deed, upon receipt of a Trigger Notice, each of the Company and the Parent has, in accordance with the applicable laws and regulations of the PRC, agreed to:

- as soon as practicable, establish and grant to the Issuer or the Guarantor a committed cross-border Standby Facility pursuant to which the Company (or, as the case may be, the Parent) will remit an amount in RMB which upon conversion will be not less than the Relevant Amount;

- as soon as practicable open with a PRC commercial bank a special RMB account for the transfer and remittance of the Remittance Amount to the Issuer or the Guarantor, as the case may be; and
- remit the Remittance Amount to a specified account of the Issuer or the Guarantor, as the case may be, in Hong Kong through the special RMB account (i) in the case of a Financial Ratio Failure, at least two KWD Business Days prior to the immediately following Interest Payment Date for any Series of Notes outstanding or (ii) in the case of a Liquidity Notice Failure Event, an Event of Default or a Shortfall Event, as soon as practicable,

provided that the Company's (or, as the case may be, the Parent's) obligations above may be subject to the approval or clearance or other authorisation of PRC government authorities pursuant to the applicable laws and regulations of the PRC as further provided in the relevant Keepwell and Liquidity Support Deed.

Each of the Issuer, the Guarantor and the Company (or, as the case may be, the Parent) has agreed and acknowledged in the relevant Keepwell and Liquidity Support Deed that the terms of the Standby Facility shall be at arm's length (or more favourable to the Issuer or the Guarantor, as the case may be) and shall not require any security from the Issuer or the Guarantor.

Liquidity Support

Pursuant to the relevant Keepwell and Liquidity Support Deed, upon the receipt of a Trigger Notice, each of the Company and the Parent has undertaken to make available, or procure the availability, to the Issuer or the Guarantor, as the case may be, before the due date of the relevant payment obligations, funds sufficient to enable the Issuer or the Guarantor, as the case may be, to pay its payment obligations under the Notes, the Coupons and the Guarantee of the Notes in accordance with the Terms and Conditions and the Trust Deed in full as they fall due.

Parent Investment

Pursuant to the relevant Keepwell and Liquidity Support Deed, upon the receipt of a Trigger Notice, each of the Company and the Parent has, in accordance with the applicable laws and regulations of the PRC, undertaken to invest, or procure an Onshore Subsidiary to invest, by way of equity investment or shareholders' loan or a combination thereof in, the Issuer, the Guarantor and/or any other Offshore Subsidiar(ies):

- within 12 Business Days after the date of the Trigger Notice, determine and notify the Trustee in writing which Offshore Subsidiar(ies) will be the subject of the Parent Investment and procure the Relevant Investee(s) to on-lend such Investment Amount (as defined below) to the Issuer and/or the Guarantor;
- within 12 Business Days after the date of the Trigger Notice, determine the aggregate amount, being an amount in cash in Renminbi, euros, Hong Kong dollars or U.S. dollars (where the Company is entitled to determine the currency subject to the Regulatory Approvals) of the Parent Investment which shall, in any event, upon conversion or otherwise, be no less than the Relevant Amount;
- promptly and in any event, no later than 20 Business Days after the date of the Trigger Notice, execute or procure the relevant Onshore Subsidiar(ies) to execute the relevant investment agreement(s) with the Relevant Investee(s) and, file the same with the relevant Approval Authorities for approval of the Parent Investment;
- promptly and in any event, no later than 10 Business Days after receipt of all Regulatory Approvals from the relevant Approval Authorities, submit all application documents required by applicable laws and regulations of the PRC to competent banks for approvals and/or registrations with SAFE or PBOC (as the case may be) for the Parent Investment, the payment of the Investment Amount and the remittance of the Investment Amount (if applicable) outside the PRC; and
- procure the remittance of the Investment Amount on or prior to the day falling 10 Business Days after the date of receipt of the approvals and/or registrations from SAFE or PBOC (as the case may be) whereupon the Company (or, as the case may be, the Parent) shall pay or procure the relevant Onshore Subsidiary to pay to, or to the order of, each Relevant Investee the Investment Amount in immediately available funds in Renminbi, euro, Hong Kong dollars or U.S. dollars (where the Company is entitled to determine the currency subject to the Regulatory Approvals), as the case may be. Such payment shall be made by remittance of the Investment Amount to a specified account of the Issuer or the Guarantor, as the case may be, in Hong Kong as may be designated by such Relevant Investee.

The Company as the Guarantor

The Issuer, CM Leasing HK, the Guarantor and the Parent have executed the Parent Keepwell and Liquidity Support Deed (as further described in the section entitled "*Description of the Keepwell and Liquidity Support Deeds*") in favour of the Issuer, the Guarantor and the Trustee. For the purposes of this sub-section, references to "Guarantor" mean the Company only.

Ownership of the Issuer and the Guarantor

In relation to Notes where the Change of Control Put is specified in the relevant Pricing Supplement, for so long as any of such Notes remain outstanding, the Parent has undertaken with the Issuer, the Guarantor and the Trustee that it shall:

- procure the Guarantor to, directly or indirectly, own and hold not less than 50.1% of the outstanding shares of the Issuer, free and clear of any security interest, claim, lien or encumbrance and will not directly or indirectly pledge, charge, mortgage, grant a security interest, or in any way encumber or otherwise dispose of any such shares, unless required to dispose of, or permit the disposal of, any or all such shares pursuant to a court decree or order of any governmental authority, in each case, not obtained at the direction or request of the Issuer, the Guarantor or the Parent; and
- directly or indirectly remain the single largest holder of issued share capital of the Guarantor (whether through direct or indirect shareholding (including beneficial ownerships) held by the Subsidiaries of the Parent or otherwise).

Solvency, Maintenance of Net Assets; Liquidity

For so long as any Note remains outstanding, the Parent has undertaken that it shall cause:

(i) each of the Issuer and the Guarantor to remain solvent and a going concern at all times under the laws of their respective jurisdictions of incorporation or applicable accounting standards;

(ii) each of the Issuer and the Guarantor to have Consolidated Net Assets of at least U.S.$1.00 (or its equivalent in any other currency) at all times; and

(iii) each of the Issuer and the Guarantor to have sufficient liquidity to ensure timely payment by it of any amounts payable in respect of the Notes and the Coupons in accordance with the Terms and Conditions and otherwise under the Trust Deed and the Agency Agreement.

Relevant Indebtedness

For so long as any Note remains outstanding, the Parent has undertaken to the Trustee that it shall not, and shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or guarantee of Relevant Indebtedness without at the same time or prior thereto (i) securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (ii) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders.

Liquidity Support

Trigger Notice

Upon the receipt of a Trigger Notice and in accordance with the Parent Keepwell and Liquidity Support Deed, the Parent, in accordance with the applicable laws and regulations of the PRC, has undertaken to provide the liquidity support to the Issuer and the Guarantor, in each case, subject to it having obtained the Parent's shareholder approval and all relevant Regulatory Approvals (which the Parent shall use its reasonable endeavours to obtain), so as to enable the Issuer and the Guarantor to (i) make payment in full of any outstanding amounts as they fall due under the Trust Deed, the Notes, the Coupons and the Guarantee of the Notes (including any interest accrued but unpaid on the Notes) if the Triggering Event is a Liquidity Notice Failure Event or an Event of Default or (ii) remedy the Financial Ratio Failure or the Shortfall Event if such Triggering Event has occurred.

Liquidity Support

Pursuant to the Parent and Liquidity Support Deed, upon the receipt of a Trigger Notice, the Parent has undertaken to make available, or procure the availability, to the Issuer or the Guarantor, as the case may be, before the due date of the relevant payment obligations, funds sufficient to enable the Issuer or the Guarantor, as the case may be, to pay its payment obligations under the Notes, the Coupons and the Guarantee of the Notes in accordance with the Terms and Conditions and the Trust Deed in full as they fall due.

THE DEED OF EQUITY INTEREST PURCHASE UNDERTAKING

The Deed of Equity Interest Purchase Undertaking is applicable to each Tranche of Notes where CM Leasing HK is specified in the relevant Pricing Supplement as being the Guarantor. For the purposes of this section, references to "Guarantor" shall mean CM Leasing HK only.

The Company has executed the Deed of Equity Interest Purchase Undertaking (as further described in the section entitled "*Description of the Deed of Equity Interest Purchase Undertaking*") in favour of the Issuer, the Guarantor and the Trustee.

Obligation to Acquire Equity Interest

Upon the receipt of a written Purchase Notice given by the Trustee in accordance with the Trust Deed following the occurrence of an Event of Default, the Company has agreed to, subject to and conditional upon (a) obtaining the Company's shareholder approval (where applicable) and all Regulatory Approvals and (b) compliance with all relevant laws and regulations, purchase or procure an Onshore Subsidiary of the Company to purchase:

(i) the Equity Interest held directly by the Issuer, the Guarantor and/or any other Offshore Subsidiary, as designated by the Company and notified in writing to the Trustee within 10 Business Days after the date of the Purchase Notice; or

(ii) in the absence of such designation and notification to the Trustee as provided in paragraph (i) above, the Equity Interest held by all Offshore Subsidiaries,

in either such case at the Purchase Price on the relevant Purchase Closing Date pursuant to the terms set out in the Deed of Equity Interest Purchase Undertaking and the relevant Equity Interest Transfer Agreement(s).

Determination of Purchase Price

Within 20 Business Days after the date of the Purchase Notice, the Company has undertaken in the Deed of Equity Interest Purchase Undertaking to determine (a) the aggregate purchase price of the Equity Interest(s) being the subject of the Purchase Price in accordance with any applicable PRC laws and regulations effective at the time of determination; and (b) the other applicable terms relating to the Purchase, *provided that* the Purchase Price shall be no less than the Shortfall Amount.

Undertakings upon completion

Upon the completion of any Purchase, the Company has undertaken in the Deed of Equity Interest Purchase Undertaking to:

(i) in the event that a Relevant Transferor is not the Issuer or the Guarantor, procure such Relevant Transferor to promptly on-lend or distribute in full the relevant portion of the Purchase Price, being an amount no less than the Shortfall Amount, to the Issuer or the Guarantor prior to any other use, disposal or transfer of the proceeds received; and

(ii) promptly do all such things (including entering into and executing any agreements or arrangements required) and take all actions necessary for the Purchase Price received by the Issuer or the Guarantor from the Company or, as the case may be, the relevant Purchaser or pursuant to any on-loan or distribution to be applied solely towards the payment in accordance with the Deed of Equity Interest Purchase Undertaking of any outstanding amounts as they fall due under the Deed of Equity Interest Purchase Undertaking, the Trust Deed and the Default Notes (including without limitation the payment of the principal amount of the Default Notes then outstanding as at the date of payment and any interest due and unpaid and/or accrued but unpaid on the Notes up to but excluding the date of payment *provided that* if an Event of Default also occurs under other Series of Notes, the Company shall cause such purchase price to be applied solely towards the payment in accordance with the Trust Deed of any outstanding amounts under the Trust Deed and all Series of Notes which are subject to an Event of Default on a *pari passu* basis), prior to any other use, disposal or transfer of the proceeds received.

See "*Risk Factors — Neither the Keepwell and Liquidity Support Deeds nor the Deed of Equity Interest Purchase Undertaking from the Company or the Parent is a guarantee of the payment obligations of the Issuer and CM Leasing HK (or the Company, as the case may be) under the Notes and the Guarantee of the Notes*", "*Risk Factors — Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking is subject to approvals of the PRC governmental authorities and certain limitations*", "*Risk Factors — Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking may be subject to consent from third party creditors and shareholders, and may also be restricted if any of the equity interests are secured in favour of third party creditors*" and "*Risk Factor — The Issuer and CM Leasing HK has limited assets which can be sold to the Company pursuant to the Deed of Equity Interest Purchase Undertaking*".

SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this summary.

Issuer	CMIG Capital Limited.
Guarantor	CM International Financial Leasing Investment Holding Limited (中民國際融資租賃投資控股有限公司) ("**CM Leasing HK**") or CM International Financial Leasing Co., Ltd. (中民國際融資租賃股份有限公司) (the "**Company**"), as specified in the relevant Pricing Supplement.
Keepwell Providers (for Notes guaranteed by CM Leasing HK only)	The Company and China Minsheng Investment Group Corp., Ltd. (中國民生投資股份有限公司) (the "**Parent**").
Keepwell Provider (for Notes guaranteed by the Company only)	The Parent.
Equity Interest Purchase Undertaking Provider (for Notes guaranteed by CM Leasing HK only)	The Company.
Programme Size	Up to U.S.$700,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement (as defined in "*Subscription and Sale*")) outstanding at any time. The Issuer, CM Leasing HK, the Company and the Parent may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Risk Factors	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer, CM Leasing HK, the Company or the Parent to fulfil their respective obligations in respect of the Notes, the Trust Deed, the Keepwell and Liquidity Support Deeds and the Deed of Equity Interest Purchase Undertaking, as the case may be, are discussed under the section *"Risk Factors"* below.
Arrangers	CM Securities (Hongkong) Company Limited and Haitong International Securities Company Limited.
Dealers	CM Securities (Hongkong) Company Limited, Haitong International Securities Company Limited, BOCI Asia Limited, Standard Chartered Bank and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Series of the Notes.
Principal Paying Agent and Paying Agent	The Bank of New York Mellon, London Branch.
Registrar	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Transfer Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch.
CMU Lodging and Paying Agent	The Bank of New York Mellon, Hong Kong Branch.
CMU Registrar	The Bank of New York Mellon, Hong Kong Branch.

Trustee	The Bank of New York Mellon, London Branch.
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**"). Each Series may comprise one or more tranches ("**Tranches**") issued on different issue dates. The Notes of each Series will all be subject to identical terms except that the issue date and/or the amount of the first payment of interest and/or the issue price and the timing for reporting to the NDRC may be different in respect of different Tranches. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment date of interest and nominal amount of the Tranche and the timing for reporting to the NDRC, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.
Clearing Systems	With respect to Notes (other than any series of Notes cleared through the CMU Service (the "**CMU Notes**")), Euroclear, Clearstream and such other clearing system as shall be agreed between the Issuer, the Principal Paying Agent, the Registrar and the relevant Dealer. With respect to CMU Notes, the CMU Service (each of Euroclear, Clearstream and the CMU Service, a "**Clearing System**"). See "*Clearance and Settlement*".
Guarantee of the Notes	Payment of all sums from time to time payable by the Issuer in respect of each Tranche of Notes is irrevocably and unconditionally guaranteed by CM Leasing HK or the Company, as either of them is specified in the relevant Pricing Supplement to be the Guarantor for that Tranche. If CM Leasing HK is specified in the relevant Pricing Supplement as being the Guarantor, CM Leasing HK has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. If the Company is specified in the relevant Pricing Supplement as being the Guarantor, the Company will in respect of such Tranche of Notes pursuant to the relevant Deed of Guarantee unconditionally and irrevocably guarantee the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. The Company has undertaken in the Trust Deed to (i) execute a Deed of Guarantee in connection with such Notes on the relevant Issue Date; (ii) register or cause to be registered with SAFE the relevant Deed of Guarantee within 15 PRC Business Days after its execution; (iii) use its best endeavours to complete the Cross-border Security Registration on or before the relevant Registration Deadline and obtain a registration certificate from SAFE and the completed SAFE registration status form; (iv) before the relevant Registration Deadline and within five PRC Business Days after receipt of such evidence and form, deliver to the Trustee the documents comprising the Registration Conditions; (v) procure that the Issuer releases a notice to the Noteholders confirming the satisfaction of the Registration Conditions within five PRC Business Days after the documents comprising the Registration Conditions are delivered to the Trustee; and (vi) comply with all applicable PRC laws and regulations in relation to the Guarantee of the Notes.

Keepwell and Liquidity Support Deeds and the Deed of Equity Interest Purchase Undertaking	The Issuer, CM Leasing HK, the Company and the Parent, as the case may be, will enter into the Keepwell and Liquidity Support Deeds and the Deed of Equity Interest Purchase Undertaking with the Trustee as further described in "*Offer Structure — The Keepwell and Liquidity Support Deeds*", "*Offer Structure — The Deed of Equity Interest Purchase Undertaking*", "*Description of the Keepwell and Liquidity Support Deeds*" and "*Description of the Deed of Equity Interest Purchase Undertaking*". Where CM Leasing HK is specified in the relevant Pricing Supplement as being the Guarantor, the relevant Tranche of Notes will have the benefit of the Keepwell and Liquidity Support Deeds each granted by the Company and the Parent, respectively, and the Deed of Equity Interest Purchase Undertaking granted by the Company. Where the Company is specified in the relevant Pricing Supplement as being the Guarantor, the relevant Tranche of Notes will have the benefit of the Parent Keepwell and Liquidity Support Deed granted by the Parent.
Form of the Notes	Notes may be issued in bearer form or in registered form. Registered Notes will not be exchangeable for Bearer Notes and vice versa. No single Series or Tranche may comprise both Bearer Notes and Registered Notes. Each Tranche of Bearer Notes will initially be represented by a Temporary Global Note or a Permanent Global Note, as specified in the relevant Pricing Supplement, which, in each case, may be deposited on the Issue Date with a common depositary for Euroclear, Clearstream or any other agreed clearance system compatible with Euroclear and Clearstream or, in respect of CMU Notes, a sub-custodian for the CMU Service. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Any interest in a Temporary Global Note or a Permanent Global Note will be transferable only in accordance with the rules and procedures or the time being of Euroclear, Clearstream, the CMU Service and/or any other agreed clearance system, as appropriate. Bearer Notes will be issued in compliance with applicable U.S. tax rules. Bearer Notes will be issued in compliance with rules in substantially the same form as U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code (the "**TEFRA D Rules**") unless (i) the relevant Pricing Supplement states that the Bearer Notes are issued in compliance with rules in substantially the same form as U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) for purposes of Section 4701 of the U.S. Internal Revenue Code (the "**TEFRA C Rules**") or (ii) the Bearer Notes have a term of one year or less (taking into account any unilateral extension or rollover rights) If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Registered Notes will be represented by registered certificates, one Individual Note Certificate being issued in respect of each Noteholder's entire holding of Notes in registered form of one Series. Individual Note Certificates representing Registered Notes that are

registered in the name of, or in the name of a nominee for, one or more clearing systems are referred to as Global Note Certificates. Global Notes and Global Note Certificates may be deposited on the relevant Issue Date with a common depositary on behalf of Euroclear and/or Clearstream, or with a sub-custodian for the CMU Service operated by the Hong Kong Monetary Authority, and in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream and/or the CMU Service, or delivered outside a clearing system, as agreed between the Issuer, the Principal Paying Agent, the Registrar and the relevant Dealer.

Application will be made to have Global Notes or Global Note Certificates of any Tranche accepted for clearance and settlement through the facilities of Euroclear, Clearstream, and/or the CMU Service, as appropriate.

Currencies

Notes may be denominated in any currency or currencies agreed between the Issuer, the relevant Guarantor, the Parent and, in respect of Notes guaranteed by CM Leasing HK only, the Company and the relevant Dealer(s) subject to compliance with all applicable legal and/ or regulatory and/or central bank requirements. Payments in respect of the Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

Denominations

Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Status of the Notes

The Notes constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer which will at all times rank *pari passu* and without any preference or priority among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. See "*Terms and Conditions of the Notes — Status and Guarantee*".

Status of the Guarantee of the Notes

The Guarantee of the Notes in each case constitutes direct, unsubordinated, unconditional and unsecured obligations of the relevant Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of such Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. See "*Terms and Conditions of the Notes — Status and Guarantee*".

Issue Price

Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.

Maturities

Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its

	equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Finance Services and Markets Act 2000 ("**FSMA**") by the Issuer.
Redemption	Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the maturity date of the relevant Tranche as described in Condition 9(a) (*Scheduled redemption*).
Optional Redemption	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) as described in Condition 9(d) (*Redemption at the option of the Issuer*) and/or the Noteholders in Condition 9(f) (*Redemption at the option of Noteholders*) to the extent (if at all) specified in the relevant Pricing Supplement.
Tax Redemption	The Notes may be redeemed at the option of the Issuer in whole, but not in part for tax reasons as described in Condition 9(b) (*Redemption for tax reasons*).
Redemption for Change of Control	In relation to Notes where Change of Control Put is specified in the relevant Pricing Supplement, subject to the provisions of Condition 9(c) (*Redemption for Change of Control*) at any time following the occurrence of a Change of Control, each Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all, but not some only, of that Noteholder's Notes on the Change of Control Put Date at the relevant Early Redemption Amount (Change of Control), together with accrued interest up to, but excluding, the Change of Control Put Date.
Redemption upon a No Registration Event	In relation to Notes where the Company is specified in the relevant Pricing Supplement as being the Guarantor, subject to the provisions of Condition 9(g) (*Redemption upon a No Registration Event*), at any time following the occurrence of a No Registration Event, each Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all, but not some only, of that Noteholder's Notes subject of the relevant Pricing Supplement on the No Registration Event Put Date at the Early Redemption Amount (No Registration Event), together with accrued interest up to, but excluding the No Registration Event Put Date.
Interest	Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Tranche. All such information will be set out in the relevant Pricing Supplement.
Covenants	The Notes will contain certain covenants, including but not limited to, Condition 5(a) (*Certain Covenants — Negative Pledge*), Condition 5(g) (*Certain Covenants — Reporting to the NDRC*) and Condition 5(h) (*Certain Covenants — Cross-border Security Registration*).
Cross-Default	The Notes will contain a cross-default provision as further described in Condition 13(c) (*Cross-default of Issuer, Guarantor, Company, Parent or Subsidiary*).

Withholding Tax	All payments of principal and interest in respect of the Notes and the Coupons will be made free and clear of, and without withholding or deduction for or account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, Hong Kong (in the case of the Guarantor being CM Leasing HK) or the PRC, unless the withholding or deduction is required by law. In that event, the Issuer or the Guarantor, as the case may be, will (subject to certain exceptions as described in Condition 12 (*Taxation*)) pay such additional amounts as will result in the Noteholders and the Couponholders receiving such amounts as they would have received in respect of such Notes, had no such withholding or deduction been required.
Listing and Trading	Approval in-principle has been received from SGX-ST for the listing and quotation of any Notes that may be issued pursuant to the Programme and which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such approval will be granted when such Notes have been admitted to the Official List of the SGX-ST. If the application to the SGX-ST to list a particular Tranche of Notes is approved, for so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes, if traded, will be traded on the SGX-ST in a board lot size of at least U.S.$200,000 (or its equivalent in other currencies). However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the SGX-ST or listed, traded or quoted on or by any other competent authority, exchange or quotation system.
Governing Law and Jurisdiction	The Notes, each Deed of Guarantee, the Agency Agreement, the Trust Deed, each Keepwell and Liquidity Support Deed and the Deed of Equity Interest Purchase Undertaking and any non-contractual obligations arising out of or in connection with the Notes, each Deed of Guarantee, the Agency Agreement, the Trust Deed, each Keepwell and Liquidity Support Deed and the Deed of Equity Interest Purchase Undertaking will be governed by, and shall be construed in accordance with, English law. The courts of Hong Kong are to have exclusive jurisdiction to settle any dispute, arising from or connected with the Notes, each Deed of Guarantee, the Agency Agreement, the Trust Deed, each Keepwell and Liquidity Support Deed and the Deed of Equity Interest Purchase Undertaking.
Rating	Notes issued under the Programme may be rated or unrated, as specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of offering materials in the United States of America, the European Economic Area, the United Kingdom, Japan, Hong Kong, the PRC, Singapore and the British Virgin Islands, see "*Subscription and Sale*" below.

	In connection with the offering and sale of a particular Series of the Notes, additional restrictions may be imposed which will be set out in the relevant Pricing Supplement.
Initial Delivery of the Notes	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Note Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream or a sub-custodian for the CMU Service and/or any other clearing system on or about the issue date or may be delivered outside any clearing system **provided that** the method of such delivery has been agreed in advance by the Issuer, the Principal Paying Agent, the CMU Lodging and Paying Agent, the relevant registrar and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of a nominee or a sub custodian for, or the operator of, such clearing systems.

SUMMARY FINANCIAL INFORMATION OF THE GROUP

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated.

The summary consolidated income statements for the period from 16 April 2015 (the date of incorporation of the Company) to 31 December 2015 and for the year ended 31 December 2016 and the summary consolidated statements of the Group's financial position as at 31 December 2015 and 31 December 2016, which has been audited by PricewaterhouseCoopers Zhong Tian LLP, Beijing Branch and PricewaterhouseCoopers Zhong Tian LLP separately, have been derived from the Group's audited consolidated financial statements as at and for the year ended 31 December 2016, and included elsewhere in this Offering Circular. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the Group's Audited Financial Statements, including the notes thereto.

The summary consolidated financial information as at 30 June 2017 and for the six months ended 30 June 2016 and 2017 has been derived from the Group's reviewed financial statements for the six months ended 30 June 2017. The consolidated interim statements for the period ended 30 June 2017 have been reviewed by PricewaterhouseCoopers Zhong Tian LLP in accordance with CSRE 2101, and included elsewhere in this Offering Circular. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the Group's Reviewed Financial Statements, including the notes thereto, which are included elsewhere in this Offering Circular.

The Group's Audited Financial Statements have been prepared and presented in accordance with PRC GAAP.

CONSOLIDATED INCOME STATEMENTS OF THE GROUP

	Period from 16 April 2015 (date of incorporation) to 31 December 2015	Year ended 31 December 2016	Six months ended 30 June	
			2016	2017
	(audited)	(audited)	(unaudited)	(unaudited)
	(RMB)		(RMB)	
Item				
Operating income	327,657,738	1,260,034,386	406,065,070	1,100,493,525
Less: Operating expenses	(56,200,384)	(605,938,680)	(141,041,112)	(653,601,514)
Taxes and surcharges	(2,938,496)	(7,108,337)	(3,504,877)	(922,483)
General and administrative expenses	(100,233,899)	(218,970,160)	(77,752,529)	(114,042,910)
Finance income-net	17,236,583	7,861,600	2,032,684	21,769,410
Asset impairment losses	(13,091,912)	(146,658,495)	(8,619,421)	(87,667,186)
Net losses from fair value changes	—	—	—	(2,235,500)
Add: Investment income	—	22,356	—	6,377,964
Operating profit	172,429,630	289,242,670	177,179,815	270,171,306
Add: Non-operating income	20,000,000	27,882,500	25,953,089	38,168,672
Total profit	192,429,630	317,125,170	203,132,904	308,339,978
Less: Income tax expenses	(51,204,195)	(79,898,148)	(50,852,791)	(77,310,497)
Net profit	141,225,435	237,227,022	152,280,113	231,029,481
Net profit attributable to shareholders of the Company	141,225,435	237,227,022	152,280,113	231,029,481
Other comprehensive income/(loss), net of tax	—	490,917	(4,299)	(137,942)
Other comprehensive income attributable to shareholders of the Company, net of tax				
Items that will be subsequently reclassified to profit or loss				
Currency translation differences	—	490,917	(4,299)	(137,942)
Total comprehensive income	141,225,435	237,717,939	152,275,814	230,891,539
Total comprehensive income attributable to shareholders of the Company	141,225,435	237,717,939	152,275,814	230,891,539

CONSOLIDATED BALANCE SHEETS OF THE GROUP

	As at 31 December		As at 30 June
	2015	2016	2017
	Note(1)	(audited)	(unaudited)
	(RMB)		(RMB)
Assets			
Current Assets			
Cash at bank and on hand	1,387,070,508	2,071,258,341	2,028,661,446
Prepayments	1,481,874	7,639,707	—
Interest receivable	10,238,005	15,285,965	43,973,512
Other receivables	2,845,883	2,147,914,306	2,883,699,943
Current portion of non-current assets	1,715,527,810	5,123,748,221	6,289,131,305
Other current assets	—	142,867,693	59,074,315
Total current assets	3,117,164,080	9,508,714,233	11,304,540,521
Non-current assets			
Available-for-sale financial assets	—	30,000,000	45,684,545
Long-term receivables	5,698,743,502	17,756,072,326	23,325,791,193
Long-term equity investments	—	520,022,356	526,400,320
Financial assets at fair value through profit or loss	—	597,850,000	671,720,000
Fixed assets	250,208	1,737,784,740	1,657,684,809
Intangible assets	—	4,023,176	4,075,998
Long-term prepaid expenses	—	—	7,204,584
Deferred tax assets	11,059,644	54,881,453	54,876,966
Other non-current assets	33,930,600	—	104,304,245
Total non-current assets	5,743,983,954	20,700,634,051	26,397,742,660
Total Assets	8,861,148,034	30,209,348,284	37,702,283,181

	As at 31 December		As at 30 June
	2015	2016	2017
	Note(1)	(audited)	(unaudited)
	(RMB)		(RMB)
Liabilities and Shareholders' Equity			
Current Liabilities			
Short-term borrowings	1,365,000,000	7,355,623,800	9,314,626,666
Derivative financial liabilities	—	—	2,235,500
Advances from customers	1,000,000	41,194,503	26,106,924
Employee benefits payable	26,659,863	66,136,017	98,744,549
Taxes payable	7,773,748	64,746,390	54,510,303
Interests payable	8,745,634	54,093,302	145,616,520
Dividends payable	—	—	317,000,000
Other payables	555,324,165	1,617,406,871	3,585,424,864
Current portion of non-current liabilities	915,237,193	2,858,367,040	4,151,722,017
Other current liabilities	—	—	681,828,306
Total current liabilities	2,879,740,603	12,057,567,923	18,377,815,649
Non-current liabilities			
Long-term borrowings	1,672,090,911	4,099,090,078	5,298,539,820
Bonds payable	670,000,000	6,645,640,032	6,606,256,621
Long-term payables	—	1,226,344,253	1,120,238,055
Other non-current liabilities	497,901,301	1,301,572,840	1,506,408,239
Total non-current liabilities	2,839,992,212	13,272,647,203	14,531,442,835
Total liabilities	5,719,732,815	25,330,215,126	32,909,258,484
Shareholders' Equity			
Share capital	3,000,000,000	4,500,000,000	4,500,000,000
Capital reserve	189,784	189,784	189,784
Other comprehensive income	—	490,917	352,975
Surplus reserve	14,097,620	35,284,834	35,284,834
Retained earnings	127,127,815	343,167,623	257,197,104
Total Shareholders' Equity	3,141,415,219	4,879,133,158	4,793,024,697
Total Liabilities and Shareholders' Equity	8,861,148,034	30,209,348,284	37,702,283,181

(1) Certain comparative information of the Group as at 31 December 2015 has been reclassified to conform with the presentation of the Group's audited consolidated financial statements as at 31 December 2016. Please refer to Note 14 of the Group's audited consolidated financial statements for the year ended 31 December 2016. Unless otherwise specified, the financial information of the Group as at 31 December 2015 contained in this Offering Circular has been derived from the 2015 comparative information contained in the Group's audited consolidated financial statements for the year ended 31 December 2016.

SUMMARY FINANCIAL INFORMATION OF THE PARENT GROUP

The following tables set forth the summary consolidated financial information of the Parent Group as at and for the periods indicated.

The summary consolidated financial information as at and for the years ended 31 December 2015 and 2016 has been derived from the Parent Group's audited consolidated financial statements for the years ended 31 December 2016, which have been audited by PricewaterhouseCoopers Zhong Tian LLP, and included elsewhere in this Offering Circular. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the Parent Group's Audited Financial Statements, including the notes thereto, which are included elsewhere in this Offering Circular. The 2014 and 2015 comparative financial information as contained herein were restated to reflect the change in accounting policy with effect from 1 January 2016 when the Parent Group, in an effort to measure the cost of investment properties and inventories more accurately, changed its allocation method for the cost of land use rights of to-be-developed buildings from allocation in proportion to the building area to allocation according to the fair value at the purchase date. The change in the Parent Group's allocation method for the cost of land use rights of to-be-developed buildings has been applied retrospectively. The 2014 and 2015 comparative financial information of the Parent Group as contained herein, which were restated, were neither audited nor reviewed by the auditor of the Parent Group. The Parent Group's Audited Financial Statements for the years ended 31 December 2014 and 2015 contain original financial information, which are not comparable with the financial information of 2016 as contained herein.

The summary consolidated financial information as at 30 June 2017 and for the six months ended 30 June 2016 and 2017 has been derived from the Parent Group's reviewed consolidated interim financial statements for the six months ended 30 June 2017. The consolidated interim financial statements for the six months ended 30 June 2017 have been reviewed by PricewaterhouseCoopers Zhong Tian LLP in accordance with CSRE 2101, and included elsewhere in this Offering Circular. The consolidated interim financial statements for the six months ended 30 June 2016 were neither audited nor reviewed. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the Parent Group's Reviewed Financial Statements, including the notes thereto, which are included elsewhere in this Offering Circular.

The Parent Group's Audited Financial Statements have been prepared and presented in accordance with PRC GAAP.

CONSOLIDATED INCOME STATEMENTS OF THE PARENT GROUP

	Period from 9 May 2014 (date of incorporation) to 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2016	Six months ended 30 June	
				2016	2017
	(restated)	(restated)	(audited)	(unaudited)	(unaudited)
		(RMB)		(RMB)	
Revenue	3,778,432,881	4,663,620,204	19,514,817,924	3,331,322,038	13,195,918,088
Less: Cost of sales	(218,579,261)	(1,427,034,436)	(15,036,371,688)	(2,621,276,555)	(10,710,018,057)
Taxes and surcharges	(3,858,599)	(66,600,125)	(491,403,274)	(47,088,413)	(90,233,831)
Selling expenses	(5,896,492)	(69,548,459)	(303,728,765)	(120,415,904)	(214,134,838)
General and administrative expenses	(503,004,048)	(2,470,611,462)	(3,979,806,199)	(1,151,300,066)	(2,383,280,664)
Finance expenses - net	27,308,796	(507,989,120)	(2,265,219,110)	(1,121,768,714)	(3,397,273,477)
Asset impairment losses	(4,299,792)	(95,288,811)	(521,029,766)	(186,431,149)	(822,758,107)
Add: Net gains from fair value changes	5,126,497,545	1,779,439,436	1,661,146,149	1,447,027,262	(351,190,831)
Investment income	4,610,389	305,221,457	2,036,422,965	746,761,859	11,762,087,583
Including: Share of profit of associates and joint ventures	—	165,452,467	821,571,205	170,955,786	240,169,080

	Period from 9 May 2014 (date of incorporation) to 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2016	Six months ended 30 June	
				2016	2017
	(restated)	(restated) (RMB)	(audited)	(unaudited) (RMB)	(unaudited)
Operating profit	8,201,211,419	2,111,208,684	614,828,236	276,830,358	6,989,115,866
Add: Non-operating income	179,774,950	3,302,857,247	3,514,957,816	424,354,154	433,238,277
Less: Non-operating expenses	(500,000)	(131,367,509)	(151,409,587)	(20,999,385)	(32,457,219)
Total profit	8,380,486,369	5,282,698,422	3,978,376,465	680,185,127	7,389,896,924
Less: Income tax expenses	2,100,349,728	(641,359,504)	(301,879,931)	(433,439,287)	(2,686,924,468)
Net profit	6,280,136,641	4,641,338,918	3,676,496,534	246,745,840	4,702,972,456
Net profit attributable to shareholders of the company	6,096,257,976	4,730,020,803	2,767,217,019	302,024,552	3,545,677,156
Minority interest	183,878,665	(88,681,885)	909,279,515	(55,278,712)	1,157,295,300

	Period from 9 May 2014 (date of incorporation) to 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2016	Six months ended 30 June	
				2016	2017
	(restated)	(restated) (RMB)	(audited)	(unaudited) (RMB)	(unaudited)
Other comprehensive income, net of tax	(8,544,191)	(224,225,792)	1,044,961,241	1,136,089,874	301,593,125
Other comprehensive income attributable to shareholders of the Company, net of tax	(6,925,917)	(248,574,203)	1,005,939,593	1,128,696,747	337,407,417
Other comprehensive income that will not be subsequently reclassified to profit and loss					
— Changes arising from remeasurement of net liability on net asset of defined benefit plans	—	—	—	4,267,025	—
Items that will be subsequently reclassified to profit and loss					
— Share of other comprehensive income of the investees accounted for using equity method which will be reclassified subsequently to profit or loss	—	—	(44,223,993)	(21,138,147)	105,737,109
— Currency translation differences	(6,925,917)	619,817,569	360,795,961	459,581,451	(2,974,123)
— Changes in fair value of available-for-sale financial assets	—	(868,391,772)	686,565,138	685,573,343	234,644,431
— Others	—	—	2,802,487	413,075	—
Other comprehensive income attributable to minority interest, net of tax	(1,618,274)	(24,348,411)	39,021,648	7,393,127	(35,814,292)
Total comprehensive income	6,271,592,450	4,417,113,126	4,721,457,775	1,382,835,714	5,004,565,581
Total comprehensive income attributable to shareholders of the Company	6,089,332,059	4,481,446,600	3,773,156,612	1,430,721,299	3,883,084,573
Total comprehensive income attributable to minority interest	182,260,391	(64,333,474)	948,301,163	(47,885,585)	1,121,481,008

CONSOLIDATED BALANCE SHEETS OF THE PARENT GROUP

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	(restated)	(restated) (RMB)	(audited)	(unaudited) (RMB)
Current assets				
Cash at bank and on hand	4,154,195,533	25,136,387,871	36,584,509,905	44,951,670,237
Financial assets at fair value through profit or loss	18,167,012,356	10,680,123,455	36,397,929,835	34,364,048,409
Loan and receivable	—	1,177,686,695	4,700,489,160	14,783,116,428
Notes receivable	—	540,000	30,510,274	578,535,925
Accounts receivable	134,402,309	241,345,574	1,950,852,583	3,097,280,778
Prepayment	42,050,580	3,173,067,188	1,119,918,464	1,282,780,433
Dividends receivable	—	—	7,073,969	4,790,380,142
Interest receivable	—	52,704,064	187,615,611	473,249,288
Premium receivable	—	—	2,737,599,068	3,869,097,249
Reinsurance receivables	—	—	327,693,107	376,446,925
Reinsurance reserves	—	—	1,183,515,750	1,163,887,390
Other receivables	1,429,880,015	3,603,481,486	9,205,324,279	23,050,939,681
Inventories	12,199,944,519	21,839,883,664	33,283,745,165	16,981,754,550
Assets classified as held for sale	—	9,654,151,449	3,517,445,974	415,627,623
Current portion of non-current assets	—	1,553,027,054	5,123,748,221	6,854,825,205
Other current assets	96,749,986	857,935,225	2,434,548,222	1,697,526,967
Total current assets	36,224,235,298	77,970,333,725	138,792,519,587	158,731,167,230

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	(restated)	(restated) (RMB)	(audited)	(unaudited) (RMB)
Non-current assets				
Available-for-sale financial assets	—	2,901,872,906	2,561,159,076	2,690,032,375
Long-term receivables	—	4,454,559,923	16,703,720,516	25,437,967,623
Long-term equity investments	—	4,244,551,847	15,148,491,736	28,634,013,464
Investment properties	18,530,000,000	25,428,696,000	39,697,827,534	17,260,263,908
Fixed assets	241,622,420	1,627,779,506	8,398,114,438	9,913,693,201
Construction in progress	14,337,471	5,877,618,624	5,566,533,909	4,106,986,619
Intangible assets	813,745	515,845,771	2,527,055,973	3,975,619,671
Engineering materials	—	—	—	12,121,282
Biological assets	—		2,199,385	1,786,995
Goodwill	556,086,382	1,229,466,090	4,874,427,938	7,740,453,795
Long-term prepaid expenses	292,144,519	1,334,420,279	1,053,166,061	879,041,052
Deferred tax assets	88,393,874	1,105,846,548	3,689,355,451	3,139,676,175
Other non-current assets	495,904,360	20,325,874,023	33,455,329,853	51,291,534,522
Total non-current assets	20,219,302,771	69,046,531,517	133,677,381,870	155,083,190,682
TOTAL ASSETS	56,443,538,069	147,016,865,242	272,469,901,457	313,814,357,912
Current liabilities				
Short-term borrowings	3,030,000,000	26,614,010,881	33,552,050,448	40,201,468,057
Financial liabilities at fair value through profit and loss	—	—	515,380,826	586,766,563
Notes payable	—	299,795,343	368,922,341	362,607,427
Accounts payable	24,439,883	751,255,513	3,794,625,240	4,223,865,310
Advances from customers	90,147,643	2,167,959,103	4,690,701,072	4,031,885,312
Employee benefits payable	305,189,590	770,976,961	2,115,547,973	1,651,579,311
Taxes payable	981,858,030	3,656,166,242	2,913,804,121	3,877,032,541
Interest payable	4,863,169	164,445,836	868,621,435	1,309,641,458
Dividends payable	—	1,655,587,389	460,673,075	4,767,924,675
Other payables	1,911,909,727	12,410,081,171	19,279,120,352	17,559,269,955

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	(restated)	(restated) (RMB)	(audited)	(unaudited) (RMB)
Reinsurance payable	—	—	1,131,384,334	1,169,014,445
Insurance contract reserves	—	—	5,590,665,583	6,393,349,938
Claims payable	—	—	—	156,225,529
Liabilities classified as held for sale	—	7,398,019,636	178,189,394	433,536,215
Current portion of non-current liabilities	—	6,031,619,124	5,405,846,590	30,874,250,497
Other current liabilities				
— Bonds payable	—	4,632,957,960	21,676,392,668	20,506,669,881
— Others	—	17,164,262	176,804,151	440,048,829
Total current liabilities	6,348,408,042	66,570,039,421	102,718,729,603	138,545,153,943
Non-current liabilities				
Long-term borrowings	200,000,000	9,299,090,315	38,509,411,661	44,527,927,079
Long-term payables	6,673,770,173	15,624,903,709	17,173,223,374	6,127,373,029
Deferred income	—	—	—	1,560,001
Deferred tax liabilities	1,659,771,692	3,903,001,178	8,831,741,660	7,132,312,644
Bonds payable	—	2,610,420,611	21,400,851,414	31,042,766,103
Other non-current liabilities				
— Insurance contract reserves	—	—	7,682,795,628	7,644,778,115
— Others	55,583,221	838,657,285	4,129,004,652	5,228,747,747
Total non-current liabilities	8,589,125,086	32,276,073,098	97,727,028,389	101,705,464,718
Total liabilities	14,937,533,128	98,846,112,519	200,445,757,992	240,250,618,661

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	(restated)	(restated) (RMB)	(audited)	(unaudited) (RMB)
SHAREHOLDER'S EQUITY				
Paid-in capital	33,200,000,000	34,200,000,000	38,900,000,000	39,300,000,000
Capital surplus	257,333,273	314,060,146	1,601,663,849	1,339,987,586
Less: Treasury stock	—	(200,000,000)	(400,000,000)	(800,000,000)
Other comprehensive income	(6,925,917)	(255,500,120)	750,439,473	1,087,846,890
Surplus reserves	69,035,755	400,000,000	564,895,267	564,895,267
Retained earnings	6,027,222,221	6,908,224,645	9,510,546,397	8,634,023,553
Total equity attributable to shareholders of the Company	39,546,665,332	41,366,784,671	50,927,544,986	50,126,753,296
Minority interest	1,959,339,609	6,803,968,052	21,096,598,479	23,436,985,955
TOTAL SHAREHOLDER'S EQUITY	41,506,004,941	48,170,752,723	72,024,143,465	73,563,739,251
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	56,443,538,069	147,016,865,242	272,469,901,457	313,814,357,912

CONSOLIDATED CASH FLOW STATEMENTS OF THE PARENT GROUP

	As at 31 December			As at 30 June	
	2014	2015	2016	2016	2017
	(restated)	(restated)	(audited)	(unaudited)	(unaudited)
		(RMB)		(RMB)	
Cash flows from operating activities					
Cash receipts from sales of goods and the rendering of services	228,541,837	2,213,429,835	10,900,827,430	2,483,554,645	8,956,205,040
Cash receipts from financial leases	—	804,421,573	4,862,256,863	1,204,912,769	4,281,478,853
Cash receipts from insurance premium	—		4,906,130,961	1,194,052,974	4,766,625,300
Refund of taxes and surcharges	—	7,841,137	171,386,239	19,876,560	46,224,203
Cash receipts from investment companies' investment income	—	7,761,940	757,399,213	199,583,870	1,788,970,503
Cash receipts from investment companies' disposal of investments	40,832,536,823	32,243,925,923	31,997,396,394	8,495,773,188	9,329,650,217
Cash receipts from financial leasing companies' borrowings	—	—	13,692,819,918	—	10,409,843,504
Cash receipts from operating leases	—	—	—	—	106,624,277
Cash receipts relating to other operating activities	12,363,319	1,110,300,892	5,125,695,349	2,111,214,662	4,380,844,695
Sub-total of cash inflows	41,073,441,979	36,387,681,300	72,413,912,367	15,708,968,668	44,066,466,592
Cash payments for goods purchased and services received	(9,304,354,671)	(1,779,464,100)	(7,540,905,624)	(1,597,462,507)	(8,794,238,151)
Cash payments for financial leases	—	(7,099,019,024)	(17,366,191,761)	(7,583,320,656)	(12,913,678,201)
Cash payments for insurance claims	—	—	(2,457,383,149)	(821,641,571)	(1,861,118,590)
Cash payments for insurance commission and brokerage fee	—	—	(1,074,012,863)	(403,622,489)	(894,768,491)
Cash payments to and on behalf of employees	(91,378,722)	(1,428,221,100)	(3,528,571,132)	(2,043,916,834)	(2,536,662,352)
Payments of taxes and levies	(127,813,468)	(730,645,632)	(1,405,973,529)	(1,088,460,626)	(1,544,065,557)
Cash payments for investment companies' purchase of financial assets	(55,462,545,340)	(37,750,677,187)	(40,424,605,284)	(10,654,099,556)	(13,894,044,213)
Cash repayments of financial leasing companies' borrowings	—	—	(4,129,075,839)	—	(5,421,826,690)
Cash payments for financial leasing companies' interest of borrowings	—	—	(304,663,155)	—	(277,230,167)
Cash payments relating to other operating activities	(334,899,788)	(2,899,316,786)	(8,887,130,479)	(773,773,045)	(9,534,442,851)
Sub-total of cash outflows	(65,320,991,989)	(51,687,343,829)	(87,118,512,815)	(24,966,297,284)	(57,672,075,263)
Net cash used in operating activities	(24,247,550,010)	(15,299,662,529)	(14,704,600,448)	(9,257,328,616)	(13,605,608,671)
Cash flows from investing activities					
Cash receipts from investment income	—	126,592,034	1,706,089,267	256,014,719	730,767,340
Cash receipts from disposal of investments	4,610,389	3,396,060,710	24,925,613,981	11,774,680,574	10,597,308,430
Net cash receipts from acquisition of subsidiaries and other business units	189,828,367	1,983,173,260	809,291,040	679,431,882	98,058,103
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	—	—	39,927,917	18,418,000	28,098,247
Net cash receipts from disposal of subsidiaries and other business units	—	—	2,015,191,776	790,154,846	9,402,083,281
Cash receipts relating to other investing activities	—	105,727,300	726,717,322	2,376,456,573	2,478,072,135
Sub-total of cash inflows	194,438,756	5,611,553,304	30,222,831,303	15,895,156,594	23,334,387,536
Net cash payments for investments of associates and joint ventures	—	(3,769,680,186)	(3,804,918,129)	(223,718,026)	(2,437,369,271)
Net cash payments for acquisition of subsidiaries and other business units	(588,000,000)	(463,610,104)	(17,291,603,964)	(13,499,858,923)	(4,908,177,281)
Cash payments for investments	—	(10,612,604,795)	(33,824,165,159)	(11,938,566,260)	(12,024,208,450)
Cash payments to acquire fixed assets, intangible assets and other long-term assets	(16,417,836,800)	(3,812,407,877)	(6,373,264,119)	(3,483,872,288)	(1,107,559,002)
Cash payments relating to other investing activities	(1,000,000,000)	(692,669,575)	(1,577,561,922)	(2,146,276,171)	(6,039,878,640)
Sub-total of cash outflows	(18,005,836,800)	(19,350,972,537)	(62,871,513,293)	(31,292,291,668)	(26,517,192,644)
Net cash used in investing activities	(17,811,398,044)	(13,739,419,233)	(32,648,681,990)	(15,397,135,074)	(3,182,805,108)

	As at 31 December			As at 30 June	
	2014	2015	2016	2016	2017
	(restated)	(restated)	(audited)	(unaudited)	(unaudited)
		(RMB)		(RMB)	
Cash flows from financing activities					
Cash receipts from capital contributions	35,300,000,000	7,822,500,000	12,690,877,505	3,581,376,470	703,204,930
Including: Capital contributions by minority interest of subsidiaries	2,100,000,000	2,190,000,000	12,690,877,505	3,581,376,470	676,764,930
Cash receipts from borrowings	4,230,000,000	41,655,581,363	49,978,779,535	30,996,504,390	37,189,221,910
Cash receipts form asset-backed securities issued	—	1,016,723,468	2,300,000,000	892,668,344	1,030,000,000
Cash receipts from bonds issued	—	6,539,249,096	35,594,076,935	11,607,277,083	8,166,880,166
Cash receipts from deposits pledged for financing activities	—	—	2,694,284,855	2,860,088,572	976,327,469
Cash receipts relating to other financing activities	8,241,976,020	10,184,029,336	5,232,355,483	504,200,335	3,657,807,736
Sub-total of cash inflows	47,771,976,020	67,218,083,263	108,490,374,313	50,442,115,194	51,723,442,211
Cash repayments of borrowings	(1,550,000,000)	(13,777,000,720)	(43,733,172,816)	(20,701,516,959)	(21,604,780,102)
Cash payments for interest or distribution of dividends and profits	(288,242)	(3,986,561,339)	(5,144,721,559)	(3,298,452,204)	(2,837,891,270)
Cash payments of assets supported by securities	—	—	—	—	(753,909,664)
Cash payments for deposits pledged for financing activities	—	(3,937,691,843)	(200,074,865)	(1,250,502,648)	(545,680,000)
Cash payments relating to other financing activities	—	(2,402,481,787)	(1,025,869,326)	(733,930,515)	(2,267,480,285)
Sub-total of cash outflows	(1,550,288,242)	(24,103,735,689)	(50,103,838,566)	(25,984,402,326)	(28,009,741,321)
Net cash generated from financing activities	46,221,687,778	43,114,347,574	58,386,535,747	24,457,712,868	23,713,700,890
Net effect of foreign exchange rate changes on cash and cash equivalents	(8,544,191)	759,227,229	473,324,252	10,268,504	(192,038,524)
Net increase/(decrease) in cash and cash equivalents	4,154,195,533	14,834,493,041	11,506,577,561	(186,482,318)	6,733,248,587
Add: Cash and cash equivalents at the beginning of the year	—	4,154,195,533	18,988,688,574	18,988,688,574	30,495,266,135
Cash and cash equivalents at the end of the year	4,154,195,533	18,988,688,574	30,495,266,135	18,802,206,256	37,228,514,722

SUMMARY FINANCIAL INFORMATION OF CM LEASING HK

The following tables set forth the summary consolidated financial information of CM Leasing HK as at and for the periods indicated.

The summary consolidated financial information as at 31 December 2016 and for the period from 14 September 2015 (the date of incorporation of CM Leasing HK) to 31 December 2016 has been derived from the CM Leasing HK's audited consolidated financial statements for the period from 14 September 2015 (the date of incorporation of CM Leasing HK) to 31 December 2016, which have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, and included elsewhere in this Offering Circular. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the CM Leasing HK's Audited Financial Statements, including the notes thereto.

The summary consolidated financial information as at 30 June 2017 and for the six months ended 30 June 2017 has been derived from the CM Leasing HK's unaudited condensed consolidated interim financial information for the six months ended 30 June 2017, which have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong in accordance with HKSRE 2410, and included elsewhere in this Offering Circular. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the CM Leasing HK's Reviewed Financial Statements, including the notes thereto.

The CM Leasing HK's Audited Financial Statements have been prepared and presented in accordance with HKFRS.

CONSOLIDATED STATEMENTS COMPREHENSIVE INCOME OF CM LEASING HK

	Period from 14 September 2015 (date of incorporation) to 31 December 2016	Six months ended 30 June	
	2016	**2016**	**2017**
	(audited) **(USD)**	**(unaudited)**	**(unaudited)** **(USD)**
Revenue	14,275,276	—	27,140,188
Cost of services	(10,808,949)	(42,844)	(19,650,106)
Gross profit	3,466,327	(42,844)	7,490,082
Administrative expenses	(1,394,800)	—	(2,102,885)
Finance (costs)/income	(23,596)	(30)	1,576,940
Profit before income tax	2,047,931	(42,874)	6,964,137
Income tax expense	(249,338)	—	449,470
Profit for the period	1,798,593	(42,874)	7,413,607
Profit attributable to Owners of the Company	1,798,593	(42,874)	7,413,607
Other comprehensive (loss)/income			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences	(4,450)	120	2,408
Total other comprehensive (loss)/income for the period	(4,450)	120	2,408
Total comprehensive income for the period	1,794,143	(42,754)	7,416,015
Total comprehensive income for the period attributable to Owners of the Company	1,794,143	(42,754)	7,416,015

CONSOLIDATED BALANCE SHEETS OF CM LEASING HK

	As at 31 December 2016 (audited) (USD)	As at 30 June 2017 (unaudited) (USD)
Non-current assets		
Property, plant and equipment	250,130,294	244,312,059
Financial assets at fair value through profit or loss	50,000,000	50,000,000
Other assets	1,290	6,161,290
Deferred income tax assets	41,886	800,538
Receivables from finance lease contracts	180,906,913	284,569,945
Loan receivables	24,438,530	25,832,708
Total non-current assets	505,518,913	611,676,540
Current assets		
Other assets	33,823	3,407,639
Loan receivables	—	389,500,000
Receivables from finance lease contracts	6,602,559	18,824,101
Cash and cash equivalent	11,283,151	7,696,644
Total current assets	17,919,533	419,428,384
Total assets	523,438,446	1,031,104,924

	As at 31 December 2016 (audited) (USD)	As at 30 June 2017 (unaudited) (USD)
Non-current liabilities		
Payables from finance lease contracts	176,783,084	165,363,435
Borrowings	—	93,018,466
Guarantee deposit	490,126	501,889
Total non-current liabilities	177,273,210	258,883,790
Current liabilities		
Other current liabilities	17,380,835	20,149,823
Tax payable	290,344	600,002
Notes payables	—	100,647,778
Borrowings	306,398,000	620,151,267
Payables from finance lease contracts	20,300,624	21,460,816
Total non-current liabilities	344,369,803	763,009,686
Total liabilities	521,643,013	1,021,893,476
Net assets	1,795,433	9,211,448
Equity		
Share capital	1,290	1,290
Translation reserve	(4,450)	(2,042)
Retained earnings	1,798,593	9,212,200
Equity attributable to owners of the Company	1,795,433	9,211,448
Total equity	1,795,433	9,211,448

RISK FACTORS

Prior to making an investment decision, prospective investors should carefully consider the following risk factors, along with the other matters set out in this Offering Circular. PRC laws and regulations may differ from the laws and regulations in other countries. Additional risks not described below or not currently known to the Issuer, the Company, the Parent or the Parent Group or that the Issuer, the Company and the Parent currently deem immaterial may also adversely affect the value of the Notes. The Issuer, the Company and the Parent believe that the risk factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes or the inability of the Company or the Parent to satisfy their obligations under the Keepwell and Liquidity Support Deeds may occur for reasons which may not be considered as significant risks by the Issuer, the Company or the Parent based on information currently available to it or which it may not currently be able to anticipate or which the Issuer, the Company or the Parent may currently deem immaterial. All of these factors are contingencies which may or may not occur and none of the Issuer, the Company and the Parent is in a position to express a view on the likelihood of any such contingency occurring.

The Issuer, the Company and the Parent do not represent that the statements below regarding the risk factors of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATING TO THE GROUP

Risks Relating to the Group's Concentration in Certain Business Segments

With general aviation, shipping, clean energy and high-end equipment as its core business segments, the Group has devoted substantial efforts to develop the helicopter, cold chain logistics and other key businesses. For the years ended 31 December 2015 and 2016 and six months ended 30 June 2016 and 30 June 2017, the Group recorded an operating income of RMB327.7 million, RMB1,260.0 million, RMB406.07 million and RMB1,100.49 million, respectively, mainly from clean energy, shipping and high-end equipment segments. As to the energy clean segment, the Group recorded operating income of RMB166,329,018, RMB586,320,530 and RMB343,303,432 for the years ended 31 December 2015 and 2016 and the six months ended and 30 June 2017, respectively, each taking up accounting for 50.76%, 46.53% and 31.20% of the total operating income for the corresponding periods. In terms of shipping segment, the operating income were RMB123,643,336, RMB404,126,055 and RMB375,880,648, each taking up 37.74%, 32.07% and 34.16% of the total operating income for the corresponding periods. As far as high-end equipment segment is concerned, the Group recorded operating income of nil, RMB193,993,326 and RMB261,648,033, respectively, each taking up nil, 15.40% and 23.78% of the total operating income for the corresponding periods. The top three segments together represented 88.50%, 94% and 89.14% of the total operating income for the years ended 31 December 2015 and 2016 and six months ended 30 June 2017, respectively. Given the fact that the development of the industry is affected by macroeconomic environment, industrial policies, the Group's development strategies and many other factors, the Group's continuing operations will be subject to certain uncertainty as the business segments are too concentrated.

The Company is subject to risks related to the general aviation and shipping industry.

The Company is an operating lessor in general aviation and shipping industry and is exposed to cash flow risk from the airline or maritime lessees for the duration of the leases and equity risk from the values of aircraft and shipping equipment. The Company is subject indirectly to the same set of risk factors as its lessees, which may affect the financial condition and cash flows of the lessees and their ability to perform their obligations under the leases. These risk factors include demand for air travel and marine transportation and air/marine cargo services, industry competition, competition from substitute services, airline/shipping equipment revenue and cost structures, fluctuations in fuel prices, interest rates and foreign exchange rates, labour costs and union issues, maintenance costs, insurance costs, security costs, the impact of airline or maritime carrier bankruptcies and the effect of certain events such as wars, social unrest, pandemics, natural disasters, major accidents and acts of terrorism. The general aviation and shipping industries are also affected by government regulation of airline or marine operations and mergers and acquisitions, environmental regulation, airport and other infrastructural constraints, the availability of new or used aircraft or ship for lease or purchase, the availability and cost of debt and equity capital to airlines or shipping companies. The Company's financial performance is dependent on the financial strength of its lessees and their ability to manage these risks effectively. To the extent that the Company's lessees experience negative effects from these risk factors, the Company may experience:

- a reduced demand for its aircraft or ship and hence, lower lease rates or aircraft or ship values;

- a higher incidence of lease defaults resulting in higher legal and technical costs associated with the repossession of the aircraft or ship and its records, as well as lost revenue from such idle aircraft or ship; or
- a need to restructure lease payments for delinquent airlines or shipping companies in financial difficulty which may result in lower lease revenues or the need to make provisions for rental amounts in arrears.

Any of the above events could adversely affect the Company's business, financial condition and results of operations.

The Group may not be able to sell or re-lease aircraft, ships or equipment upon termination or expiry of an existing lease.

Upon termination or expiry of an existing lease, the Group needs to sell or re-lease such aircraft, ship or equipment (as the case may be). There can be no assurance that the Group will be able to sell or re-lease the aircraft, ship or equipment (as the case may be) at a price favourable to the Group. Factors that could affect the Group's ability to sell or re-lease aircraft, ships or equipment include business cycles in the relevant industry, global and domestic financial market conditions, market disruption risks, market demand for the assets, transaction cost, such as tax and reinstalment cost, which could affect the liquidity, interest rates, the availability of funding sources and the recovery of lease receivables.

With respect to aircraft, ships or equipment acquired or leased by the Group, in some leases, lessees have the discretion as to whether or not they wish to extend the lease after expiration of the initial lease term. In these circumstances, the Group will not be able to predict whether such lessees would exercise such an option. If a lessee decides not to extend, the Group may not be able to re-lease the relevant aircraft, ships or equipment on similar terms in a timely manner. The Group's ability to lease aircraft, ships and equipment and re-lease aircraft, ships and equipment on the expiration or termination of the initial leases, the lease hire payable under any renewal or replacement lease and the Group's ability to dispose of aircraft, ships and equipment profitably will depend upon, among other things, the then-prevailing availability of lessees and economic conditions in the relevant market at that time. If the Group is unable to lease aircraft, ships or equipment, the Group may be required to bear substantial costs and expenses for insurance, maintenance and compliance with government regulations. If the Group receives less income as a result of lower lease hire under replacement leases or is unable to lease the aircraft, ships and equipment upon expiry of the initial leases, there may be a material adverse effect on the Group's business, results of operations and financial condition.

The Group depends on its key senior management members and key senior officers and may have difficulty in attracting and retaining skilled employees.

The Group's success in maintaining and expanding its businesses depends, to a significant extent, upon the abilities, expertise and efforts of its key senior management members and key senior officers and skilled employees in each of its business areas. The Group's ability to attract, train, motivate and retain its employees is critical to the continued success of its business. There is significant competition in the PRC for skilled personnel, especially experienced mid-level and senior-level management, with the skills necessary to perform the services or to monitor the products offered by the Group to its customers. If the Group loses the services of its key senior management members or key senior officers or skilled employees, and it fails to hire or find any suitable replacement on a timely basis, it may face difficulties in employing and integrating suitable replacement personnel in the short term or delay its expansion plans. Failure to recruit, train, develop and retain personnel with the qualifications necessary to fulfil the needs of the Group's businesses or to assimilate new personnel successfully may lead to the termination of some of the Parent Group's contracts, abortion of some of its projects or delay in its business expansion plans. In addition, if any of these key senior management members or key senior officers joins a competitor or forms a competing company, the Group may lose customers and suppliers and incur additional expense to recruit and train personnel. There is no assurance that the Group can always attract and retain the required key personnel or highly skilled employees. All of these in turn would have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group is exposed to risks associated with adverse weather conditions, natural disasters or man-made calamities, outbreak or threatened outbreak, of any severe contagious disease which may in turn significantly reduce demand for the Group's services and have an adverse effect on its financial condition and results of operations.

The Group, its suppliers and customers may experience shutdowns of its respective operations as a result of severe communicable disease, such as severe acute respiratory syndrome (SARS), avian influenza (bird flu), Ebola, and H7N9 flu, adverse weather conditions, such as extreme cold weather, snow, typhoons, flooding and heavy or sustained rainfall and natural disasters such as earthquakes, landslides or mudslides, which may have an adverse effect on the Group's business, financial condition, results of operations and prospects. For example, the outbreak of any contagious disease that escalates into a regional or global pandemic may have an adverse impact on airlines that operate to or from affected areas or regions. Air travel may be severely reduced even though international and national response plans to address such events have been developed or are in development. A prolonged outbreak of Influenza A, any recurrence of SARS, avian influenza, the spread of Ebola to Asia or other adverse public health developments in the PRC or elsewhere in the world could have a material adverse effect on the Group's business operations. Such outbreaks could significantly impact the PRC market and could cause a temporary closure of the Group's production or other facilities. Such closures would severely disrupt its operations and adversely affect its business, financial condition and results of operations. The Group's operations could be disrupted if any of its staff members were suspected of being infected by Influenza A, SARS, avian influenza or Ebola or other contagious diseases, since this could require it to quarantine some or all of its sales and production staff or disinfect its facilities. In addition, the Group's business, financial condition and results of operations could be adversely affected to the extent that Influenza A, SARS, avian influenza, Ebola or other outbreak harms the global economy or the PRC economy in general. Other natural calamities such as earthquakes, floods or tsunamis may devastate destinations and significantly reduce travel to affected areas for a period of time.

Similarly, acts of God, acts of war, terrorist attacks epidemics, political unrest, labour unrest and other similar events may result in political instability and volatility in the world's financial and commodities markets. Any such events may cause damage or disruption to the business, employees, facilities, markets of the Group and its customers, any of which may adversely affect the Group's business, financial condition, results of operations and prospects.

Any inability to effectively mitigate credit risk and maintain the Company's asset quality may have a material adverse impact on its business, financial condition and results of operations.

The sustainability of the Company's business and future growth depends largely on its ability to effectively manage its credit risk and maintain the quality of its receivables portfolio. As such, any deterioration in its asset quality or impairment in the collectability of lease receivables could materially and adversely affect its results of operations.

The Company may not be able to effectively control the level of its non-performing assets in its current lease receivables portfolio or effectively control the level of new non-performing assets in the future. The amount of the Company's non-performing assets may increase in the future due to a substantial increase in its lease contract value, a deterioration in the quality of its lease receivables portfolio, or a decline in the quality of future receivables.

The quality of the Company's lease receivables portfolio may deteriorate for a variety of reasons, including factors beyond its control, such as a slowdown in the economic growth of the PRC or global economies, a recurrence of a global credit crisis or other adverse macroeconomic trends, as well as a slowdown in general aviation, shipping and any industries in which the Company primarily engages which may cause operational, financial and liquidity problems for its customers thereby affecting their ability to make timely lease payments. If the level of its impaired lease receivables increases, the Company's business, financial condition and results of operations may be materially and adversely affected.

Increases in the cost of funding may adversely affect the Group's financial results.

Interest rate fluctuations and changes in the cost of funding may have a significant influence on the financial performance of the Group. Any increase in financing cost will have a negative impact on the Group's profitability. A significant part of the Group's financings are denominated in floating interest rate or short-term financing on a rolling basis. Therefore, interest rate is a major factor of any increase in cost of funding. For example, there was a temporary liquidity shortage in the PRC in June 2013 and the level of SHIBOR remained relatively high in the fourth quarter of 2013 and first quarter of 2014, which led to an increase in the Group's funding costs. The overall level of SHIBOR has gone down since the second quarter of 2014. Although in financial year 2015, the level of the SHIBOR decreased as a result of the PBOC lowering the benchmark lending rates in 2015. Since the fourth quarter of 2016, the overall level of SHIBOR has increased and the bond market fluctuations have increased. There can be no assurances that SHIBOR will not increase in the future. In addition, there have been speculations that the United States Federal Reserve may raise interest rates in the near future, which may cause interest rates to rise generally. Other factors that may affect the cost of funding include the efficiency of the Group's liquidity management. Increased funding costs have a direct effect on the Group's profitability and sustained increased funding costs will materially and adversely affect the Group's results of operations.

The Company is subject to risks related to default payments and breaches by its lessees or other contractual counterparties.

The Company's success is dependent upon the ability of its lessees to perform their contractual obligations under the leases. The ability of each lessee to perform its contractual obligations is, in turn, dependent on its financial condition and cash flow. If a lessee defaults, there can be no assurance that any security deposits paid under the lease will be adequate to cover the lessee's unpaid lease obligations, or that the maintenance reserves collected during the lease term will be sufficient to cover the Company's maintenance expenses or the costs of leasing the aircraft.

Moreover, in relation to the Company's aircraft and shipping equipment leasing business, it is primarily the responsibility of the lessees to maintain such aircraft and vessels and their respective records in accordance with the manufacturers' recommended maintenance programmes and to comply with all governmental regulatory requirements. The maintenance of such aircraft and vessels during the lease term and their condition at the maturity of the lease may affect their future rental or value. Failure of the lessee to perform required or recommended maintenance may also result in the aircraft being grounded or the vessels being rendered inoperative, which may result in the Company incurring substantial costs to restore the aircraft and vessels to an acceptable condition prior to the sale of the aircraft and vessels, and thus may have an adverse effect on the Company's business, financial condition and results of operations.

Decline in the value of collateral and/or assets underlying the leases may incur impairment losses.

The value of collateral or guarantee securing its leases and the assets underlying such leases, which are disposed of upon repossession, may be inadequate to cover related finance lease receivables. The value of collateral and/or assets underlying its leases may decline due to various factors such as damage, devaluation, loss or reduced market demand. A significant deterioration in the financial condition of guarantors under the leases could significantly decrease the amounts the Company may recover under such guarantees. If the value of the collateral or assets underlying the leases is determined to be inadequate to cover the related finance lease receivables, the Company may need to obtain additional guarantees. Declines in the value of collateral, guarantees or assets underlying the leases or the inability to obtain additional guarantee may result in impairment losses and require the Company to make additional provisions for impairment losses on its finance lease receivables, which may materially and adversely affect its financial leasing business, financial condition and results of operations.

The Company may make provisions for impairment losses on finance lease receivables and prepayments for equipment leasing. The Company's provisions for impairment losses on receivables from finance lease receivables and prepayments for equipment leasing may prove to be inadequate if adverse changes occur in the PRC economy or if other events adversely affect specific customers, industries or markets. Under such circumstances, the Company may need to make additional provisions for impairment losses on its finance lease receivables and prepayments for equipment leasing, which could significantly reduce its profit and may materially and adversely affect its business, financial condition, results of operations and prospects. As of 31 December 2015, 2016 and 30 June 2017, the Group had finance lease receivables amounting to RMB6,174.27 million, RMB21,009.63 million and RMB27,423.96 million, respectively. Among them, finance lease receivables with maturity of less than one year were RMB1,553.03 million, RMB4,778.78 million and RMB5,814.41 million, respectively, and finance lease receivables with maturity of more than one year were RMB4,621.24 million, RMB16,230.85 million and RMB21,609.55 million, respectively. Affected by macroeconomic conditions, industrial policies and technical updates, there is a possibility that the Group may not recover its finance lease receivables in due course if collections from customers cannot be completed as scheduled.

The Group has pledged certain lease receivables as collateral for borrowings and recourse factoring.

The Group has pledged certain of its lease receivables as collateral for borrowings and recourse factoring. If the Group defaults on such borrowings and recourse factoring, the lenders may foreclose such leased receivables, which may disrupt and adversely affect the Group's business. Although the terms of the Group's indebtedness may limit the Group's ability to create certain security over its assets, there can be no assurance that the Group will not pledge its leased receivables to secure its borrowings in the future. There can also be no assurance that the Group will not default on any of its borrowings in the future. As at 31 December 2016, the carrying amount of the Group's finance lease receivables was RMB21,009.63 million, of which RMB9,240.78 million was pledged as collateral for borrowings and recourse factoring. As at 30 June 2017, the carrying amount of the Group's finance lease receivables was RMB27,423.96 million, of which RMB14,337.31 million was pledged as collateral for borrowings and recourse factoring.

Any decrease in the residual value of the aircraft that the Company finances could adversely affect its business, financial condition and results of operations.

Declines in the residual value of the aircraft financed by the Company may reduce the Company's earnings. The Company recognises the residual value of leased aircraft, which is the estimated future market value of the leased asset at the maturity of the lease. The Company estimates the residual value of leased asset at the inception of a lease based on a number of factors, including historical sale prices, management's experience and any known significant market and product trends. If the estimated market value of the Company's leased assets declines significantly due to economic factors, obsolescence or other adverse circumstances, the Company may not realise the expected residual value of the leased asset, which could adversely affect the Company's business, financial condition and results of operations.

The value of the collateral or guarantees securing the Company's leases and the assets underlying its leases which are disposed of upon repossession may be inadequate to cover related lease receivables.

As at 30 June 2017, a considerable part of the Company's leases was secured by guarantees. To mitigate credit risks of its leases, the Company may request the lessees to provide guarantees and/or collaterals for the leases. Such guarantees and/or collaterals need to be negotiated on a case-by-case basis, depending on the nature of the business of the relevant lessee. In the event of any material default on the lease payment terms, the Company is contractually entitled to enforce its security rights over any guarantee or collateral, and/or repossess and dispose of the assets underlying its leases to realise their value. However, the value of such collateral and/or assets underlying such leases to be disposed of may decline and may be materially and adversely affected by a number of factors, such as any damage, loss, oversupply, devaluation or reduced market demand. Similarly, a significant deterioration in the financial condition or creditworthiness of guarantors under the Company's guaranteed leases could significantly decrease any amounts which the Company may be able to recover under such guarantees.

The Company's policies require periodic internal review of collaterals, guarantees and assets underlying its leases for impairment testing purposes. If the value of such collaterals, guarantees or assets underlying the Company's leases proves to be inadequate to cover the related lease receivables, the Company may need to obtain additional security from its customers or other sources, but there can be no assurance that it will be able to do so. Any decline in the value of such collaterals, guarantees or assets underlying the Company's leases or the Company's inability to obtain additional security may result in impairment losses and require the Company to make additional impairment provisions against its lease receivables, which may in turn materially and adversely affect its business, financial condition and results of operations.

The Company may not be able to successfully enforce its rights to the underlying collateral or guarantees to its leases, or enforce its rights to repossess leased assets.

In the PRC, the procedures for liquidating or otherwise realising the collateral value of tangible assets and the procedures for enforcing the Company's rights to a guarantee or to repossess and dispose of the asset underlying its leases could be time-consuming (the whole process may take three to six months or longer) and in practise it may be difficult to realise such collateral value, enforce the guarantee or repossess and dispose of assets underlying the Company's leases. Although the Company could apply to a PRC court in accordance with the PRC Civil Procedure Law for the attachment or disposal of any underlying collateral, the enforcement of a guarantee or the repossession of the assets underlying the Company's leases upon default, it is uncertain whether any judgement made by local courts would be enforceable due to uncertainties of the PRC legal system governing such enforcement. In addition, under PRC law, the Company's rights to any collateral securing its leases may be subordinated to other claims. For example, according to the PRC Bankruptcy Law, claims for the amount that a company in bankruptcy owed its employees prior to 27 August 2006 (being the date of publication of the PRC Bankruptcy Law), including but not limited to salaries, medical insurance and pension benefits, will have priority over the Company's rights to collateral, if not adequately provided for in liquidation proceedings. Therefore, upon any default of any lessee or any guarantor under the Company's lease, if the Company is unable to successfully enforce its right in respect of any collateral or any guarantee related to any assets underlying its leases to be repossessed and disposed of on a timely basis, it may have a material adverse effect on its asset quality, business, financial condition or results of operations.

Failure to obtain, renew, or retain licences, permits or approvals or failure to comply with applicable laws and regulations may affect the Issuer's and/or the Company's ability to conduct its business.

The Company is subject to rules and regulations and is required to hold various licences, permits and approvals issued by relevant authorities for the operation of its businesses. Any infringement of legal or regulatory requirements, or any suspension or revocation of these licences, permits and approvals may have a material adverse impact on the Company's business and operations. In addition, the regulatory and licencing requirements within the PRC financial leasing industry are constantly evolving and the Company may be subject to more stringent regulatory requirements due to changes in the political or economic policies in the PRC. There can be no assurance that the Company will be able to satisfy such regulatory requirements or it will be able to retain, obtain or renew relevant licences, permits or approvals in the future. Any failure to comply with the regulatory and legal requirements may hinder the Company's business operations and materially and adversely affect their respective results of operations and financial condition.

The Company is subject to additional operating costs in certain circumstances.

The Company may incur other operational costs upon a lessee's default or where the terms of the lease require the Company to pay a portion of additional operating costs. Such costs, which can be substantial, may include:

- the costs of casualty, liability or war risk insurance and the liability costs or losses when insurance coverage has not been, or cannot be obtained as required, or is insufficient in amount or scope;
- the costs of licencing, exporting or importing leased assets, costs of storing and operating leased assets, airport taxes, custom duties, air navigation charges, landing fees and similar governmental or quasi-governmental impositions; and
- penalties and costs associated with the failure of lessees to keep the leased assets registered under all appropriate local requirements or obtain required governmental licences, consents and approvals.

The failure to pay some of these costs can result in liens on the aircraft or other leased assets or a loss of insurance. Any of these events could result in the grounding of the aircraft and prevent the sale or other use of the aircraft until the problem is resolved. This could adversely affect the Company's business, financial condition and results of operations.

The Group may not be able to detect and prevent fraud or other misconduct committed by its employees or third parties.

Fraud or other misconduct by employees (such as unauthorised business transactions and breaches of its internal policies and procedures) or third parties (such as breach of law) may be difficult to detect and prevent and could subject the Group to financial loss, sanctions imposed by governmental authorities and seriously damage its reputation. The Group's risk management systems, information technology systems and internal control procedures are designed to monitor their operations and overall compliance. However, there can be no assurance that it will be able to identify all non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct, and the precautions undertaken by the Group to prevent and detect such activities may not be effective. Hence, it is possible that fraud or other misconduct may have previously occurred but was undetected, or that fraud or other misconduct may occur in the future. Any failure to detect and prevent such illegal activities may have a material and adverse effect on the Group's business, financial condition and results of operations.

RISKS RELATING TO THE FINANCIAL LEASING INDUSTRY

The financial leasing business is still at an early stage in China and its development is hindered by limited capital resources.

Despite rapid growth in the last three decades, financial leasing business in China is still at an early stage compared to other mature businesses. Most financial leasing companies are small in scale and depend heavily on banks, thus subject to their loan limits and regulations. Moreover, the financial leasing industry is a highly regulated industry and relevant rules and regulations are yet to be fully developed. As these rules could change from time to time based on the development of the financial markets, new rules and regulations, changes in the interpretation or enforcement of currently existing rules and regulations may directly impact the business strategies and prospects of the Company.

The Company's financial leasing businesses are capital intensive with long payback periods and the Company may not be able to maintain sufficient liquidity to meet its business needs.

The Company has started to build a financial leasing business by entering into some financial cooperation agreements with the intention to invest in various financial products, including but not limited to investments in aircrafts, ships, new energy and information technology related leasing projects. The financial leasing business is capital intensive with long payback periods, and is dependent upon the ability of its lessees to perform their contractual obligations under the financial leases. The ability of each lessee to perform its contractual obligations is, in turn, dependent on its financial conditions and cash flow. If a lessee defaults, there can be no assurance that any security deposits paid under the lease will be adequate to cover the lessee's unpaid lease obligations, or that the maintenance reserves collected during the team will be sufficient to cover the Company's maintenance expenses or the costs of re-leasing the relevant leased assets.

Although the Company generally generates significant funds from its operations, continuing to meet its cash requirements over the long term requires substantial liquidity and access to sources of funds. Financial leasing is a special, capital-intensive industry. Confined by the particularities of leasing, it is difficult for leasing entities to completely rely on their own funds for survival and development. Instead, it must rely heavily on external funding for operations in order to achieve high yields. As such, the leasing industry is inevitably a highly leveraged industry, and leasing companies generally have an asset-liability ratio higher than ordinary industrial and commercial companies. As of 31 December 2015 and 2016 and 30 June 2017, the Company's total liability to total asset ratio on a consolidated basis was 64.55%, 83.85% and 87.29%, respectively, at a reasonable industry level. With the growth of its operations in the future, the Company's asset-liability ratio will likely further increase, thereby increasing the Company's long-term debt repayment risks. If sufficient financing is not available to meet the Company's needs, the Company may not be able to refinance its existing portfolio, fund its operations and/or expanded business, introduce new services or compete effectively.

The Company's financial leasing businesses are subject to economic fluctuations.

As the leasing business that the Company operates is closely linked to the national economy, cyclical changes and fluctuations in the economic development will have a greater impact on the operating conditions of financial leasing companies. When the economy is in a period of expansion in which the companies operating rate rises with increased purchasing demand for machinery and equipment, the Company's financial leasing business is likely to grow; when the economy is in a period of downturn in which the companies operating rate drops with decreased purchasing demand for machinery and equipment, the Company's financial leasing business growth rate is likely to decline. As such, the fluctuations or worsening of the macroeconomic development will pose a certain risk to the Issuer's business conditions and profitability.

In recent years, the financial leasing industry has faced greater pressure due to decline in real economy.

Although the financial leasing industry has maintained a rapid rate in recent years in terms of scale, revenues and growth momentum, its asset default ratio and nonperforming asset ratio are also expected to increase; risks have occurred to a small number of financial leasing companies, which would affect the credit extension and credit financing in the whole industry and further affect the Issuer's credit and solvency. The Company may not be able to successfully enforce its rights to the underlying collateral or guarantees to its leases or its rights to repossess the assets underlying such leases for its financial leasing business. In the event of any material default on interest payment terms, the Company is entitled to enforce its security rights and/or repossess and dispose of the assets underlying its leases to realise its value. In the PRC, the procedures for liquidating or otherwise realising the collateral value of tangible assets, enforcing the rights to a guarantee, or repossessing the assets underlying the leases are usually time-consuming. Although the Company could apply to a PRC court for the attachment or disposal of any underlying collateral, the enforcement of a guarantee or the repossession of the assets underlying the Company's leases upon the event of default, it is uncertain whether the local court's judgement would be enforceable due to uncertainties of the PRC legal system governing such enforcement. In addition, under PRC law, the Company's rights to any collateral securing its leases may be subordinated to other claims. If the Company is unable to bring an enforcement action with respect to any collateral or guarantee securing the assets underlying its leases for repossession and disposal on a timely basis, it may have a material adverse effect on the asset quality, financial condition or results of operations of the Company's financial leasing operations.

The Group operates in a competitive market environment.

The financial leasing business is a highly competitive industry. The Group faces competition from both international and domestic players (including the financing divisions of vendors, manufacturers of aircraft, ships and equipment, financial institutions including banks, hedge funds and private equity firms, other leasing companies including those not affiliated with banks and not regulated by CBRC, aircraft brokers, as well as airlines) in its business, and competes with them in capturing new business opportunities. Some of the Group's competitors may have significant financial resources, marketing and other capabilities, more extensive know-how and business relationships and longer operating track records. The Group competes with its competitors on the basis of availability of product types that meet clients' needs, delivery dates, lease rates, lease terms, maintenance reserves and condition of assets under lease. The Group's revenue is affected by these competitive factors and its success depends on its ability to compete effectively.

There can be no assurance of the accuracy or comparability of facts, forecasts and statistics contained in this Offering Circular with respect to the PRC, its economy or its financial leasing industry.

Facts, forecasts and statistics in this Offering Circular relating to the PRC, the PRC's economy and the PRC and the financial leasing industry, including its market share information, are derived from various official and other publicly available sources which are generally believed by the Issuer, CM Leasing HK, the Group and the Parent Group to be reliable. However, there can be no assurance as to the quality and reliability of such official source materials. In addition, these facts, forecasts and statistics have not been independently verified by the Issuer, CM Leasing HK, the Group, the Parent Group, the Arranger(s), the Dealers, the Trustee, the Agents or their respective advisers and therefore none of the Issuer, CM Leasing HK, the Group, the Parent Group, the Arranger(s), the Dealers, the Trustee, the Agents or their respective advisers makes any representation as to the accuracy or fairness of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up to date. Each of the Issuer, CM Leasing HK, the Group and the Parent Group has taken reasonable care in reproducing or extracting the information from such sources. However, because of possibly flawed or ineffective methodologies underlying the published information or discrepancies between the published information and market practice and other problems, these facts, forecasts and other statistics may be inaccurate or may not be comparable from period to period or be comparable to facts, forecasts or statistics produced for other economies and should not be unduly relied upon.

RISKS RELATING TO THE GROUP AND THE PARENT GROUP

The Group and the Parent Group have limited operating history and face many uncertainties and challenges.

The Group and the Parent Group only began their operations in 2015 and 2014, respectively, and have a very limited operating history in all of its core business sectors. Since their incorporation, the Group and the Parent Group have gradually extended the breadth and depth of its activities. However, they are still at very early stage of developing their businesses and are facing and will continue to face many uncertainties and challenges frequently encountered in connection with start-up and early stage companies, including unproven business models, untested plans, uncertain market acceptance, competition and lack of revenues and financing. For example, the new energy field and market in which the Parent Group has invested has undergone and is expected to continue to undergo rapid and significant change. Rapid technological developments may result in the technology that the Parent Group has invested in becoming obsolete, uneconomical or uncompetitive before any commercial success or financial return can be achieved. Numerous other risks may affect the Parent Group's financial performance, including risks that products or services will be found to be ineffective, unreliable, unsafe or uncompetitive and risks that technologies, products or service provided by the Parent Group will not achieve market acceptance or penetration. Market acceptance of new products, services or technologies depends on many factors and cannot be assured. As such, the Group's and the Parent Group's business strategy and future development are unproven and there is no certainty that the Group and the Parent Group will be successful or that they will be able to successfully compete and achieve market acceptance or otherwise address the risk factors disclosed in this Offering Circular.

Any projections, forecasts, plans or other forward-looking statements of the Group and the Parent Group in this Offering Circular are subject to numerous risks, uncertainties, changing circumstances and other factors that could cause actual results, performance, plans, prospects, operations and opportunities to differ materially from any forward-looking statements, including competition, inability to identify and do business with appropriate customers, existing and future law and regulations, liabilities under the securities laws, inability to hire, retain or qualify sufficient management and staff, general economic conditions, rapid technological change, cost overruns, delays in bringing products or services to market, marketing failures, difficulty in penetrating markets, delays or failures in developing anticipated capabilities, products or services, failure to obtain necessary regulatory approvals, insufficient funding, lack of availability of capital, rates of economic growth, levels of consumer and business spending, conditions in the technology and financial industries, dependence on strategic partners and business relationships, unproven business models, adverse developments affecting customers and end-users, fluctuations in securities markets and valuations, limited marketing, expansion risks, losses and costs, uncertain revenues and profitability, conditions in particular industries, accounting problems, costs, delays and liabilities arising from legal proceedings, failure to obtain and maintain intellectual property or proprietary rights and management failures.

Moreover, given the short history of both the Group and the Parent Group, they may lack the relevant experience to operate its businesses and their management may not be able to accurately assess the market conditions. The Group's and the Parent Group's business will be harmed if it is unable to successfully introduce new services and enhancements and respond to rapid economic changes.

The Group's and the Parent Group's historical consolidated financial information may not be indicative of its current or future results of operations.

The Group's and the Parent Group's historical consolidated financial information must be evaluated in light of the impact of the significant changes in its portfolio that have occurred in the periods covered in the financial statements. There can be no assurance that the historical financial information will be indicative of what the Group's and the Parent Group's results of operations, financial condition or cash flow will be in the future. In particular:

- The Parent Group's scale of operations has grown significantly in recent years, a large part of which has been attributable to investments and acquisitions. For additional information on changes in the Parent Group's portfolio companies, see "*Description of the Parent — Financial Investments — Investment projects and cooperation arrangements*" for more information.

The Parent Group establishes, as well as acquires and disposes of equity interests in, portfolio companies from time to time in accordance with the Parent Group's business objectives. Period-to-period comparisons of the Parent Group's historical operating results must be evaluated in light of the impact of such transactions.

The Group's and the Parent Group's anticipated future revenues are based on market information and good faith assumptions that are subject to change or error.

The Group and the Parent Group have limited financial track record and investors are cautioned that the Group and the Parent Group relies on available market information and good faith assumptions to make assumptions on its anticipated revenues and to develop their business strategies. There is a possibility that the assumptions made will not be correct. Further, any expectation on the Group's and the Parent Group's future performance may not be accurate.

The Group and the Parent Group's ability to operate profitably will depend, among other things, upon:

- ability to maintain close working relationships with its business partners including partners in the PRC and overseas;
- ability to continue its plan on strategic acquisitions;
- ability to respond to the PRC government's policies on certain industries;
- ability to raise capital and apply that in accordance with its investment strategies;
- ability to maintain its high efficiency and high responsiveness towards market dynamics; and
- ability to develop its own organisation and recruit talents.

There is no assurance that the Group or the Parent Group will be able to achieve all of the above, or at all.

The Parent Group's businesses are capital intensive. It may require substantial capital investment, and may not be able to obtain sufficient funding for its business development on commercially reasonable terms, or at all.

The Parent Group's businesses are capital intensive. The Parent Group may require significant additional financing to fund capital expenditures, to support its expansion plans, to refinance existing debt obligations and/or to fund its capital intensive business segments. Its operations and expansion plans are dependent upon and limited by its ability to secure additional financing, on commercially favourably terms or at all. The Parent Group has historically required and may in the future continue to require external financing to fund its capital expenditures. The Parent Group's ability to arrange for external financing and the cost of such financing is dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investors' confidence in the Parent Group, success of the Parent Group's businesses, provisions of tax and securities laws that may be applicable to the Parent Group's efforts to raise capital and political and economic conditions in the PRC, Hong Kong and elsewhere. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to the Parent Group.

The Parent Group's businesses are capital intensive. The Parent Group may require significant additional financing to fund capital expenditures, to support its expansion plans, to refinance existing debt obligations, including the Notes and/or to fund its capital intensive business segments. The Parent Group's operations, expansion plans and ability to meet its debt obligations are dependent upon and limited by its ability to secure additional financing, on commercially favourably terms or at all. The Parent Group has historically required and may in the future continue to require external financing to fund its capital expenditures. The Parent Group's ability to arrange for external financing and the cost of such financing is dependent on numerous factors, including but not limited to general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investors' confidence in the Parent Group, success of the Parent Group's businesses, provisions of tax and securities laws that may be applicable to the Parent Group's efforts to raise capital and political and economic conditions in the PRC, Hong Kong and elsewhere. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to the Parent Group.

If the Parent Group is unable to obtain financing on commercially reasonable terms, the Parent Group may be unable to repay its debt obligations in a timely manner and it may not be able to expand its business, which in turn may result in a material adverse effect on its financial condition and results of operations.

The Group and the Parent Group face risks in maintaining and expanding its business overseas, including differences in legal and regulatory requirements, currency exchange rates, economic sanctions and changes in political and economic conditions, all of which could materially and adversely affect its business.

On 18 April 2016, the Parent Group acquired all the issued share capital of Sirius International Insurance Group, Ltd. ("**Sirius Group**"). Sirius Group conducts a substantial position of its business in the United States. The Group and the Parent Group also intend to develop their business in overseas markets, through its subsidiaries and joint ventures. The Group and the Parent Group face risks in expanding and maintaining its business in overseas markets, including, but not limited to:

- political instability in some regions which may disrupt commercial activities;
- international political and trade issues and tensions;
- regional or country specific economic downturns;
- fluctuations in currency exchange rates, particularly against the U.S. dollar;
- differences in legal and regulatory environments;
- the burden of complying with a variety of foreign laws and regulations, including delays or difficulties in obtaining licences, and with unexpected changes in the legal and regulatory environment;
- actions which may be taken by foreign governments concerning trade restrictions and economic sanctions;
- increased risk of litigation and other disputes with overseas customers or sales agencies;
- labour disputes;

- longer accounts receivable collection periods and greater difficulty in accounts receivable collection;
- difficulties and costs of integrating, staffing and managing multinational operations;
- higher tax rates applicable to foreign enterprises and potentially adverse tax consequences;
- natural disasters and the difficulty in recovering from them in some of the foreign countries in which the Parent Group operates;
- uncertainties arising from local business practises and cultural considerations; and
- custom matters and changes in trade policy or tariff regulations.

Expanding the Group's and the Parent Group's business overseas may require the deployment of additional human and financial resources to manage these risks, and both the additional outlay of resources and the risks involved may result in a material adverse impact on its business, financial condition and results of operations.

The Parent Group consists of a large number of companies in multiple business lines and is subject to challenges not found in companies with a single business line.

The Parent Group consists of portfolio companies operating in a variety of industries in multiple jurisdictions. Due to the diverse characteristics of the Parent Group's portfolio companies and the multiple jurisdictions involved, it faces challenges not found in companies with a single business line.

In particular, the Parent Group is exposed to business, market and regulatory risks relating to different industries. It needs to devote substantial resources to monitor changes in different operating environments so that it can react with appropriate strategies that fit the needs of the portfolio companies affected.

Also, due to its large number of portfolio companies involved, successful operation of the Parent Group requires an effective management and internal control system that emphasises proper authorisations, reliability and accountability of financial reporting, imposes financial and internal control disciplines on portfolio companies, and creates value-focused incentives for management. As the Parent Group continues to grow in the size of its businesses, its operations will become more widespread and complex, which creates challenges and increases the difficulty of implementing the Parent Group's management and internal control system. In particular, it will become increasingly difficult for the Parent Group to direct and monitor the day-to-day operations of its businesses and to prevent and detect fraud and protect the Parent Group's assets, both physical and intangible.

Further, the Parent Group's portfolio companies in different operating segments may determine that it is in their shareholders' interests to pursue new business ventures. There is no assurance that such business ventures will be successful or generate the synergies expected, if any. The successful completion of this type of transaction will depend on several factors, including satisfactory due diligence findings and the receipt of necessary regulatory approval, among others. If the Parent Group fails to complete such business ventures or such ventures prove to be unsuccessful, the Parent Group's operating segments involved may be adversely affected.

The Group and the Parent Group are subject to extensive regulatory requirements and the non-compliance with the applicable regulatory requirements may result in penalties.

The Group and the Parent Group are subject to various regulations by PRC and overseas regulatory authorities and the Group and the Parent Group may be subject to regulatory proceedings from time to time. These regulatory requirements are designed to ensure the integrity of the financial markets, the soundness of securities firms and other financial institutions and the protection of investors. These regulations often serve to limit the Group's and the Parent Group's activities by, among other things, imposing capital requirements, limiting the types of products and services the Group and the Parent Group may offer, restricting the types of securities in which it may invest and limiting the number and location of branches it may establish.

The Group's and the Parent Group's financial services are subject to supervision of various authorities, including the CBRC, the CIRC, the CSRC and the PBOC. These regulatory authorities impose requirements on its businesses in various aspects, including capital adequacy, capital deposits, financial leverage ratios and deposit requirements, capital usage, qualification of shareholders and key personnel, types of products and services offered, investment portfolio, as well as the number and locations of branches. Compliance with applicable laws, rules and regulations, to a certain extent, may restrict its business activities and require it to incur increased expenses, restate or write down the value of its assets or liabilities, and devote considerable time and resources to such compliance.

The Group and the Parent Group are subject to periodic and non-periodic inspections and examinations by the CBRC, the CIRC, the CSRC, the PBOC and other PRC governmental authorities, including tax, industry and commerce administration, audit and social security authorities in respect of its compliance with PRC laws and regulations.

There can be no assurance that the Group or the Parent Group will be able to meet all the applicable regulatory requirements and guidelines, or comply with all the applicable regulations at all times, or that it will not be subject to sanctions, fines or other penalties in the future as a result of non-compliance. If sanctions, fines and other penalties are imposed on the Group or the Parent Group for failing to comply with applicable requirements, guidelines or regulations, the business, reputation, financial condition and results of operations of the Group or the Parent Group may be materially and adversely affected.

New legislation or changes in the PRC regulatory requirements may affect the business operations and prospects of the Parent Group.

The PRC financial industry is a highly regulated industry and relevant rules and regulations could be changed from time to time based on the development of the financial markets. New rules and regulations, changes in the interpretation or enforcement of currently existing rules and regulations may directly impact the business strategies and prospects of the Parent Group. In addition, changes in the rules and regulations could result in limitations on the business lines that the Parent Group may conduct, modifications to its business practises or additional costs.

As the PRC financial industry is still evolving, most of the newly introduced businesses require further development and improvement and there are some uncertainties regarding the enforcement of existing rules and regulations in relation to these new businesses. New legislations and changes in the interpretation or enforcement of rules and regulations for these new businesses may result in changes in, or the suspension of, certain of the new businesses of the Parent Group, which could have a material adverse effect on the business and prospects of the Parent Group.

The Parent Group may be subject to risks presented by fluctuations in exchange rates between Renminbi and other currencies.

A substantial part of the Parent Group's operations are located in the PRC, and a substantial part of the Parent Group's income and costs are denominated in Renminbi, which is the Parent Group's functional currency. However, the Parent Group conducts part of its businesses overseas in various countries. The Parent Group is therefore subject to risks associated with foreign currency fluctuations and changes in the value of foreign currencies could affect the Parent Group's results of operations.

Changes in the value of foreign currencies may increase the Parent Group's Renminbi costs for, or reduce the Parent Group's Renminbi turnover from, its foreign operations, or affect the prices of its exported products and the prices of its imported equipment and materials, any of which could affect the Parent Group's results of operations. Pursuant to reforms of the exchange rate system announced by the PBOC on 21 July 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the US dollar. The PBOC announced on 15 March 2014 that Renminbi was allowed to fluctuate daily against the US dollar by up to 1 per cent. above or below the central parity rate published by PBOC and subsequently, such trading band was doubled by the PBOC from one per cent. to two per cent. on 17 March 2014.

The PBOC surprised markets in August 2015 by devaluing the Renminbi, lowering its daily mid-point trading price significantly against the US dollar for three times. The currency devaluation of the Renminbi was intended to bring it more in line with the market by taking market signals into account. Renminbi depreciated significantly against the US dollar following this August 2015 announcement by the PBOC. In January and February 2016, Renminbi experienced further fluctuation in value against the US dollar. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the US dollar or other foreign currencies in the long-term. Any significant appreciation of the

Renminbi against the US dollar or other foreign currencies may result in the decrease in the value of the Parent Group's foreign currency denominated assets. Conversely, any significant depreciation of the Renminbi may adversely affect the value of its businesses. In addition, there are limited instruments available for the Parent Group to reduce the Parent Group's foreign currency risk exposure. All of these factors could materially and adversely affect the Parent Group's business, financial condition and results of operations.

The Parent Group's businesses may be materially and adversely affected if the Parent Group fails to maintain risk management and internal control systems or these systems are proven to be ineffective or inadequate.

Certain areas within the Parent Group's risk management and internal control systems may require constant monitoring, maintenance and continual improvements by the Parent Group's senior management and staff. The Parent Group's risk management capabilities are limited by the information, tools or technologies available to it. The Parent Group's business and prospects may be materially and adversely affected if the Parent Group's efforts to maintain these systems are proven to be ineffective or inadequate. Deficiencies in the Parent Group's risk management and internal control systems and procedures may adversely affect the Parent Group's ability to record, process, summaries and report financial and other data in an accurate and timely manner, as well as adversely impact the Parent Group's ability to identify any reporting errors and non-compliance with rules and regulations.

In addition, the Parent Group's risk management procedures and asset allocation decisions will govern its proprietary trading and investment portfolio. The Parent Group may not have adequate risk management tools, policies and procedures, and may not have sufficient access to resources and trading counterparties to implement effectively its trading and investment risk mitigation strategies and techniques related to its proprietary trading and investment portfolio. If the Parent Group's decision-making process fails to minimise losses effectively while capturing gains, the Parent Group may experience significant financial losses that could materially and adversely affect its business, financial condition and results of operations.

The Parent Group's internal control systems may contain inherent limitations caused by employee errors or fault. As a result, there is no assurance that the Parent Group's risk management and internal control systems are adequate or effective, notwithstanding the Parent Group's efforts, and any failure to address any internal control matters and other deficiencies could result in investigations and disciplinary actions or even legal proceedings being initiated against the Parent Group or its employees, disruption to the Parent Group's risk management system, and a material adverse effect on the Parent Group's financial condition and results of operations.

The Parent Group may not be able to always maintain sufficient loan loss provision to cover future credit losses.

The Parent Group makes provisions for loan losses on lease receivables in accordance with PRC GAAP. The amount of provisions for loan losses on the Parent Group's lease receivables is determined on the basis of its internal provisioning procedures and guidelines taking into account a number of factors, such as the nature and industry-specific characteristics of the Parent Group's clients and their creditworthiness, economic conditions and trends, write-off expenses, delinquencies and the value of underlying collateral and guarantees. As the Parent Group's provisions require significant judgement and estimation, its allowance for loan losses may not always be adequate to cover actual loan losses in its business operations. The Parent Group's allowance may prove to be inadequate if unforeseen or adverse changes occur in the PRC economy or other economies in which the Parent Group operates or if other events adversely affect specific clients, industries or markets. Under such circumstances, the Parent Group may need to make additional provisions for its lease receivables, which could significantly reduce its profit and may materially and adversely affect its business, financial condition and results of operations.

The Group and the Parent Group may not be able to detect money-laundering and other illegal or improper activities fully or on a timely basis, which could expose it to additional liability and harm its business or reputation.

The Group and the Parent Group are required to comply with applicable anti-money-laundering and anti-terrorism laws and other regulations in the PRC, Hong Kong and other jurisdictions where it has operations. These laws and regulations require financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require the Group and the Parent Group to, among other things, establish or designate an independent anti-money laundering department, establish a customer identification system in accordance with relevant rules, record the details of customer activities and report suspicious transactions to relevant authorities. The Group and the Parent Group have in the past not been subject to administrative fines and penalties imposed by regulatory agencies in the PRC. To the extent they may fail to fully comply with applicable laws and regulations, the relevant government agencies to whom the Group or the Parent Group reports have the power and authority to impose fines and other penalties on the Group or the Parent Group. There can be no assurance that there will not be failures in detecting money laundering or other illegal or improper activities which may adversely affect the Group's or Parent Group's business reputation, financial condition and results of operations. In addition, the business and reputation of the Group and the Parent Group could suffer if customers use the Group's or the Parent Group's financial investment services for money laundering or illegal or improper purposes.

The Group and the Parent Group's business are susceptible to the operational failure of third parties.

The Group and the Parent Group face the risk of operational failure or termination of any of the exchanges, depositaries, clearing agents or other financial intermediaries it uses to facilitate its securities transactions. Any future operational failure or termination of the particular financial intermediaries that the Group or the Parent Group uses could adversely affect its ability to execute transactions, service its customers and manage its exposure to various risks.

In addition, as the Group's and the Parent Group's interconnectivity with its customers grow, their business also rely heavily on their customers' use of personal computers, mobile devices and the Internet, and the Group and the Parent Group will face an increasing risk of operational failure in connecting with their customers' personal computers and devices. The operational failure of third parties may harm the business and reputation of the Group or the Parent Group.

The Group and the Parent Group may be involved in legal and other proceedings arising from its operations from time to time.

The Group and the Parent Group, their directors and officers may be involved, from time to time, in disputes with various parties in the ordinary course of its operations and other corporate actions. These disputes may lead to legal and other proceedings, and may cause the Group or the Parent Group to suffer significant costs and delays. In addition, the Group and the Parent Group may have compliance issues, or different interpretation of certain regulations from regulatory bodies and governmental authorities in the course of the Group's and the Parent Group's operations, which may subject them to administrative proceedings and unfavourable decrees that may result in financial losses and in delays in its projects. Actions brought against the Group and the Parent Group, their directors and officers may result in settlements, injunctions, fines, penalties or other results adverse to the Group or the Parent Group. In addition, the Group and the Parent Group may have to advance legal costs associated with such disputes, including fees relating to appraisal, notarisation, auction, execution and counsel's legal services. The Group and the Parent Group may be involved in other proceedings or disputes in the future that may have an adverse effect on its business, financial condition, results of operations or cash flows.

The Group and the Parent Group may operate or make investment around the globe and provide services worldwide, which means the Group and the Parent Group are confronted with complex legal and regulatory requirements and judicial systems in many different jurisdictions. These include tariffs, trade barriers and requirements relating to withholding taxes on remittances and other payments, as well as regulatory or litigation risks. Any such regulatory and litigation actions against the Group or the Parent Group or restrictions on the Group or the Parent Group in any jurisdiction may have a material adverse effect on the Group or the Parent Group's reputation, financial condition and results of operations.

A failure to identify and address conflicts of interest appropriately could adversely affect the Parent Group's business.

As the Parent Group expands the scope of its business and its client base, it is critical for the Parent Group to be able to address potential conflicts of interest, including situations where two or more interests within its business legitimately exist but are in competition or conflict. The Parent Group has internal control and risk management procedures that are designed to identify and address conflicts of interest. However, appropriately identifying and dealing with potential conflicts of interest is complex and difficult. The Parent Group's failure to manage conflicts of interest could harm its reputation and erode client confidence. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory actions. Any of the foregoing could adversely affect the Parent Group's business, financial condition and results of operations.

The Parent Group may fail to successfully manage the assets, projects and subsidiaries in which the Parent Group does not have majority interests, or the Parent Group's relationships with its business partners.

The Parent Group has an investment portfolio that includes a number of minority equity investments. As the Parent Group generally does not have control over these minority investment companies, there is no assurance that these companies will develop according to its plans. The Parent Group may not be able to execute successfully or fully the Parent Group's business strategies with respect to assets, projects or subsidiaries in which the Parent Group does not have control over. For example, certain of the Parent Group's operations are conducted through jointly controlled entities or associated companies. Co-operation and agreement between the Parent Group and its business partners are important factors for the smooth operation and financial success of the projects. The Parent Group's business partners may (i) have economic or business interests or goals that are inconsistent with those of the Parent Group; (ii) be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements; or (iii) experience financial or other difficulties. Further, the Parent Group may not be able to control the decision-making process of entities without reference to the business partners and, in some cases, it does not have majority control of the entities. Although the Parent Group has not experienced any significant problems with its partners to date, no assurance can be given that disputes among its partners will not arise in the future or that the controlling shareholders of such companies would take actions in the Parent Group's best interest that could adversely affect such projects. Should these investment companies fail to perform as expected, the Parent Group may have only limited influence, and its results of operations may be materially and adversely affected.

The Group and the Parent Group may not maintain sufficient insurance coverage for the risks associated with the operations of the Group's and the Parent Group's business.

The Group and the Parent Group may or may not maintain insurance coverage on all of their projects, businesses, third party liabilities and employer's liabilities, and there can be no assurance that the Group and the Parent Group in fact maintains or will continue to maintain sufficient insurance coverage for the risks associated with the operation of their businesses. Certain types of losses due to events such as war, civil disorder, acts of terrorism, earthquakes, typhoons, flooding, and other natural disasters are not covered as they are either uninsurable or only insurable on limited terms. This practise is consistent with what the Group's and the Parent Group's management believes to be the industry practise in Hong Kong, Macau and the PRC. The Group and the Parent Group faces various risks in connection with their businesses and may lack adequate insurance coverage or may have no relevant insurance coverage. In addition, in line with general practise in the PRC, the Group and the Parent Group does not maintain business interruption insurance. As a result, its insurance coverage may be inadequate to cover such losses should they arise. With respect to losses which are covered by the Group's and the Parent Group's policies, it may be difficult and may take time to recover such losses from insurers. In addition, it may not be able to recover the full amount from the insurer. There can be no assurance that its policies would be sufficient to cover all potential losses, regardless of the cause, or whether it can recover such losses at all. Accordingly, there may be circumstances in which the Group and the Parent Group will not be covered or compensated for certain losses, damages and liabilities, which may in turn adversely affect its financial position and results of operations.

Third party infringement of the Group and the Parent Group's intellectual property rights may damage the Group's and the Parent Group's reputation and adversely affect its business, operational performance and financial condition.

The Group's and the Parent Group's success depends on their awareness of and ability to prevent third parties from using items under their trademarks, copyrights and patents without their consent. The Group and the Parent Group have made applications to register brands they use as trademarks in the PRC. Despite the Group's and the Parent Group's precautions, there is no assurance that third parties will not infringe their intellectual property rights. If the Group or the Parent Group is unable to secure the relevant trade name or trademark rights to its existing or new brands, it could incur substantial costs in pursuing any claims relating to trade name or trademark infringements. Issues relating to intellectual property rights can be complicated and there is no assurance that disputes will not arise or that any disputes in relation to the Group's or the Parent Group's trademarks or brand names will be resolved in their favour, and the Group's or the Parent Group's reputation, profitability and result of operations may be adversely affected.

Change in PRC government policies may affect the Group's and the Parent Group's businesses. The Group and the Parent Group may not be able to respond quickly to any change in the PRC's policies, which would have an adverse effect on the Parent Group's business.

The PRC government is expected to continue its austerity control measures within various industries and implement new policies and measures to regulate such industries, some of which the Group and the Parent Group are engaged in.

There can be no assurance that these restrictive government policies and measures will not adversely affect the results of operations of the Group or the Parent Group. In particular, there can be no assurance that the PRC government will not introduce further policies or measures to cool the property market in the PRC. These existing policies and measures and any future policies and measures, or even rumours or threats of any new restrictive policies and measures, could adversely affect the Group's or the Parent Group's business, cash flows, results of operations and financial condition, for example limiting the Group's and the Parent Group's access to capital, reducing consumer demand for the Group's and the Parent Group's invested properties and increasing their operating costs. They may also lead to changes in market conditions, including price instability and an imbalance of supply and demand of the respective products and services, which may have a material adverse effect on the Group's or the Parent Group's business, financial condition and results of operations.

In addition to industry control, the PRC government has also been constantly reviewing its monetary policies. Since 2010, the PRC government has been continually adjusting its deposit rate, interest rate and currency policies. If the Group or the Parent Group is unable to respond quickly to any change of the PRC's monetary policies, it may be exposed to unfavourable effects brought by such change and affect the Group's or the Parent Group's financial condition.

The Group and the Parent Group's businesses are dependent on future economic growth and political stability in the PRC and overseas.

The growth of the Group's and the Parent Group's respective businesses is largely dependent upon the continuation of economic development and growth in the PRC, which the Group and the Parent Group expect will, in turn, increase demand for the Group's and the Parent Group's products and services. The PRC has experienced rapid economic development in recent years in a relatively flat rate, and there can be no assurance that such growth will continue at such rates either in the PRC generally or in the particular areas in which the Group's and the Parent Group's operations and investments are located. A sustained period of slower growth in the PRC in general could have a material adverse effect on the financial condition and operating results of the Group and the Parent Group as well as on its prospects to identify, invest in and develop new projects and businesses.

Any form of government control or newly implemented laws and regulations, depending on the nature and extent of such changes and the Group's and the Parent Group's ability to make corresponding adjustments, may result in a material adverse effect on the Group's and the Parent Group's business and operating results and its future expansion plans in the PRC. In particular, decisions taken by regulators concerning economic or business interests or goals that are inconsistent with the Group's and the Parent Group's interests could adversely affect its operating results.

Moreover, any slowdown in the economies of the United States, the EU and certain Asian countries may adversely affect economic growth in the PRC. There can be no assurance that the Group's and the Parent Group's business, financial position and operating results, as well as its future prospects, will not be materially and adversely affected by an economic downturn in any of these countries.

The Parent Group also conducts part of its operations in overseas countries and regions, including less developed areas. The Parent Group's business is therefore subject to changing international economic and political conditions, and local conditions in the jurisdictions in which it has operations, including Central Asia, Middle East, and Africa where political and economic conditions are often subject to instability.

Operations in the overseas markets also expose the Parent Group to a number of risks including: expropriation and nationalisation of its assets in foreign countries; civil unrest, acts of terrorism, war, or other armed conflict; natural disasters; inflation; currency fluctuations, devaluations and conversion restrictions; confiscatory taxation or other adverse tax policies; governmental activities that limit or disrupt markets, restrict payments or limit the movement of funds; government activities that may result in the deprivation of contract rights; lack of a well-developed legal system that makes it difficult to enforce the Parent Group's contractual rights; and government activities that may result in the inability to obtain or retain licences required for operations.

In some of the high-risk locations where the Parent Group has employees or operations, the Parent Group may incur significant costs in safeguarding and securing its personnel and assets, and its measures aimed at protecting its personnel and assets overseas may not always be sufficient and effective. To the extent that the Parent Group's international business is affected by unexpected and adverse foreign economic and political conditions, the Parent Group may experience project disruptions, losses of assets and personnel, and other indirect losses that could adversely affect the Parent Group's business and results of operations.

Some of the Parent Group's businesses are subject to inherent operational risks and occupational risks.

The Parent Group's businesses, in particular its property development and general aviation businesses, involve significant inherent operational risks and occupational hazards that may not be eliminated through the implementation of preventive measures. The Parent Group engages or may engage in certain inherently risky and hazardous activities, including, among others, operations at height or on dangerous terrain and the use of heavy machinery. The Parent Group is therefore subject to risks associated with these activities, including geological catastrophes, equipment failures, industrial accidents, fires and explosions. These risks may result in personal injury and damage to properties and production facilities.

There is no assurance that these risks will not have a material adverse effect on the Parent Group in the future. Any of these consequences, to the extent they are significant, could result in business interruption, legal liability and damage to the Parent Group's business reputation and corporate image. In addition, the Parent Group may also be subject to claims resulting from the subsequent use by its customers or other third parties of the facilities and products the Parent Group has constructed or offered.

The Parent Group's business, financial condition, results of operations and prospects may be materially and adversely affected if the Parent Group is unable to maintain its growth rate or successfully manage challenges arising during its growth.

As the Parent Group continues to expand its business by growing its existing principal portfolio companies as well as investment portfolio, the Parent Group's operations has become more complex, and its management's responsibilities has correspondingly increased. The Parent Group's managerial and operational resources could become strained as a result of its growth. The Parent Group's efforts to integrate its various business operations and coordinate among its branches and subsidiaries may not be effective or timely. In addition, the Parent Group cannot assure that it will grow in the future. The expansion of the Parent Group's business activities poses various challenges to it, including but not limited to:

- meeting the higher requirements for capital and cost controls to satisfy all relevant capital regulatory requirements, including the minimum capital adequacy ratio, solvency margin ratio and net capital requirements, as well as other capital needs;
- strengthening the Parent Group's risk management capabilities and IT systems to effectively manage risks associated with various businesses and services;
- recruiting, training and retaining management, investment and finance professionals, technical personnel and sales staff with sufficient experience and knowledge;
- developing new distribution channels for the Parent Group's products and services; and
- maintaining and developing the Parent Group's brand and reputation.

The Parent Group's investments, acquisitions and business initiatives may expose it to various potential risks, including risks associated with the integration of new business lines, operations and personnel, the diversion of resources from its existing businesses and technologies, the potential loss of, or harm to, relationships with employees and customers, as well as other unforeseen or hidden liabilities. If the Parent Group is not able to manage future growth successfully, its business, financial condition, results of operations and prospects could be materially and adversely affected.

The Parent Group's expanding range of products, services and business activities exposes it to new risks.

The Parent Group has been expanding its business activities and the range of its products and services to meet the needs of its customers and to enhance its competitiveness. Expansion of its business activities exposes the Parent Group to a number of risks and challenges, including:

- insufficient experience or expertise in certain new products and services and dealing with new counterparties and customers, which may prevent it from effectively competing in these areas;
- stricter regulation and increased credit risks, market risks and operational risks;
- failure to achieve investment returns from its new businesses;
- imitation or replication of its new products and services by its competitors;
- failure of its new products and services to be accepted by its customers or meet the expected targets;
- failure to make accurate analysis or judgement on market conditions of its new business;
- inability to hire additional qualified personnel or to hire personnel on commercially reasonable terms;
- insufficient financial, operational, management and other human resources to support its expanded range of products and services;
- failure to obtain sufficient financing from internal and external sources to support the Parent Group's business expansion;
- failure to enhance the Parent Group's risk management capabilities and IT systems in a timely manner to support new businesses and a broader range of products and services;
- inability to obtain regulatory approvals for its new products or services; and
- unsuccessful attempts to enhance its risk management and internal control capabilities and information technology systems to support a broader range of products and services.

Further, the Parent Group's planned expansion is based on its forward-looking assessment of market prospects. There is no assurance that the Parent Group's assessments will turn out to be accurate. If the Parent Group is not able to successfully expand into related business areas or develop new products and services due to the risks mentioned herein, its business, financial condition and results of operations may be materially and adversely affected.

The Group's and the Parent Group's business operations are subject to credit risk.

Some of the businesses that the Group and Parent Group plan to develop are subject to the risk that a client or counterparty may fail to perform its contractual obligations or that the value of collateral held to secure the obligations might be inadequate. Any material non-payment or non-performance by a client or counterparty could adversely affect its financial position, results of operations and cash flows. As a result, the Group and the Parent Group are susceptible to credit risks associated with the deteriorating credit quality of the relevant debtors. Losses may occur due to increased delinquencies.

The financial services that the Group and Parent Group provide are also subject to different credit risks, primarily including:

- Securities and futures business: The Parent Group's potential credit exposure from securities and futures businesses mainly results from its businesses of margin financing to customers, futures brokerage and repurchase transactions. Any default in payment or performance by a customer or counterparty may trigger disputes between customers and the Parent Group, which may subject the Parent Group to significant expenses or litigation risks, hence adversely affecting the Parent Group's financial position, results of operations and cash flows.
- Financial leasing business: The Group's financial leasing business may be exposed to credit risk arising primarily from the default by the lessees or the guarantors, which may result in deterioration in the quality of the Group's lease receivables portfolio or a decline in the quality of future receivables. In addition, if the Group fails to effectively mitigate the credit risk and collect its outstanding finance lease receivables, its cash flows from and liquidity condition of financial leasing business could be materially and adversely affected.

The Group and the Parent Group may also be exposed to credit risk with respect to its potential investments in proprietary trading activities and securities businesses, which are commonly recorded as available-for-sale financial assets and held-to-maturity financial assets. These financial assets may also be subject to price fluctuations as a result of changes in the financial market's assessment of the issuer's creditworthiness, delinquency and default rates and other factors. In addition, the Group and the Parent Group may not have sufficient access to resources and trading counterparties to effectively implement its trading and investment risk mitigation strategies and techniques. If its credit exposure becomes overly concentrated in terms of limited asset portfolios, asset types, or number of third parties, or if the Group or the Parent Group fails to effectively manage its credit exposure through its risk management policies and procedures, the volatility of any negative impact of credit exposures could be magnified, and as a result, the Group and the Parent Group may experience significant financial losses that could materially and adversely affect its business, financial condition and results of operations.

The Group's and the Parent Group's business operation are exposed to liquidity risk.

Liquidity risk means the possibility that the lessor may suffer from losses due to the mismatch between lease payback period and loan repayment period of the same lease in the timing and amount. The Group's and the Parent Group's business is capital intensive and requires a significant amount of cash. As such, sufficient liquidity is crucial to the Group's and the Parent Group's business operations. The Group and the Parent Group satisfy the liquidity requirement mainly through cash from their operating activities and debt financings. Any decline in its liquidity level may impair the confidence of their customers or counterparties, which may result in loss of business and customers by the Group and the Parent Group.

Factors which may adversely affect the Group's and the Parent Group's liquidity level include unfavourable changes to macroeconomic environment, policies or money market, increase in margin financing activities, substantial investments, a loss of market or customer confidence, the Group's and the Parent Group's failure to maintain current and future financing arrangements on commercially acceptable terms, decreases in recovery of cash from disposal of assets due to unfavourable changes of capital markets, firm-commitment underwriting transactions under investment banking business, failure to realise the value of invested financial assets at a reasonable price, concentrated holding of certain assets or asset categories, mismatching of assets and liabilities maturity, tightened regulatory requirement, other changes in regulations or weakened market and customer sentiments. If the Group or the Parent Group is unable to generate sufficient cash from operating activities to meet their liquidity needs, they would be required to seek external financing. During periods of disruptions in the credit and capital markets, potential sources of external financing could be limited and the Group's and the Parent Group's borrowing costs could increase. Although the Group's and the Parent Group's management believe that they currently maintain sufficient credit lines and banking facilities, external financing may not be available on acceptable terms or at all due to unfavourable market conditions and disruptions in the credit and capital markets.

RISKS RELATING TO THE KEEPWELL AND LIQUIDITY SUPPORT DEEDS AND THE DEED OF EQUITY INTEREST PURCHASE UNDERTAKING

Neither the Keepwell and Liquidity Support Deeds nor the Deed of Equity Interest Purchase Undertaking from the Company or the Parent is a guarantee of the payment obligations of the Issuer and CM Leasing HK (or the Company, as the case may be) under the Notes and the Guarantee of the Notes.

In connection with the Programme and issuance of the Notes thereunder, the Company has entered into the Company Keepwell and Liquidity Support Deed and the Deed of Equity Interest Purchase Undertaking and the Parent has entered into the Parent Keepwell and Liquidity Support Deed. See "*Offer Structure — The Keepwell and Liquidity Support Deeds*", "*Description of the Keepwell and Liquidity Support Deeds*", "*Offer Structure — The Deed of Equity Interest Purchase Undertaking*" and "*Description of the Deed of Equity Interest Purchase Undertaking*".

Where CM Leasing HK is specified in the relevant Pricing Supplement as being the Guarantor, upon a breach of the relevant Keepwell and Liquidity Support Deed or the Deed of Equity Interest Purchase Undertaking, the Trustee may take action against the Company or the Parent to enforce the provisions of the relevant Keepwell and Liquidity Support Deed or the Deed of Equity Interest Purchase Undertaking. However, none of the Keepwell and Liquidity Support Deeds, the Deed of Equity Interest Purchase Undertaking or any actions taken by the Company or the Parent thereunder can be deemed as a guarantee by the Company or the Parent for the payment obligations of the Issuer under such Notes or CM Leasing HK under the Guarantee of the Notes and thus the Trustee's claims will be effectively subordinated to the outstanding guaranteed obligations of the Company or the Parent, including any Notes to be issued under the Programme which are guaranteed by the Company. Under the Terms and Conditions of the Notes, the Issuer is free to incur further indebtedness guaranteed by the Company, including but not limited to issuing Notes under the Programme which will be guaranteed by the Company. The creditors of such indebtedness guaranteed by the Company will have priority to the assets of the Company over the Trustee under Notes which are guaranteed by CM Leasing HK and only have the benefit of a Company Keepwell and Liquidity Support Deed and a Deed of Equity Interest Purchase Undertaking provided by the Company and the benefit of a Parent Keepwell and Liquidity Support Deed provided by the Parent. Accordingly, pursuant to the terms of the relevant Keepwell and Liquidity Support Deed, the Company or the Parent will only be obliged to make sufficient funds available to the Issuer and CM Leasing HK or, in the case of the Deed of Equity Interest Purchase Undertaking, the Company will only be obliged to undertake certain specified actions, rather than assume the payment obligation as in the case of a guarantee. Furthermore, even if the Company or the Parent intends to perform its obligations under the relevant Keepwell and Liquidity Support Deed and/or the Deed of Equity Interest Purchase Undertaking, depending on the manner in which the Company or the Parent arranges for sufficient funds to meet the payment obligations of the Issuer under such Notes or CM Leasing HK under the Guarantee of the Notes, such performance may be subject to obtaining prior consent or approvals from relevant PRC governmental authorities, including the NDRC, the MOFCOM and the SAFE and their respective local counterparts.

Where the Company is specified in the relevant Pricing Supplement as being the Guarantor, upon a breach of the Parent Keepwell and Liquidity Support Deed, the Trustee may take action against the Parent to enforce the provisions of the Parent Keepwell and Liquidity Support Deed. However, similarly, the Parent Keepwell and Liquidity Support Deed cannot be deemed as a guarantee by the Parent for the payment obligation of the Issuer under such Notes or the Company under the Guarantee of the Notes and thus the Trustee's claims will be effectively subordinated to the outstanding guaranteed obligation of the Parent.

In addition, where CM Leasing HK is specified in the relevant Pricing Supplement as being the Guarantor, under the relevant Keepwell and Liquidity Support Deed, each of the Company and the Parent has undertaken with the Issuer, CM Leasing HK and the Trustee, among other things, to cause the Issuer and CM Leasing HK to have sufficient liquidity to ensure timely payment of any amounts payable in respect of such Notes and the Guarantee of the Notes. However, any claim by the Issuer, CM Leasing HK and/or the Trustee against the Company or the Parent in relation to the relevant Keepwell and Liquidity Support Deed or the Deed of Equity Interest Purchase Undertaking will be effectively structurally subordinated to all existing and future obligations of the Company's or the Parent's subsidiaries (which do not provide a guarantee in respect of the Notes), particularly the Company's or the Parent's subsidiaries in the PRC, and all claims by creditors of such subsidiaries in the PRC will have priority to the assets of such entities over the claims of the Issuer, CM Leasing HK and the Trustee under the relevant Keepwell and Liquidity Support Deed and the Deed of Equity Interest Purchase Undertaking.

Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking is subject to approvals of the PRC governmental authorities and certain limitations.

The Company intends to assist the Issuer and CM Leasing HK to meet their respective obligations under the Notes and the Guarantee of the Notes by entering into the Deed of Equity Interest Purchase Undertaking. Where CM Leasing HK is specified in the relevant Pricing Supplement as being the Guarantor, under the Deed of Equity Interest Purchase Undertaking, the Company agrees to, subject to and conditional upon obtaining the Company's shareholder approval and all Regulatory Approvals and compliance with all relevant laws and regulations, purchase or procure an Onshore Subsidiary of the Company to purchase, upon receipt of a written purchase notice provided by the Trustee following an Event of Default, (i) the equity interest held directly by the Issuer, CM Leasing HK and/or any other subsidiary of Company incorporated outside the PRC as designated by the Company or, (ii) in the absence of a designation, the equity interest held by all CM Leasing HK in its Subsidiaries (each, a "**Relevant Transferor**"), at a purchase price not lower than the aggregate of (a) an amount sufficient to enable the Issuer and CM Leasing HK to discharge in full their respective obligations under the Notes in default, the guarantee of the Notes in default and the Trust Deed that are due and owing as at the date of such written notice, (b) an amount being the interest payable in respect of the immediately following interest period on the Notes in default and (c) all costs, fees and other amounts payable in U.S. dollars to the Trustee and the Agents as provided in the Deed of Equity Interest Purchase Undertaking.

Performance by the Company of its undertakings under the Deed of Equity Interest Purchase Undertaking is subject to the approval of or registration with (as the case may be):

- the MOF;
- the CBRC;
- the NDRC;
- the MOFCOM;

- the SAFE;
- the SASAC;
- the relevant Administration for Industry and Commerce; and
- the relevant tax authority.

As the approval or registration process is beyond the control of the Company (particularly in the situation where the Deed of Equity Interest Purchase Undertaking is triggered by the winding-up of the Company), there can be no assurance that the Company will successfully obtain any of the requisite approvals in time, or at all, or that the PRC government's relevant policies or regulations will not change in the future. In the event that the Company fails to obtain the requisite approvals, the Issuer and CM Leasing HK may still have insufficient funds to discharge their outstanding payment obligations to the Noteholders.

Further, in the event of an insolvency of a Relevant Transferor, any sale proceeds received by that Relevant Transferor may be subject to the insolvency claims of third parties. Where a Relevant Transferor is CM Leasing HK, the Trustee's claim against such sale proceeds will be an unsecured claim and may rank lower in priority to any claims by secured third-party creditors of such Relevant Transferor. Where a Relevant Transferor is not CM Leasing HK, the Trustee will not have a direct claim against the sale proceeds received by such Relevant Transferor.

Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking may be subject to consent from third party creditors and shareholders, and may also be restricted if any of the equity interests are secured in favour of third party creditors.

Where CM Leasing HK is specified in the relevant Pricing Supplement as being the Guarantor, under the terms of the Deed of Equity Interest Purchase Undertaking, the Company agrees to purchase, upon the occurrence of an Event of Default, from the Relevant Transferor the equity interest of indirectly held subsidiaries of the Company held by it. The ability of the Company to perform this undertaking may be affected by any present or future financing agreements of the Company and its subsidiaries:

- in the event that such financial agreements contain non-disposal or other restrictive covenants that would prevent the sale of an equity interest by a Relevant Transferor, the Company and its subsidiaries would need to obtain the consent from the third party creditor before the Relevant Transferor is able to proceed with the sale of such equity interest; and
- in the event that certain equity interests have been secured in favour of third party creditors, the Company and its subsidiaries would need to arrange for these security interests to be released before the Relevant Transferor is able to proceed with the sale of such equity interests.

Under the Terms and Conditions and the Company Keepwell and Liquidity Support Deed, there are no restrictions on the Company or its subsidiaries entering into financing agreements with such non-disposal or other restrictive covenants or securing the equity interests of any member of the Group in favour of its creditors (not being holders of Relevant Indebtedness issued outside the PRC by the Company or any of its subsidiaries).

In the event that the obligation to purchase under the Deed of Equity Interest Purchase Undertaking becomes effective, there is no assurance that the Relevant Transferor will be able to obtain any required consents from its creditors or that it will be able to arrange for any existing security arrangement to be released in order for the sale of the equity interest to proceed. If the Relevant Transferor is not able to do so, it may need to repay the indebtedness owed to its third party creditors in order to be able to sell the relevant equity interests to the Company. In the event that the required consents or waivers from third party creditors are not able to be obtained and in the case of third party creditors, the relevant indebtedness cannot be repaid in the timely manner, the sale of the equity interest may not be able to proceed and the Issuer and CM Leasing HK may have insufficient funds to discharge their respective payment obligations to the Noteholders.

In addition, the sale of the equity interests in certain non-wholly-owned companies may be subject to pre-emptive rights or other restrictions in such company's articles of association, shareholders' agreement or otherwise that would require the selling shareholder to obtain consent or waiver from other third party shareholders before any equity interest can be sold to the Company. In the event the obligation to purchase under the Deed of Equity Interest Purchase Undertaking becomes effective there is no assurance that any required consents or waivers can be obtained from third party shareholders in a timely manner or at all.

The Issuer and CM Leasing HK has limited assets which can be sold to the Company pursuant to the Deed of Equity Interest Purchase Undertaking.

Where CM Leasing HK is specified in the relevant Pricing Supplement as being the Guarantor, under the terms of the Deed of Equity Interest Purchase Undertaking, the Company agrees to purchase, upon the occurrence of an Event of Default, from the Relevant Transferor the equity interest of indirectly held subsidiaries of the Company held by it.

As of the date of this Offering Circular, the Issuer, CM Leasing HK, as well as the Company's offshore subsidiaries, have very limited assets that can be sold to the Company in the event that the obligation to purchase under the Deed of Equity Interest Purchase Undertaking becomes triggered.

In addition, the acquisition of such assets will be subject to regulatory and other approvals of or registrations with MOFCOM, NDRC, PBOC or SAFE. See "*Risk Factors — Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking is subject to approvals of the PRC governmental authorities and certain limitations*". There is no assurance that such approvals can be obtained in a timely manner, or at all. In the event that such approvals cannot be obtained and there are no other future equity interests that the Company can purchase, the Deed of Equity Interest Purchase Undertaking may not be effective in enabling the Company to assist the Issuer and CM Leasing HK with its obligations under the Notes, the Guarantee of the Notes and the Trust Deed.

RISKS RELATING TO THE PRC

Changes in the economic, political and social conditions in the PRC may have a material adverse effect on the Parent Group's business, results of operations and financial condition

The PRC economy differs from the economies in developed countries in many respects, including the degree of government involvement, control of capital investment, as well as the overall level of development. The Parent Group believes the PRC Government has indicated its commitment to the continued reform of the economic system as well as the structure of the government. The PRC Government's reform policies have emphasised the independence of enterprises and the use of market mechanisms. Since the introduction of these reforms, significant progress has been achieved in economic development, and enterprises have enjoyed an improved environment for their development. However, any changes in the political, economic or social conditions in the PRC may have a material adverse effect on the Parent Group's present and future business operations.

Under the Enterprise Income Tax law (the "EIT Law"), the Issuer (or any other overseas entity of the Parent Group) may be treated as a PRC resident enterprise for PRC tax purposes, which will subject it to PRC enterprise income tax on its worldwide income and may subject non-PRC resident investors in the Notes to PRC withholding taxes on interest payments and any gains derived on a transfer of the Notes

Under the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) and its Implementing Regulation, which became effective on 1 January 2008 and was amended on 24 February 2017, enterprises organised under the laws of jurisdictions outside the PRC with their "de facto management bodies" located within the PRC are deemed to be "resident enterprises for PRC tax purposes", meaning that they are treated in a manner similar to PRC enterprises for enterprise income tax purposes, and therefore subject to PRC enterprise income tax at the rate of 25 per cent. on their worldwide income (although dividends paid from one resident to another may qualify as "tax-exempt income"). The Implementing Regulation defines the term "de facto management body" as a management body that exercises substantial and overall control and management over the production and operations, personnel, accounting and properties of an enterprise. A circular issued by the State Administration of Taxation on 22 April 2009 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a "resident enterprise" with a "de facto management body" located within the PRC if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decision are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meeting are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within the PRC. The State Administration of Taxation issued Circular on Income Tax for Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises (境外注冊中資控股居民企業所得稅管理辦法(試行)), which became effective on 1 September 2011 and was amended on 1 October 2016, and which provides that a foreign enterprise controlled by a PRC company or a PRC company group shall be deemed a "resident enterprise" either by a final decision of the State Administration of Taxation if the foreign enterprise applies for such determination or by an investigation by the relevant tax authorities.

The Parent Group confirms that, as of the date of this Offering Circular, none of its overseas entities, including the Issuer, has been treated as a PRC resident enterprise by the PRC tax authorities. There is however no assurance that the Issuer or other overseas entities in the Parent Group will not be treated as "resident enterprises" under the EIT Law, any aforesaid circulars or any amended regulations in the future. If the Issuer (or CM Leasing HK) is treated as a PRC resident enterprise for PRC enterprise income tax purpose, among other things, it would be subject to the PRC enterprise income tax at the rate of 25 per cent. on its worldwide income. Furthermore, if the Issuer (or CM Leasing HK) were treated as a PRC resident enterprise, payments of interest by the Issuer (or CM Leasing HK) may be regarded as derived from sources within the PRC and therefore the Issuer may be obligated to withhold PRC income tax at 10 per cent. on payments of interest on the Notes to non-PRC resident enterprise Noteholders. In the case of non-PRC resident individual Noteholders, the tax may be withheld at a rate of 20 per cent. In addition, if the Issuer were treated as a PRC resident enterprise, any gain realised on the transfer of the Notes by non-PRC resident Noteholders may be regarded as derived from sources within the PRC and may be subject to a 10 per cent. PRC income tax in the case of non-PRC resident enterprises or 20 per cent. in the case of non-PRC resident individuals. According to the Protocol IV to the Arrangement between the Mainland and the Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》第四議定書), certain qualified Noteholders who are Hong Kong residents may be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes.

Furthermore, if the Issuer or CM Leasing HK is considered to be a PRC resident enterprise, interest payments on the Notes that are consequently deemed to be derived from sources within the PRC may be subject to PRC value added tax ("VAT") at a rate of six per cent., plus local levies, which tax may be withheld at source.

In addition, as the Company is a PRC resident enterprise, in the event that the Company is required to fulfill its obligations under the Guarantee by making interest payments on behalf of the Issuer, the Company will be obliged to withhold PRC enterprise income tax at a rate of 10 per cent. on such payments to non-resident enterprise Noteholders and 20 per cent. for non-resident individual Noteholders if such interest payments are deemed to be derived from sources within the PRC. Such guarantor may also be required to withhold VAT from payments of interest, at the above-mentioned rate. Any PRC income tax liability may be reduced by an applicable income tax treaty.

If the Issuer or a Guarantor is required to withhold PRC tax from interest payments on the Notes, the Issuer or such Guarantor may be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by the holders of the Notes of such amounts as would have been received had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes and could have an adverse effect on the Issuer's financial condition.

The Parent Group's labour costs may increase for reasons such as the implementation of the PRC Labour Contract Law or inflation in the PRC.

The PRC Labour Contract Law (中華人民共和國勞動合同法) became effective on 1 January 2008 in the PRC and was amended on 28 December 2012. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. Pursuant to the PRC Labour Contract Law, the employer is required to make compensation payment to a fixed-term contract employee when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer, any period of no less than six months but less than one year shall be counted as one year. The economic compensations payable to an employee for any period of less than six months shall be one-half of his/her monthly wages. A minimum wage requirement has also been incorporated into the PRC Contract Law. In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms or have been working for the employer for more than ten years.

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from 5 to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. Under the National Leisure and Tourism Outline 2013-2020 (國民旅遊休閒綱要 2013-2020) which became effective on 2 February 2013, the workers shall basically receive paid annual leave by 2020. As a result of the PRC Labour Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013-2020, the Parent Group's labour costs (inclusive of those incurred by contractors) may increase. Further, under the PRC Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non-fixed-term employment contracts under the PRC Labour Contract Law without cause. In the event the Parent Group decides to significantly change or decrease its workforce, the PRC Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Parent Group desires, which could result in an adverse impact on the Parent Group's businesses, financial condition and results of operations.

To further strengthen the protection on labour remuneration, rest and vacations, social insurance and other basic rights and interests of labourers, the Opinion of the Central Committee of the Communist Party of China and the State Council on Building Harmonious Labour Relationships (中共中央、國務院關於構建和諧勞動關係的意見) was issued on 21 March 2015, which acts as a guideline on PRC labour legislation.

Further, if there is a shortage of labour or for any reason the labour cost in the PRC rises significantly, the costs of production of the Parent Group's products is likely to increase. This may in turn affect the selling prices of the products and services, which may then affect the demand of such products and services and thereby adversely affect the Parent Group's sales and financial condition. Increase in costs of raw materials and other components required for the Parent Group's business operation may cause similar adverse effects, particularly if the Parent Group is unable to identify and employ other appropriate means to reduce the costs. In such circumstances, the profit margin may decrease and the financial results may be adversely affected.

In addition, inflation in the PRC has increased in recent years. Inflation in the PRC increases the costs of labour and the costs of raw materials the Parent Group must purchase for production. Rising labour costs may increase the Parent Group's operating costs and partially erode the cost advantage of the Parent Group's PRC-based operations and therefore negatively impact the Parent Group's profitability.

The uncertainties of the PRC legal system and its laws and regulations may have a negative impact on the Parent Group's operations

The Parent Group's domestic leasing business is conducted in the PRC and such operations are located in the PRC, hence its business operations are regulated primarily by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law systems, past court judgements in the PRC have limited precedential value and may be cited only for reference. Furthermore, PRC written statutes often require detailed interpretations by courts and enforcement bodies for their application and enforcement. Since 1979, the PRC government has been committed to developing and refining its legal system and has achieved significant progress in the development of its laws and regulations governing business and commercial matters, such as in foreign investment, company organisation and management, commercial transactions, tax and trade. However, as these laws and regulations are still evolving, in view of how the PRC's financial services industry is still developing, and because of the limited number and non-binding nature of published cases, there exist uncertainties about their interpretation and enforcement, and such uncertainties may have a negative impact on the Parent Group's business.

Furthermore, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to more developed jurisdictions. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgements by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Parent Group in its operations and to holders of the Notes.

Certain PRC regulations governing PRC companies are less developed than those applicable to companies incorporated in more developed countries

Most of the Parent Group's members are established in the PRC and are subject to PRC regulations governing PRC companies. These regulations contain certain provisions that are required to be included in the joint venture contracts, articles of association and all other major operational agreements of these PRC companies and are intended to regulate the internal affairs of these companies. These regulations in general, and the provisions for protection of shareholders' rights and access to information in particular, are less developed than those applicable to companies incorporated in Hong Kong, the United States, the United Kingdom and other developed countries or regions.

Any force majeure events, including the outbreak, or threatened outbreak, of any severe communicable diseases in Hong Kong or the PRC, could materially and adversely affect the Parent Group's business and results of operations

Any force majeure events, including the outbreak, or threatened outbreak, of any severe communicable disease (such as severe acute respiratory syndrome or avian influenza) in Hong Kong or the PRC, could materially and adversely affect the overall business sentiment and environment in the PRC, particularly if such outbreak is inadequately controlled. This, in turn, could materially and adversely affect domestic consumption, labour supply and, possibly, the overall gross domestic product growth of the PRC. The Parent Group's domestic revenue is currently derived from its PRC operations, and any labour shortages on contraction or slowdown in the growth of domestic consumption in the PRC could materially and adversely affect the Parent Group's business, financial condition and results of operations. In addition, if any of the Parent Group's employees are affected by any severe communicable disease, it could adversely affect or disrupt production levels and operations at the relevant plants and materially and adversely affect the Parent Group's business, financial condition and results of operations, which may also involve a closure of the Parent Group's facilities to prevent the spread of the disease. The spread of any severe communicable disease in the PRC may also affect the operations of the Parent Group's customers and suppliers, which could materially and adversely affect the Parent Group's business, financial condition, and results of operations.

RISKS RELATING TO NOTES ISSUED UNDER THE PROGRAMME

If the Company fails to complete the post-issuance report to the NDRC in connection with the Notes, NDRC may impose penalties or other administrative procedures on the Company.

On 14 September 2015, the NDRC promulgated the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委員會關於推進企業發行外債備案登記管理改革的通知) (the "**NDRC Circular**") pursuant to which if a PRC enterprise or an offshore branch or enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a tenor of more than one year, such PRC enterprise must, in advance of issuing such bonds, file certain prescribed documents with the NDRC and obtain the Enterprise Foreign Debt Filing Certificate (企業發行外債備案登記證明) from the NDRC in respect of such issue. According to the NDRC Circular, the NDRC will decide whether to accept a submission within five (5) working days upon receipt of the submission and is expected to issue a decision on the submission within seven (7) working days after it accepts the submission. The enterprise must also report certain details of the bonds to the NDRC within ten (10) business days upon the completion of the bond issue.

The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue registration requirement. In the worst case scenario, it might become unlawful for the Issuer to perform or comply with any of its obligations under the Notes. Similarly, there is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular.

On 18 December 2015, the NDRC issued the Guidelines on Overseas Corporate Bond Issuance (企業境外發行債券指引) (the "**Guideline**"), which further strengthened the compliance of registration requirements under the NDRC Circular, and provides that, companies, underwriters, law firms and other intermediary institutions who fail to comply with registration requirements and commit to maliciously report foreign debt scale and provide fake information might be put on the blacklist of dishonest persons and sanctioned by PRC government. However, the Guideline does not provide details as to how to implement such blacklist and measures of sanction that government will take.

Since the NDRC Circular is new and without any detailed implementation procedures, there is no assurance that the NDRC will not issue further implementation rules or notices which may require additional steps in terms of the registration or provide sanctions or other administrative procedures the NDRC may impose if not compliance with such registration, or post-issuance report required by the NDRC Circular. If the Company does not report the post-issuance information with respect to the Notes within the timeframe as provided under the NDRC Circular, the NDRC may impose sanctions or other administrative procedures on the Company which may have a material adverse impact to its business, financial condition or results of operations.

The Notes are unsecured obligations.

As the Notes are unsecured obligations, their repayment may be compromised if:

- the Issuer enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's indebtedness.

If any of these events were to occur, the Issuer's assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Notes.

The Notes may not be a suitable investment for all investors.

The Notes are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Terms and Conditions of the Notes may be modified without the consent of all investors.

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority of the Noteholders. There is a risk that the decision of the majority of holders of the Notes may be adverse to the interests of individual Noteholders.

The Terms and Conditions of the Notes provide that the Trustee may, without the consent of Noteholders, agree to any modification of any of the Conditions or any of the provisions of the Trust Deed, the Keepwell and Liquidity Support Deeds or the Agency Agreement, which in the opinion of the Trustee will not be materially prejudicial to the interests of the Noteholders. The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes, the Trust Deed, the Keepwell and Liquidity Support Deeds or the Agency Agreement (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity.

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). There can be no assurance as to the liquidity of the Notes or that an active trading market will develop. The liquidity of the Notes could be affected by various factors, and in particular, if a limited number of investors subscribes for a significant portion of the Notes.

If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. If the Notes are trading at a discount, investors may not be able as receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although an application has been made for the Notes issued under the Programme to be admitted to listing on the SGX-ST, there is no assurance that any particular Tranche of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes that may be issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of the Notes. The Issuer will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to companies in certain other countries.

There may be less publicly available information about the Issuer, CM Leasing HK, the Company and the Parent and PRC corporate disclosure and accounting standards differ from IFRS.

Each of the Issuer, CM Leasing HK, the Company and the Parent is a private company not listed on any stock exchange. There may be less publicly available information about the Issuer, CM Leasing HK, the Company and the Parent and their respective subsidiaries than is regularly made available by public companies in certain other countries. Unless the Offering Circular is updated periodically to include the most recent financial results, it may not contain the most updated financial information of the Issuer, CM Leasing HK, the Company or the Parent. In addition, the Parent's consolidated financial statements are prepared and presented in accordance with PRC GAAP. PRC GAAP differ in certain respects from IFRS. See "*Summary of Significant Differences between PRC GAAP and IFRS*".

Any downgrading of the Company's corporate ratings, or those of its subsidiaries, by rating agencies could adversely affect Group's business and CM Leasing Group's liquidity.

One or more independent offshore credit rating agencies may assign credit ratings to the Company's corporate ratings or those of its subsidiaries. Any adverse revision to the Company's corporate ratings, or those of its subsidiaries, for domestic and international debt by rating agencies such as Fitch, Moody's and Standard & Poor's Financial Services LLC may adversely affect Group's business, its financial performance and the trading price of the Notes. Further, Group's ability to obtain financing or to access to capital markets may also be limited, thereby lowering its liquidity.

Changes in interest rates may have an adverse effect on the price of the Notes.

The Noteholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Notes, resulting in a capital loss for the Noteholders. However, the Noteholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Notes may rise. The Noteholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected.

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Inventor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The Issuer's ability to make payments under the Notes will depend on timely payments under on-lent loans of the proceeds from the issue of the Notes.

The Issuer is a wholly owned subsidiary of the Company formed for the principal purpose of issuing the Notes and will on-lend the entire proceeds from the issue of the Notes to other entities of the Parent Group. The Issuer does not and will not have any net assets other than such on-lent loans and its ability to make payments under the Notes depends on timely payments under such loans. In the event that the recipients of such on-lent loans do not make such payments due to limitation in such loans or other agreements, lack of available cash flow or other factors, the Issuer's ability to make payments under the Notes may be adversely affected.

The Company and the Parent may issue notes or provide guarantees for notes of the Issuer or other subsidiaries of the Company or the Parent in the future without consent from any holder of the Notes issued under the Programme and without providing a guarantee or other direct obligation to the holder of the Notes.

The Company and the Parent have entered into the Keepwell and Liquidity Support Deeds in connection with the issuance of the Notes guaranteed by CM Leasing HK, which do not constitute a direct or indirect guarantee of the Notes by the Company or the Parent. See "*Description of the Keepwell And Liquidity Support Deeds*". The Terms and Conditions of the Notes issued under the Programme do not prohibit the Company and the Parent from issuing notes or provide guarantees for notes of the Issuer or other subsidiaries of the Company or the Parent in the future. As a result, the Company and the Parent may, without consent from any holder of the Notes, issue notes or guarantee notes issued by the Issuer or subsidiaries of the Company or the Parent in the future, without (i) providing any unsubordinated guarantee or indemnity in respect of the Notes, or (ii) offering to exchange the Notes for securities issued by the Company with terms substantially identical to those of the Notes. In the event that the Company or the Parent decides to issue notes or guarantee notes issued by its subsidiaries or the Issuer in the future, holders of such notes issued or guaranteed by the Company or the Parent will have a direct claim against the Company or the Parent, as the case may be, while the holders of the Notes issued under the Programme do not.

RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features.

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed.

Optional redemption features as contained in the Terms and Conditions are likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Notes are redeemable in the event of certain withholding taxes being applicable.

No assurances are made by the Issuer as to whether or not payments on the Notes may be made without withholding taxes or deductions imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Hong Kong or the PRC or any political subdivision, territory, possession thereof or authority therein having power to tax (the "**Relevant Jurisdiction**"). Although, pursuant to the Terms and Conditions, the Issuer is required to gross up payments on account of any such withholding taxes or deductions (subject to certain exceptions), the Issuer also has the right to redeem the Notes at any time in the event that it has or will become obliged to pay additional amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Hong Kong or (only where such tax or withholding is in excess of the applicable rate in the PRC on the Issue Date of the first Tranche of Notes) the PRC or any political subdivision, territory, possession thereof or any authority therein having power to tax as a result of any change in, or amendment to, the laws of a Relevant Jurisdiction or any regulations or rulings promulgated thereunder, or any change in the application or official interpretation of such laws, rulings or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date of the first Tranche of Notes.

The Issuer has limited assets, which affects its ability to make payments under the Notes.

On certain dates, including the occurrence of any early redemption event specified in the relevant Pricing Supplement or otherwise and at maturity of the Notes, the Issuer may, and at maturity, will, be required to redeem all of the Notes. However, the Issuer is a special purpose vehicle, which does not generate any revenue. If such an event were to occur, the Issuer may not have sufficient cash on hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. The Issuer's failure to repay, repurchase or redeem tendered Notes would constitute an Event of Default (as defined in the Terms and Conditions) under the Notes, which may also constitute a default under the terms of other indebtedness of the Parent Group.

The Issuer has no business activities of its own and will be dependent on funds from the Group to make payments under the Notes.

The Issuer is a limited liability company incorporated on 4 May 2017 under the laws of British Virgin Islands specifically for the purpose of raising funds through the issue of securities or entering into loans. As at the date of this Offering Circular, the Issuer is an indirectly wholly owned subsidiary of the Company. The Issuer has not engaged, since its incorporation, in any material activities other than the issue of the Notes and other activities reasonably incidental thereto, with the benefit of either keepwell deeds provided by the Company and the Parent or guarantee provided by the Company, and those relating to the proposed issue of the Notes under the Programme and the on-lending of the proceeds thereof to the Company and/or its subsidiaries or affiliates, and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party. As a result, the Issuer is subject to all the risks to which the Group that will receive proceeds from the Notes is subject, to the extent that such risks could limit its ability to satisfy in full and on a timely basis its respective obligations to the Issuer under any such loans.

The Notes will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer's existing and future subsidiaries, other than the Issuer, and effectively subordinated to the Issuer's secured debt to the extent of the value of the collateral securing such indebtedness.

The Notes will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's existing and future subsidiaries, other than the Issuer, whether or not secured. The Notes will not be guaranteed by any of the Issuer's subsidiaries, and the Issuer may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer is subject to various restrictions under applicable law. Each of the Issuer's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Notes or make any funds available therefor whether by dividends, loans or other payments. The Issuer's right to receive assets of any of the Issuer's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer are creditors of that subsidiary). Consequently, the Notes will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's subsidiaries, other than the Issuer.

The Notes are the Issuer's unsecured obligations, respectively, and will (i) rank equally in right of payment with all the Issuer's other present and future unsecured indebtedness; (ii) be effectively subordinated to all of the Issuer's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's present and future subordinated obligations. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Issuer's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Notes, these assets will be available to pay obligations on the Notes only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Noteholders ratably with all of the Issuer's other unsecured creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Notes then outstanding would remain unpaid.

The insolvency laws of the British Virgin Islands and the PRC and other local insolvency laws may differ from those of another jurisdiction with which the Noteholders are familiar.

As the Issuer and the Company are incorporated under the laws of the British Virgin Islands and the PRC, respectively, any insolvency proceeding relating to the Issuer and the Company, even if brought in other jurisdictions, would likely involve the British Virgin Islands and the PRC insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Noteholders are familiar.

A change in English law which governs the Notes may adversely affect Noteholders.

The Notes are governed by English law in effect as at the date of issue of the relevant Notes. The uncertainty related to the potential exit of the United Kingdom from the European Union could result in unpredictable changes to English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practise after the date of issue of the Notes.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgements of the Hong Kong courts in respect of English law governed matters or disputes.

The Notes, the Trust Deed, the Agency Agreement, the Keepwell and Liquidity Support Deeds are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, the Hong Kong courts may require certain additional procedures to be taken. Under the "Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned", judgements of the Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgements have agreed to submit to the exclusive jurisdiction of the Hong Kong courts.

However, recognition and enforcement of a Hong Kong court judgement would be subject to the procedural requirements and public policy considerations as set forth in applicable provisions of the PRC laws relating to the enforceability of foreign court judgements, and could be refused if the PRC courts consider that the enforcement of such judgement is contrary to the social and public interest of the PRC or such judgement could not satisfy certain requirements or conditions. While it is expected that the PRC courts will recognise and enforce a judgement given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgement as there is no established practise in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the Trustee will be submitted to the exclusive jurisdiction of the Hong Kong courts under the Terms and Conditions of the Notes, and thus the Trustee's ability to initiate a claim outside of Hong Kong will be limited.

If the Issuer and the Company are unable to comply with the restrictions and covenants in their respective debt agreements, there could be a default under the terms of these agreements, which could cause repayment of their respective debt to be accelerated.

If the Issuer and the Company are unable to comply with their respective current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer and the Company, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of the Issuer's or the Company's debt agreements contain cross-acceleration or cross-default provisions. As a result, the Issuer's or the Company's default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under the Issuer's or the Company's other debt agreements. If any of these events occur, the Issuer and the Company cannot assure Noteholders that their respective assets and cash flows would be sufficient to repay in full all of their respective indebtedness, or that the Issuer and the Company would be able to find alternative financing. Even if they could obtain alternative financing, they cannot assure holders that it would be on terms that are favourable or acceptable to them.

The Terms and Conditions provide only limited protection against significant corporate events that could adversely impact the investors' investment in the Notes.

While the Terms and Conditions contain terms intended to provide protection to Noteholders upon the occurrence of certain events involving significant corporate transactions and the creditworthiness of the Issuer or the Company, these terms are limited and may not be sufficient to protect the investors' investment in the Notes. See "*Terms and Conditions of the Notes — Redemption and Purchase*".

The Trust Deed for the Notes also does not:

- require the Company to maintain any financial ratios or specific levels of net worth, revenue, income, cash flows or liquidity;
- restrict the Company's subsidiaries' or consolidated affiliated entities' ability to issue unsecured securities;
- incur unsecured indebtedness that would be senior to the Issuer's equity interests in the Parent Group's subsidiaries or consolidated affiliated entities and therefore rank effectively senior to the Notes;
- limit the ability of the Company's subsidiaries or consolidated affiliated entities to service indebtedness;
- restrict the Issuer's or the Company's ability to redeem or prepay any other of the Issuer's or the Company's securities or other indebtedness; or
- restrict the Company's ability to make investments or to repurchase or pay dividends or make other payments in respect of the Issuer's shares or other securities ranking junior to the Notes.

As a result of the foregoing, when evaluating the terms of the Notes, the investors should be aware that the terms of the Notes do not restrict the Issuer's or the Company's ability to engage in, or to otherwise be a party to, a variety of corporate transactions, circumstances and events that could have an adverse impact on the investors' investment in the Notes.

The Notes do not restrict the Parent Group's ability to incur additional debt or to take other actions that could negatively impact holders of the Notes.

The Parent Group and the CM Leasing Group are not restricted under the Terms and Conditions from incurring additional debt, including secured debt, or from repurchasing the Notes. In addition, the covenants applicable to the Notes do not require the Parent Group or the CM Leasing Group to achieve or maintain any minimum financial results relating to the Parent Group's or the CM Leasing Group's financial position or results of operations. The Parent Group's and the CM Leasing Group's ability to recapitalise, incur additional debt and take other actions that are not limited by the Terms and Conditions could diminish the Parent Group's and CM Leasing Group's ability to make payments on the Notes and amortising bonds when due.

The Notes may be represented by Global Notes or Global Note Certificates and holders of a beneficial interest in a Global Note or a Global Note Certificate must rely on the procedures of the relevant Clearing System(s).

Notes issued under the Programme may be represented by one or more Global Notes or Global Note Certificates. Such Global Notes or Global Note Certificates will be deposited with a common depositary for Euroclear and Clearstream or lodged with a sub-custodian for the CMU Service. Except in the circumstances described in the relevant Global Note and the Global Note Certificates, investors will not be entitled to receive

Definitive Notes or Individual Note Certificates. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes and Global Note Certificates. While the Notes are represented by one or more Global Notes or Global Note Certificates, investors will be able to trade their beneficial interests only through the relevant Clearing Systems.

While the Notes are represented by one or more Global Notes or Global Note Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to the relevant Clearing System for distribution to their account holders or, in the case of the CMU Service, to the persons for whose account(s) interests in such Global Note or Global Note Certificate are credited as being held in the CMU Service in accordance with all the requirements ("**CMU Rules**") of the CMU service for the time being applicable to a member of the CMU Service ("**CMU Member**") CMU Rules as notified by the CMU Service to the Parent Group in a relevant CMU Instrument Position Report or any other notification by the CMU Service.

A holder of a beneficial interest in a Global Note or Global Note Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The Issuer and/or the Company does not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Note Certificates.

Bearer Notes where denominations involve integral multiples: definitive Bearer Notes.

In relation to any issue of Bearer Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Bearer Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Bearer Note in respect of such holding (should such Notes be printed) and would need to purchase a principal amount of the Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If definitive Bearer Notes are issued, holders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

The Trustee may request Noteholders to provide an indemnity, security and/or pre-funding to its satisfaction.

In certain circumstances, including, without limitation, giving notice to the Issuer pursuant to Condition 13 of the Terms and Conditions and taking enforcement steps pursuant to Condition 18 of the Terms and Conditions, the Trustee may, at its sole discretion, request Noteholders to provide an indemnity, security and/or pre-funding to its satisfaction before it takes actions on behalf of Noteholders. The Trustee shall not be obliged to take any such actions if not indemnified, secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity, security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity, security and/ or pre-funding to it, in breach of the terms of the Trust Deed or the Terms and Conditions and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such actions directly.

Dual currency Notes have features different from single currency Notes

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected; and
- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

Index Linked Notes and Dual currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) the payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes are typically more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Investors should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

RISKS RELATING TO RENMINBI DENOMINATED NOTES

A description of risks which may be relevant to an investor in Notes denominated in Renminbi ("**Renminbi Notes**") is set out below.

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes.

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

However, remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

In respect of Renminbi foreign direct investments ("**FDI**"), PBOC promulgated the *Administrative Measures on Renminbi Settlement of Foreign Direct Investment* (外商直接投資人民幣結算業務管理辦法) (the "**PBOC FDI Measures**") on 13 October 2011 as part of PBOC's detailed Renminbi FDI accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, PBOC issued a circular setting out the operational guidelines for FDI. PBOC further issued the *Circular on the Relevant Issues on Renminbi Settlement of Investment in Onshore Financial Institutions by Foreign Investors* (關於境外投資者投資境內金融機構人民幣結算有關事項的通知) on 23 September 2013, which provides further details for using Renminbi to invest in a financial institution domiciled in the PRC. Under the PBOC FDI Measures, special approval for FDI and shareholder loans from PBOC, which was previously required, is no longer necessary. In some cases, however, post-event filing with PBOC is still necessary.

On 3 December 2013, MOFCOM promulgated the Circular on Issues in relation to Cross-border Renminbi *Foreign Direct Investment* (關於跨境人民幣直接投資有關問題的公告) (the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify "Renminbi Foreign Direct Investment" and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

As the PBOC FDI Measures and the MOFCOM Circular are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

Although the Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund since 1 October 2016, there is no assurance that the PRC government will continue gradually to liberalise control over cross-border remittance of Renminbi in the future, that the pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service Renminbi Notes.

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While PBOC has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the "**Renminbi Clearing Banks**"), including, but not limited to, Hong Kong and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent that the Issuer is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in the Renminbi Notes is subject to exchange rate risks.

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. Recently, the PBOC implemented changes to the way it calculates the Renminbi's daily midpoint against the U.S. dollar to take into account market-maker quotes before announcing such daily midpoint. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to Renminbi Notes unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

Payments with respect to the Renminbi Notes may be made only in the manner designated in the Renminbi Notes.

All payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by global certificates held with the common depositary for Clearstream Banking S.A. and Euroclear Bank S.A./N.V. or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement, (ii) for so long as the Renminbi Notes are represented by global certificates lodged with a sub-custodian for or registered with the CMU Service, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures or (iii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

Remittance of proceeds in Renminbi into or out of the PRC.

In the event that the Issuer decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there is no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC government authorities will be obtained at all or, if obtained, that they will not be revoked or amended in the future.

There is no assurance that the PRC government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that the Issuer does remit some or all of the proceeds into the PRC in Renminbi and the Issuer subsequently is not able to repatriate funds out of the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

FORMS OF THE NOTES

Bearer Notes

Each Tranche of Notes in bearer form ("**Bearer Notes**") will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**"), without interest coupons, or a permanent global note in bearer form (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Pricing Supplement. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank SA/NV as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**"), a sub-custodian for the Central Moneymarkets Unit Service ("**CMU Service**") operated by the Hong Kong Monetary Authority ("**HKMA**") and/ or a custodian for any other relevant clearing system.

In the case of each Tranche of Bearer Notes, the relevant Pricing Supplement will also specify whether rules in substantially the same form as United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days (taking into account any unilateral extension or rollover rights), that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Pricing Supplement specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note, duly authenticated to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

(i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Principal Paying Agent or the CMU Lodging and Paying Agent; and

(ii) receipt by the Principal Paying Agent or the CMU Lodging and Paying Agent of a certificate or certificates of non-U.S. beneficial ownership,

within 7 days of the bearer requesting such exchange.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TERFA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Bearer Notes in definitive form ("**Definitive Notes**") not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Pricing Supplement specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date for the relevant Tranche of the Notes upon, certification as to non-U.S. beneficial ownership in compliance with the TEFRA D Rules. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note, to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

Permanent Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

(i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or

(ii) if the relevant Pricing Supplement specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following event occurs:

  (a) Euroclear or Clearstream, the CMU Service or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or

  (b) any of the circumstances described in Condition 13 *(Events of Default)* occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent or the CMU Lodging and Paying Agent within 30 days of the bearer requesting such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Pricing Supplement which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

Legend concerning United States persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Registered Notes

Each Tranche of Notes in registered form ("**Registered Notes**") will be represented by either:

(i) individual note certificates in registered form ("**Individual Note Certificates**"); or

(ii) one or more unrestricted global note certificates ("**Global Note Certificate(s)**"),

in each case as specified in the relevant Pricing Supplement.

Each Note represented by a Global Note Certificate will be registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream or for the HKMA in its capacity as the operator of the CMU Service and/or a custodian for any other relevant clearing system, and the relevant Global Note Certificate will be deposited on or about the issue date with the common depositary or a sub-custodian for the CMU Service.

If the relevant Pricing Supplement specifies the form of Notes as being "Individual Note Certificates", then the Notes will at all times be represented by Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

Global Note Certificate exchangeable for Individual Note Certificates

If the relevant Pricing Supplement specifies the form of Notes as being "Global Note Certificate exchangeable for Individual Note Certificates", then the Notes will initially be represented by one or more Global Note Certificates, each of which will be exchangeable in whole, but not in part, for Individual Note Certificates:

(i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or

(ii) if the relevant Pricing Supplement specifies "in the limited circumstances described in the Global Note Certificate", then:

   (a) in the case of any Global Note Certificate held by or on behalf of Euroclear and/or Clearstream, the CMU Service and/or any other clearing system, if Euroclear, Clearstream, the CMU Service or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; and

   (b) in any case, if any of the circumstances described in Condition 13 *(Events of Default)* occurs.

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, each person having an interest in a Global Note Certificate must provide the Registrar (through the relevant clearing system) with such information as the Issuer and the Registrar may require to complete and deliver Individual Note Certificates (including the name and address of each person in which the Notes represented by the Individual Note Certificates are to be registered and the principal amount of each such person's holding).

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate to the Registrar of such information as is required to complete and deliver such Individual Note Certificates against the surrender of the Global Note Certificate at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Trust Deed and the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Pricing Supplement which completes those terms and conditions.

The terms and conditions applicable to any Global Note Certificate will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note in bearer form, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system, and/or a sub-custodian for the CMU Service, will be that depositary, common depositary or sub-custodian, as the case may be.

In relation to any Tranche of Notes represented by one or more Global Note Certificates, references in the Terms and Conditions of the Notes to "Noteholder" are references to the person in whose name the relevant Global Note Certificate is for the time being registered in the Register which (a) in the case of any Global Note Certificate which is lodged with a sub-custodian for the CMU Service, will be the HKMA; or (b) in the case of any Global Note Certificate which is held by or on behalf of a depositary or common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system, will be that depositary, common depositary, as the case may be.

Each of the persons shown in the records of Euroclear, Clearstream and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Note Certificate (each an "**Accountholder**") must look solely to Euroclear, Clearstream and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the holder of such Global Note or Global Note Certificate and in relation to all other rights arising under such Global Note or Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Note Certificate will be determined by the respective rules and procedures of Euroclear, Clearstream and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Note Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Note or Global Note Certificate.

If a Global Note or a Global Note Certificate is lodged with a sub-custodian for the CMU Service, the person(s) for whose account(s) interests in such Global Note or Global Note Certificate are credited as being held in the CMU Service in accordance with the CMU Rules as notified by the CMU Service to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service save in the case of manifest error) shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU Service as entitled to receive payments in respect of Notes represented by such Global Note or Global Note Certificate and the Issuer will be discharged by payment to such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU Service in respect of each amount so paid. Each of the persons shown in the records of the CMU Service, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Note Certificate must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Issuer in respect of such Global Note or Global Note Certificate.

Conditions applicable to Global Notes

Each Global Note and Global Note Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note or Global Note Certificate. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note or Global Note Certificate which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Note Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that the payment is noted in a schedule thereto.

Payment Business Day: In the case of a Global Note, or a Global Note Certificate, shall be, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Payment Record Date: Each payment in respect of a Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

Exercise of put option: In order to exercise the option contained in Condition 9(c) (*Redemption for Change of Control*), Condition 9(f) (*Redemption at the option of Noteholders*) or Condition 9(g) (*Redemption upon a No Registration Event*) the bearer of a Permanent Global Note or the holder of a Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Issuing and Paying Agent or (as the case may be) the CMU Lodging and Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn. So long as Bearer Notes issued in accordance with the TEFRA D Rules are represented by a Temporary Global Note, exercise of a put option shall not be available except to the extent that certification required under the TEFRA D Rules with respect to non-U.S. beneficial ownership has been received by the Issuer or Paying Agent.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 9(d) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note or Global Note Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and/or Clearstream or the CMU Service (as the case may be) (to be reflected in the records of Euroclear and/or Clearstream or the CMU Service (as the case may be) as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 20 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Note Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Note Certificate is, (i) registered in the name of common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system (other than the CMU Service, in respect of which see (ii) below), notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 20 (*Notices*) on the date of delivery to Euroclear and/or Clearstream and/or any other relevant clearing system; or (ii) deposited with the CMU Service, notices to the holders of Notes of the relevant Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Note Certificate.

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes will be used for the Group's working capital and general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the relevant Pricing Supplement.

TERMS AND CONDITIONS OF THE NOTES

The following (other than the words in italics) is the text of the terms and conditions which, as completed by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Forms of the Notes — Summary of Provisions Relating to the Notes while in Global Form" below.

1. Introduction

(a) *Programme*: CMIG Capital Limited (the "**Issuer**") has established a Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.$700,000,000 in aggregate principal amount of notes (the "**Notes**") guaranteed either by (i) CM International Financial Leasing Investment Holding Limited (中民國際融資租賃投資控股有限公司) ("**CM Leasing HK**") or (ii) CM International Financial Leasing Co., Ltd. (中民國際融資租賃股份有限公司) (the "**Company**") (each, in such capacity, a "**Guarantor**"), as specified in the relevant Pricing Supplement (as defined below). References to the Guarantor shall mean only either CM Leasing HK or the Company in such capacity as specified in the relevant Pricing Supplement, as the case may be.

(b) *Pricing Supplement*: Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a pricing supplement (the "**Pricing Supplement**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.

(c) *Trust Deed*: The Notes are constituted by, are subject to, and have the benefit of, a trust deed dated 18 May 2018 (as amended, restated and/or supplemented from time to time, the "**Trust Deed**") between the Issuer, CM Leasing HK, the Company, the Parent and The Bank of New York Mellon, London Branch as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).

(d) *Agency Agreement*: The Notes are the subject of an issue and paying agency agreement dated 18 May 2018 (as amended, restated and/or supplemented from time to time, the "**Agency Agreement**") between the Issuer, CM Leasing HK, the Company, the Parent, The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), The Bank of New York Mellon, Hong Kong Branch as CMU lodging and paying agent and CMU registrar (the "**CMU Lodging and Paying Agent**" and the "**CMU Registrar**", respectively, which expression includes any successor CMU lodging and paying agent and CMU registrar appointed from time to time in connection with Notes cleared through the CMU Service), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with Notes cleared through a clearing system other than the CMU Service, and together with the CMU Registrar, the "**Registrars**" and each, a "**relevant Registrar**"), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes), the transfer agents named therein (together with the Registrars, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the Trustee. In these Conditions, references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them. For the purposes of these Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Principal Paying Agent shall, with respect to a Series of Notes to be held in the CMU Service (as defined below), be deemed to be a reference to the CMU Lodging and Paying Agent, and all such references shall be construed accordingly.

(e) *Keepwell and Liquidity Support Deeds and Deed of Equity Interest Purchase Undertaking*: Where CM Leasing HK is specified in the relevant Pricing Supplement as being the Guarantor, the Notes will have the benefit of (i) a keepwell and liquidity support deed dated 18 May 2018 (as amended or supplemented from time to time, the "**Company Keepwell and Liquidity Support Deed**") given by the Company, (ii) a deed of equity interest purchase undertaking dated 18 May 2018 (as amended or supplemented from time to time, the "**Deed of Equity Interest Purchase Undertaking**") given by the Company and (iii) a keepwell and liquidity support deed dated 18 May 2018 (as amended or supplemented from time to time, the "**Parent

Keepwell and Liquidity Support Deed" and, together with the Company Keepwell and Liquidity Support Deed, the "**Keepwell and Liquidity Support Deeds**") given by the Company's parent company, China Minsheng Investment Group Corp., Ltd. (中國民生投資股份有限公司) (the "**Parent**"), in addition to the guarantee provided in the Trust Deed. Where the Company is specified in the relevant Pricing Supplement as being the Guarantor, the Notes will, in addition to the guarantee provided by the Company in the Deed of Guarantee (as defined below), have the benefit of the Parent Keepwell and Liquidity Support Deed.

(f) *Deed of Guarantee*: Where the Company is specified in the relevant Pricing Supplement as being the Guarantor, the Notes of each such Tranche will have the benefit of a deed of guarantee dated the relevant Issue Date (the "**Deed of Guarantee**") given by the Guarantor.

(g) *The Notes*: The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing and copies may be obtained from the Specified Office of each of the Paying Agents and Transfer Agents.

(h) *Summaries*: Certain provisions of these Conditions are summaries of the Trust Deed, each Deed of Guarantee, the Keepwell and Liquidity Support Deeds, the Deed of Equity Interest Purchase Undertaking and the Agency Agreement and are subject to their detailed provisions. Noteholders (as defined below) and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the relevant Deed(s) of Guarantee, the Keepwell and Liquidity Support Deeds, the Deed of Equity Interest Purchase Undertaking and the Agency Agreement applicable to them. Copies of the Trust Deed, the relevant Deed(s) of Guarantee, the Keepwell and Liquidity Support Deeds, the Deed of Equity Interest Purchase Undertaking and the Agency Agreement are available for inspection by Noteholders during normal business hours with reasonable prior written notification at the registered office of the Trustee (presently at One Canada Square, London E14 5AL, United Kingdom) and at the Specified Offices of each of the Agents.

2. **Interpretation**

(a) *Definitions*: In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Pricing Supplement;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Pricing Supplement;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Pricing Supplement;

"**Approval Authorities**" means any supranational, national, state, municipal, provincial or local government (including any subdivision, court, administrative agency or commission or other authority thereof) or any quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority whose licences, authorisations, registrations or other approvals are necessary for undertaking the relevant transactions contemplated by the Trust Deed, the relevant Deed(s) of Guarantee, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking and the Notes;

"**Business Day**" means:

(a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;

(b) in relation to any sum payable in Renminbi, any day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed; and

(c) in relation to any sum payable in a currency other than euro and Renminbi, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that*:

(i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Principal Paying Agent or such other Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

"**Calculation Amount**" has the meaning given in the relevant Pricing Supplement;

a "**Change of Control**" occurs when:

(a) the Parent ceases to, directly or indirectly, own and control not less than 50.1 per cent. of the issued share capital of the Company; or

(b) the Company ceases to, directly or indirectly, own and control 100 per cent. of the issued share capital of CM Leasing HK or the Issuer; or

(c) CM Leasing HK ceases to, directly or indirectly, own and control 100 per cent. of the issued share capital of the Issuer;

"**CM Leasing HK Group**" means CM Leasing HK and its Subsidiaries, taken as a whole;

"**CMU Service**" means the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority;

"**Consolidated Net Assets**" means, in respect of each of the Issuer and CM Leasing HK, the excess of total assets of the Issuer or CM Leasing HK, as the case may be, and its consolidated Subsidiaries over total liabilities of the Issuer or CM Leasing HK, as the case may be, and its consolidated Subsidiaries, "total assets" and "total liabilities" each as determined in accordance with Hong Kong Financial Reporting Standards consistently applied;

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**Cross-border Security Registration**" means, where the Company is specified in the relevant Pricing Supplement as being the Guarantor, the completion of the registration with the Tianjin Branch of the State Administration of Foreign Exchange ("**SAFE**") of the Guarantee of the Notes issued in relation to the relevant Pricing Supplement and the Deed of Guarantee executed in connection therewith, in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

(a) if "**Actual/Actual (ICMA)**" is so specified, means:

(i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(ii) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(b) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(e) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30";

(f) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30; and

if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Early Redemption Amount (Change of Control)**" means, in respect of any Note, 101 per cent. of its principal amount or such other amount as may be specified in the relevant Pricing Supplement;

"**Early Redemption Amount (No Registration Event)**" means, where the Company is specified in the relevant Pricing Supplement as being the Guarantor in respect of such Note, 101 per cent. of its principal amount or such other amount as may be specified in the relevant Pricing Supplement;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Pricing Supplement;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in these Conditions or the relevant Pricing Supplement;

"**Extraordinary Resolution**" has the meaning given in the Trust Deed;

"**Fair Market Value**" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by such seller;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Pricing Supplement;

"**First Interest Payment Date**" means the date specified in the relevant Pricing Supplement;

"**Fixed Coupon Amount**" has the meaning given in the relevant Pricing Supplement;

"**Group** " means the Company and its Subsidiaries, taken as a whole;

"**Guarantee of the Notes**" means:

(a) if CM Leasing HK is specified in the relevant Pricing Supplement as being the Guarantor, the guarantee of the Notes given by CM Leasing HK in the Trust Deed; and

(b) if the Company is specified in the relevant Pricing Supplement as being the Guarantor, the guarantee of the Notes to be given by the Company in the relevant Deed(s) of Guarantee;

"**Holder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer — Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer — Title to Registered Notes*);

"**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC;

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

"**Interest Determination Date**" has the meaning given in the relevant Pricing Supplement;

"**Interest Payment Date**" means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

(a) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.);

"**Issue Date**" has the meaning given in the relevant Pricing Supplement;

"**KWD Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business (including dealings in foreign exchange) in Beijing, London and Hong Kong, and where payment is to be made on that day by transfer to an account other than in Hong Kong, in the Principal Financial Centre of the currency in which payment is to be made;

"**Liquidity Notice**" means the notice given by the Issuer, CM Leasing HK or the Company to each of the Company (if applicable) and the Trustee in accordance with the Keepwell and Liquidity Support Deed;

"**Liquidity Notice Date**" means the 10th Business Day immediately following 30 June and 31 December of each year;

"**Margin**" has the meaning given in the relevant Pricing Supplement;

"**Material Subsidiary**" means:

(a) any Subsidiary of the Company whose total amount of net profits or gross assets (excluding intra-group items) represents 5 per cent. or more of the net profits or gross assets of the Group calculated on a consolidated basis, as determined by reference to the latest audited consolidated financial statements of that Subsidiary (consolidated in the case of a Subsidiary which itself has Subsidiaries) and the latest audited consolidated financial statements of the Group; and

(b) any Subsidiary of CM Leasing HK whose total amount of net profits or gross assets (excluding intra-group items) represents 5 per cent. or more of the net profits or gross assets of the CM Leasing HK Group calculated on a consolidated basis, as determined by reference to the latest audited consolidated financial statements of that Subsidiary (consolidated in the case of a Subsidiary which itself has Subsidiaries) and the latest audited consolidated financial statements of the CM Leasing HK Group.

A certificate signed by any authorised signatory of the Company or CM Leasing HK, as the case may be, confirming that a Subsidiary is or is not, or was or was not, a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Guarantor, the Company, the Noteholders and the Couponholders;

"**Maturity Date**" has the meaning given in the relevant Pricing Supplement;

"**Maximum Redemption Amount**" has the meaning given in the relevant Pricing Supplement;

"**Minimum Redemption Amount**" has the meaning given in the relevant Pricing Supplement;

"**NDRC**" means the National Development and Reform Commission of the PRC or its relevant competent local counterpart;

"**NDRC Circular**" means the Circular on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知 (發改外資[2015] 2044 號)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time;

a "**No Registration Event**" occurs when the Registration Conditions are not complied with on or before the relevant Registration Deadline;

"**Noteholder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer — Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer — Title to Registered Notes*);

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Pricing Supplement;

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Pricing Supplement;

"**Payment Business Day**" means:

(a) if the currency of payment is euro, any day which is:

 (i) a day on which (x) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies and (y) a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Principal Paying Agent or the CMU Lodging and Paying Agent (as the case may be) has its Specified Office; and

 (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(b) if the currency of payment is not euro, any day which is:

 (i) a day on which (x) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies and (y) a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Principal Paying Agent or the CMU Lodging and Paying Agent (as the case may be) has its Specified Office; and

 (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies (including, in the case of Notes denominated in Renminbi, settlement of Renminbi payments) may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**PRC** " means the People's Republic of China, which shall for the purposes of these Conditions, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

"**PRC Business Days**" means a day (other than a Saturday, Sunday or a public holiday) on which banks in Beijing, the PRC are not authorised or obligated by law of executive order to be closed;

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency **provided, however, that**:

(a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

(b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(c) in relation to Renminbi, it means Hong Kong or the principal financial centre as specified in the applicable Pricing Supplement;

"**Put Option Notice**" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Put Option Receipt**" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

"**Rating Agency** " means (a) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors (**"Moody's**"); (b) Fitch Ratings Ltd ("**Fitch**"); or (c) Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("**S&P**");

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Change of Control), the Early Redemption Amount (No Registration Event), the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Reference Banks**" has the meaning given in the relevant Pricing Supplement or, if none, four major banks selected by the Issuer in the market that is most closely connected with the Reference Rate and notified in writing to the Trustee and the Calculation Agent;

"**Reference Price**" has the meaning given in the relevant Pricing Supplement;

"**Reference Rate**" has the meaning given in the relevant Pricing Supplement;

"**Registration Conditions**" means the receipt by the Trustee of a certified true copy of the relevant SAFE registration certificate (or any other document evidencing the completion of registration issued by SAFE) relating to the Cross-border Security Registration;

"**Registration Deadline**" means the day falling 120 PRC Business Days after the relevant Issue Date;

"**Regular Period**" means:

(a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"**Regulatory Approvals**" means all necessary regulatory or governmental approvals, consents, licences, orders, permits, registrations, filings, clearances and any other authorisations from the relevant Approval Authorities;

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Financial Centre**" has the meaning given in the relevant Pricing Supplement;

"**Relevant Indebtedness**" means any present or future indebtedness issued outside the PRC which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, or other securities which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Pricing Supplement;

"**Reserved Matter**" means any proposal (i) to change any date fixed for payment of principal or interest in respect of the Notes, (ii) to reduce the amount of principal or interest payable on any date in respect of the Notes, (iii) to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, (iv) to modify or terminate (x) where the Company is specified in the relevant Pricing Supplement as being the Guarantor, the relevant Deed(s) of Guarantee or the Parent Keepwell and Liquidity Support Deed or (y) where CM Leasing HK is specified in the relevant Pricing Supplement as being the Guarantor, the Keepwell and Liquidity Support Deeds or the Deed of Equity Interest Purchase Undertaking (and in any event other than pursuant to Condition 17(b) (*Meetings of Noteholders; Modification and Waiver*), (v) to change the currency of any payment under the Notes or (vi) to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Specified Currency**" has the meaning given in the relevant Pricing Supplement;

"**Specified Denomination(s)**" has the meaning given in the relevant Pricing Supplement;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Pricing Supplement;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(a) whose affairs and policies the first Person controls, or whose 50 per cent. or more of the share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such person is controlled by the first Person; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**Triggering Event**" means any of the following events:

(a) the Consolidated Net Assets of the Issuer, CM Leasing HK or the Company falls below U.S.$1.00 (or its equivalent in any other currency) (each, a "**Financial Ratio Failure**"); or

(b) the Issuer or CM Leasing HK fails to provide a Liquidity Notice in accordance with, and by the time, and to the persons specified in the Keepwell and Liquidity Support Deed (a "**Liquidity Notice Failure Event**"); or

(c) an Event of Default; or

(d) the Issuer or CM Leasing HK or the Company determines that it will have insufficient liquidity or cash flow to meet its payment obligations under the Notes, the Trust Deed or the Agency Agreement as they fall due (a "**Shortfall Event**"); and

"**Zero Coupon Note**" means a Note specified as such in the relevant Pricing Supplement.

(b) *Interpretation*: In these Conditions:

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;

(vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and

(viii) any reference to the Trust Deed, a Deed of Guarantee, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking or the Agency Agreement shall be construed as a reference to the Trust Deed, such Deed of Guarantee, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking or the Agency Agreement, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form, Denomination, Title and Transfer**

(a) *Bearer Notes*: Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

(b) *Title to Bearer Notes*: Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.

(c) *Registered Notes*: Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement. Registered Notes are not exchangeable for Bearer Notes or vice versa.

(d) *Title to Registered Notes*: The relevant Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

(e) *Ownership*: The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act.

(f) *Transfers of Registered Notes*: Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the relevant Registrar or any Transfer Agent, together with such evidence as the relevant Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

(g) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the relevant Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the relevant Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(h) *No charge*: The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the relevant Registrar or any Transfer Agent but against such indemnity as the relevant Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(i) *Closed periods*: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.

(j) *Regulations concerning transfers and registration*: All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the relevant Registrar. A copy of the current regulations will be mailed by the relevant Registrar to any Noteholder (at the cost and expense of such Noteholder) who requests in writing a copy of such regulations.

4. **Status and Guarantee**

(a) *Status of the Notes*: The Notes constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer which will at all times rank *pari passu* and without any preference or priority among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) *Guarantee of the Notes*:

(i) if CM Leasing HK is specified in the relevant Pricing Supplement as being the Guarantor, the Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes; and

(ii) if the Company is specified in the relevant Pricing Supplement as being the Guarantor, the Guarantor will in respect of such Tranche of Notes pursuant to the relevant Deed of Guarantee unconditionally and irrevocably guarantee the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes.

The Guarantee of the Notes, in each case, constitutes direct, unsubordinated, unconditional and unsecured obligations of the relevant Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of such Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. **Covenants**

(a) *Negative Pledge*: So long as any Note remains outstanding:

(i) neither the Issuer nor the relevant Guarantor (be it CM Leasing HK or the Company, as specified in the relevant Pricing Supplement) shall, and the Issuer and the relevant Guarantor shall procure that none of their respective Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or guarantee of Relevant Indebtedness without at the same time or prior thereto (x) securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (y) providing such other security for the relevant Notes as may be approved by an Extraordinary Resolution of Noteholders; and

(ii) if CM Leasing HK is specified in the relevant Pricing Supplement as being the Guarantor, the Company shall not, and shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or guarantee of Relevant Indebtedness without at the same time or prior thereto (x) securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (y) providing such other security for the relevant Notes as may be approved by an Extraordinary Resolution of Noteholders.

(b) *Issuer Activities*: The Issuer shall, and each of CM Leasing HK, the Company and the Parent have undertaken in the Keepwell and Liquidity Support Deeds to procure that the Issuer shall, for so long as any Note remains outstanding, save with the approval of an Extraordinary Resolution of the Noteholders:

(i) not conduct any business or other activities other than the permitted activities in connection with the Programme and the Notes (such permitted activities in connection with the Programme, the Notes and the Coupons shall, for the avoidance of doubt, include (i) the offering, sale or issuance of Notes and the Coupons under the Programme, (ii) the incurrence of Relevant Indebtedness represented by the Notes and the Coupons issued under the Programme; (iii) the offering, sale, or issuance of Relevant Indebtedness as permitted under the Conditions; (iv) the on-lending of the proceeds of the issue of the Notes and/or the Coupons to the Company or as the Company may direct; and (v) the activities directly related to the establishment and/or maintenance of the Issuer's corporate existence); and

(ii) where the Notes are rated by one or more Rating Agencies, maintain a rating on the Notes by a Rating Agency.

(c) *Provision of Information*: So long as any Note remains outstanding:

(i) the Company shall send to the Trustee:

(A) as soon as reasonably practicable after their date of publication and in any event not more than 180 days after the end of each financial year, two copies of audited annual consolidated financial statements prepared in accordance with accounting principles generally accepted in, and pursuant to the relevant laws of, the PRC (audited by an internationally recognised firm of independent accountants) of the Company and its Subsidiaries and if such statements shall be in the Chinese language, together with an English translation of the same translated by a professional translation service provider or the Company itself, together with a certificate signed by a director of the Company certifying that such translation is complete and accurate; and

(B) as soon as reasonably practicable after their date of publication and in any event not more than 120 days after the end of each second financial quarter, two copies of unaudited and unreviewed semi-annual consolidated financial statements prepared on a basis consistent with audited consolidated financial statements of the Company and its Subsidiaries and if such statements shall be in the Chinese language, together with an English translation of the same and a certificate signed by a director of the Company certifying that such translation is complete and accurate;

(ii) the Parent shall send to the Trustee:

(A) as soon as reasonably practicable after their date of publication and in any event not more than 180 days after the end of each financial year, two copies of audited annual consolidated financial statements prepared in accordance with accounting principles generally accepted in, and pursuant to the relevant laws of, the PRC (audited by an internationally recognised firm of independent accountants) of the Parent and its Subsidiaries and if such statements shall be in the Chinese language, together with an English translation of the same translated by a professional translation service provider or the Parent itself, together with a certificate signed by a director of the Parent certifying that such translation is complete and accurate; and

(B) as soon as reasonably practicable after their date of publication and in any event not more than 120 days after the end of each second financial quarter, two copies of unaudited and unreviewed semi-annual consolidated financial statements prepared on a basis consistent with audited consolidated financial statements of the Parent and its Subsidiaries and if such statements shall be in the Chinese language, together with an English translation of the same and a certificate signed by a director of the Parent certifying that such translation is complete and accurate;

(iii) in addition, if any such outstanding Note is guaranteed by CM Leasing HK, CM Leasing HK shall send to the Trustee:

(A) as soon as reasonably practicable after their date of publication and in any event not more than 180 days after the end of each financial year, two copies of audited annual consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards (audited by an internationally recognised firm of independent accountants) of CM Leasing HK and its Subsidiaries and if such statements shall be in the Chinese language, together with an English translation of the same translated by a professional translation service provider or CM Leasing HK itself, together with a certificate signed by a director of CM Leasing HK certifying that such translation is complete and accurate; and

(B) as soon as reasonably practicable after their date of publication and in any event not more than 120 days after the end of each second financial quarter, two copies of unaudited and unreviewed semi-annual consolidated financial statements prepared on a basis consistent with audited consolidated financial statements of CM Leasing HK and its Subsidiaries and if such statements shall be in the Chinese language, together with an English translation of the same and a certificate signed by a director of CM Leasing HK certifying that such translation is complete and accurate,

provided that, if at any time the capital stock of CM Leasing HK or the Company or the Parent is listed for trading on a recognised stock exchange, CM Leasing HK or the Company or the Parent, as the case may be, may make available to the Trustee, as soon as they are available but in any event not more than 14 calendar days after any financial or other reports of CM Leasing HK or the Company or the Parent, as the case may be, are filed with the exchange on which CM Leasing HK's, the Company's or the Parent's, as the case may be, capital stock is at such time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the reports identified in (i), (ii) and (iii) above.

The Issuer, CM Leasing HK, the Company and the Parent shall deliver to the Trustee, whenever the audited annual consolidated financial statements are delivered as provided in paragraph (i)(A), (ii)(A) or (iii)(A) above or within 14 Business Days of a request by the Trustee, a certificate in English of each of the Issuer, CM Leasing HK, the Company and the Parent signed by any of their respective directors, which shall be substantially in the form provided in the Trust Deed, that as of the end of the latest financial year of CM Leasing HK or the Company or the Parent (A) no Event of Default had occurred since the certification date of the last such certificate or, if none, the date of the Trust Deed, or, if such an event had occurred, giving details of it and the action which the Issuer, CM Leasing HK, the Company or the Parent, as the case may be, proposes to take with respect thereto and (B) confirming compliance of all of the Issuer's, CM Leasing HK's, the Company's and the Parent's covenants, as the case may be, that such entity is bound by under the Notes, the Trust Deed, the relevant Deed of Guarantee, the relevant Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking and the Agency Agreement.

(d) *Irrevocable Cross-border RMB Standby Facility, Liquidity Support and Parent Investmen*t: The Trustee shall provide a written notice to the Company or, as applicable, the Parent (with a copy to the Issuer and CM Leasing HK) (the "**Trigger Notice**") in accordance with the Trust Deed (i) if the Trustee does not receive the Liquidity Notice from the Issuer or CM Leasing HK or the Company within five Business Days after the relevant Liquidity Notice Date in accordance with the terms of the relevant Keepwell and Liquidity Support Deed, (ii) upon being notified in writing by the Issuer, CM Leasing HK, the Company and/or the Parent that a Triggering Event has occurred in accordance with the terms of the relevant Keepwell and Liquidity Support Deed, or (iii) if any Triggering Event has occurred and if so requested in writing by Noteholders holding at least one quarter of the aggregate principal amount of the Notes then outstanding (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction). Upon the receipt of the Trigger Notice, the Company or the Parent has undertaken in the relevant Keepwell and Liquidity Support Deed to:

(i) (x) as soon as practicable grant to the Issuer or CM Leasing HK a committed cross-border standby facility in an amount in RMB which upon conversion will be sufficient to satisfy the payment obligations as provided in the Keepwell and Liquidity Support Deed (the "**Remittance Amount**"), (y) as soon as practicable open with a PRC commercial bank a special RMB account for the transfer and remittance of the Remittance Amount to the Issuer or CM Leasing HK, as the case may be, and (z) remit the Remittance Amount to a specified account of the Issuer or CM Leasing HK, as the case may be, in Hong Kong through the special RMB account;

(ii) provide the liquidity support to the Issuer, CM Leasing HK and/or the Company (the "**Liquidity Support**") in accordance with the provisions regarding the Liquidity Support in the relevant Keepwell and Liquidity Support Deed; and

(iii) invest in the Issuer, CM Leasing HK and/or any Offshore Subsidiar(ies) (as defined in the relevant Keepwell and Liquidity Support Deed) (the "**Parent Investment**") in accordance with the provisions regarding the Parent Investment in the relevant Keepwell and Liquidity Support Deed,

in each case, subject to it having obtained the approval of its shareholders and all relevant Regulatory Approvals (which each of the Company and the Parent has undertaken in the relevant Keepwell and Liquidity Support Deed to use its all reasonable efforts to obtain).

(e) *Deed of Equity Interest Purchase Undertaking*: If CM Leasing HK is specified in the relevant Pricing Supplement as being the Guarantor, upon the occurrence of an Event of Default (as defined under Condition 13 (*Events of Default*)), the Trustee shall give to the Company (with a copy to the Issuer and CM Leasing HK) a notice in writing in accordance with the Trust Deed notifying the Company of its obligation to purchase certain equity interests under the Deed of Equity Interest Purchase Undertaking. Upon the completion of any Purchase (as defined in the Deed of Equity Interest Purchase Undertaking) made in accordance with the Deed of Equity Interest Purchase Undertaking, the Company has undertaken in the Deed of Equity Interest Purchase Undertaking to (i) in the event that a Relevant Transferor is not the Issuer or CM Leasing HK, procure such Relevant Transferor to promptly on-lend or distribute in full the relevant portion of the Purchase Price (as defined in the Deed of Equity Interest Purchase Undertaking), being an amount no less than the Shortfall Amount (as defined in the Deed of Equity Interest Purchase Undertaking), to the Issuer or CM Leasing HK prior to any other use, disposal or transfer of the proceeds received and (ii) promptly do all such things (including entering into and executing any agreements or arrangements required) and take all actions necessary for the Purchase Price received by the Issuer or CM Leasing HK from the Company or, as the case may be, the relevant Purchaser (as defined in the Deed of Equity Interest Purchase Undertaking) or pursuant to any on-loan or distribution to be applied solely towards the payment in accordance with the Deed of Equity Interest Purchase Undertaking of any outstanding amounts as they fall due under the Deed of Equity Interest Purchase Undertaking, the Trust Deed and the Default Notes (as defined the Deed of Equity Interest Purchase Undertaking) (including without limitation the payment of the principal amount of the Default Notes then outstanding as at the date of payment and any interest due and unpaid and/or accrued but unpaid on the Notes up to but excluding the date of payment) prior to any other use, disposal or transfer of the proceeds received.

(f) *Use of Proceeds received pursuant to the Keepwell and Liquidity Support Deeds and Deed of Equity Interest Purchase Undertaking*: Each of the Issuer, CM Leasing HK and the Company has undertaken in the Keepwell and Liquidity Support Deeds to, and each of the Company and the Parent has undertaken in the relevant Keepwell and Liquidity Support Deed to procure the Issuer, CM Leasing HK and, as applicable, the Company to, take all actions necessary for the proceeds received from the Standby Facility, the Liquidity Support, the Parent Investment and/or the Purchase(s) to be applied in and towards (i) the payment in full of any outstanding amounts as they fall due under the Trust Deed, the relevant Series of Notes, the Coupons and the Guarantee of the Notes (including any interest accrued but unpaid on the relevant Series of Notes) if the Triggering Event is an Event of Default or (ii) the payment in full of any outstanding amount as they fall due on the immediately following Interest Payment Date under the Trust Deed, the relevant Series of Notes, the Coupons and the Guarantee of the Notes (including any interest accrued but unpaid on the Notes) if the Triggering Event is a Liquidity Notice Failure Event or (iii) the remedy of the Financial Ratio Failure or the Shortfall Event if such Triggering Event has occurred, prior to any other use, disposal or transfer of the proceeds received.

The Company has undertaken in the Deed of Equity Interest Purchase Undertaking to, upon the completion of any Purchase, (i) in the event that a Relevant Transferor is not the Issuer or CM Leasing HK, procure such Relevant Transferor to promptly on-lend or distribute in full the relevant portion of the Purchase Price, being an amount no less than the Shortfall Amount, to the Issuer or CM Leasing HK prior to any other use, disposal or transfer of the proceeds received and (ii) promptly do all such things (including entering into and executing any agreements or arrangements required) and take all actions necessary for the Purchase Price received by the Issuer or CM Leasing HK from the Company or, as the case may be, the relevant Purchaser or pursuant to any on-loan or distribution to be applied solely towards the payment in accordance with the Deed of Equity Interest Purchase Undertaking of any outstanding amounts as they fall due under the Deed of Equity Interest Purchase Undertaking, the Trust Deed and the Default Notes (including without limitation the payment of the principal amount of the Default Notes then outstanding as at the date of payment and any interest due and unpaid and/or accrued but unpaid on the Notes up to but excluding the date of payment) prior to any other use, disposal or transfer of the proceeds received.

(g) *Reporting to the NDRC*: Where the NDRC Circular applies to the Tranche of Notes to be issued in accordance with these Conditions and the Trust Deed, the Company undertakes to:

(i) file or cause to be filed with the NDRC the requisite information and documents (the "**NDRC Post-issue Information Report**") within the prescribed timeframe after the Issue Date in accordance with the NDRC Circular; and

(ii) within eight PRC Business Days after submission of such NDRC Post-issue Information Report set out in Condition 5(g)(i) above, provide the Trustee with a certificate signed by a director or authorised signatory of the Company confirming the submission of the NDRC Post-issue Information Report and provide the Trustee with a notice confirming the due filing of the NDRC Post-issue Information Report for dissemination to the Noteholders in accordance with the Condition 20 (*Notices*).

(h) *Cross-border Security Registration*: If the Company is specified in the relevant Pricing Supplement as being the Guarantor, the Company shall:

(i) execute a Deed of Guarantee in connection with such Notes in the form attached to the Trust Deed on the relevant Issue Date;

(ii) register or cause to be registered with SAFE the relevant Deed of Guarantee within 15 PRC Business Days after its execution;

(iii) use its best endeavours to complete the Cross-border Security Registration on or before the relevant Registration Deadline and obtain a registration certificate from SAFE and the completed SAFE registration status form;

(iv) before the relevant Registration Deadline and within five PRC Business Days after receipt of such certificate and form, deliver to the Trustee the documents comprising the Registration Conditions;

(v) procure that the Issuer releases a notice to the Noteholders confirming the satisfaction of the Registration Conditions within five PRC Business Days after the documents comprising the Registration Conditions are delivered to the Trustee; and

(vi) comply with all applicable PRC laws and regulations in relation to the Guarantee of the Notes.

6. Fixed Rate Note Provisions

(a) *Application*: This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Accrual of interest*: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments — Bearer Notes*) and Condition 11 (*Payments — Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Fixed Coupon Amount*: The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) *Calculation of interest amount*: The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. Floating Rate Note Provisions

(a) *Application*: This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Accrual of interest*: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments — Bearer Notes*) and Condition 11 (*Payments — Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination*: If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:

(A) on rate shall be determined as if the relevant Interest period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period;

(iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Issuer, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) *ISDA Determination*: If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement;

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement; and

(iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:

(A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as the Issuer determines appropriate.

(e) *Maximum or Minimum Rate of Interest*: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified. If the relevant Pricing Supplement does not specify any Minimum Rate of Interest and the Rate of Interest as determined by the Calculation Agent according to this Condition 7 is a negative value, the Rate of Interest shall be zero per cent. per annum.

(f) *Calculation of Interest Amount*: The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(g) *Publication*: The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Paying Agents and the Trustee as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given by the Issuer to the Noteholders and, if the Notes have been admitted to listing, trading and/or quotation to any stock exchange and/or quotation system and the rules of the relevant competent authority or such stock exchange and/or quotation system so require, to such competent authority, stock exchange and/or quotation system. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(h) *Notifications etc*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Company, the Trustee, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. Zero Coupon Note Provisions

(a) *Application*: This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Late payment on Zero Coupon Notes*: If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. Redemption and Purchase

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (*Payments — Bearer Notes*) and Condition 11 (*Payments — Registered Notes*).

(b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (unless the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(A) (1) the Issuer has or will become obliged to pay Additional Amounts (as defined in Condition 12 (*Taxation*)) as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of Notes and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(B) (1) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay Additional Amounts (as defined in Condition 12 (*Taxation*)) as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Hong Kong (in the case of the Guarantor being CM Leasing HK), the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of Notes and (2) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

(1) where the Notes may be redeemed at any time, 90 days (or such other period as may be specified in the relevant Pricing Supplement) prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made; or

(2) where the Notes may be redeemed only on an Interest Payment Date, 60 days (or such other period as may be specified in the relevant Pricing Supplement) prior to the Interest Payment

Date occurring immediately before the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee (A) a certificate signed by any authorised signatory of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred of and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

The Trustee shall be entitled (but shall not be obliged) without further enquiry to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b).

(c) *Redemption for Change of Control*: If the Change of Control Put is specified in the relevant Pricing Supplement as being applicable, at any time following the occurrence of a Change of Control, the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Notes on the Change of Control Put Date at a price equal to the Early Redemption Amount (Change of Control), together with accrued interest up to, but excluding, the Change of Control Put Date. To exercise such right, the holder of the relevant Note must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Change of Control Put Exercise Notice**"), together with the Certificate evidencing the Notes to be redeemed, by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 20 (*Notices*). The "**Change of Control Put Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above in this Condition 9(c).

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes which are the subject of Change of Control Put Exercise Notices delivered as aforesaid on the Change of Control Put Date.

The Issuer shall give notice to Noteholders (in accordance with Condition 20 (*Notices*)) and the Trustee by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 9(c).

Neither the Trustee nor the Agents shall be required to monitor whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred and shall not be liable to Noteholders or any other person for not doing so.

(d) *Redemption at the option of the Issuer*: If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Pricing Supplement (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(e) *Partial redemption*: If the Notes are to be redeemed in part only on any date in accordance with Condition 9(d) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Trustee approves and in such manner as the Trustee considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 9(d) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or

Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(f) *Redemption at the option of Noteholders*: If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(f), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Pricing Supplement), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(f), may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(f), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes. So long as Bearer Notes issued in accordance with the TEFRA D Rules are represented by a Temporary Global Note, the Put Option shall not be available unless the certification required under the TEFRA D Rules with respect to non-U.S. beneficial ownership has been received by the Issuer or the Paying Agent.

(g) *Redemption upon a No Registration Event*: If the Company is specified in the relevant Pricing Supplement as being the Guarantor, at any time following the occurrence of a No Registration Event, the holder of any Note subject of the relevant Pricing Supplement will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Notes subject of the relevant Pricing Supplement on the No Registration Event Put Date at a price equal to the Early Redemption Amount (No Registration Event), together with accrued interest up to, but excluding, the No Registration Event Put Date. To exercise such right, the holder of the relevant Note must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**No Registration Event Put Exercise Notice**"), together with the Certificate evidencing the Notes to be redeemed, by not later than 30 days following a No Registration Event, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 20 (*Notices*). The "**No Registration Event Put Date**" shall be the fifth day after the expiry of such period of 30 days as referred to above in this Condition 9(g).

A No Registration Event Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes which are the subject of No Registration Event Put Exercise Notices delivered as aforesaid on the No Registration Event Put Date.

The Issuer shall give notice to Noteholders (in accordance with Condition 20 (*Notices*)) and the Trustee by not later than 14 days following the first day on which it becomes aware of the occurrence of a No Registration Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 9(g).

Neither the Trustee nor the Agents shall be required to monitor whether a No Registration Event or any event which could lead to the occurrence of a No Registration Event has occurred and shall not be liable to Noteholders or any other person for not doing so.

(h) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (g) above.

(i) *Early redemption of Zero Coupon Notes*: Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 9(i) or, if none is so specified, a Day Count Fraction of 30E/360.

(j) *Purchase*: The Issuer, the Guarantor, the Company or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith.

(k) *Cancellation*: All Notes purchased by the Issuer, the Guarantor, the Company or any of their respective Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons to the Principal Paying Agent or the CMU Lodging and Paying Agent and, in the case of Registered Notes, by surrendering the Note Certificate representing the Notes to the relevant Registrar and, in each case, in so surrendered, shall, together with all Notes redeemed by the Issuer, by cancelled (together with all unmatured Coupons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold.

(l) *Calculations*: Neither the Trustee nor any of the Agents (other than the Calculation Agent and solely in respect of its functions as an appointment Calculation Agent of the Issuer) shall be responsible for calculating or verifying the calculations of any amount under any notice of redemption and shall not be liable to the Noteholders or any other person for not doing so.

10. **Payments — Bearer Notes**

This Condition 10 is only applicable to Bearer Notes.

(a) *Principal*: Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency, and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency.

(b) *Interest*: Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

Payments of principal and interest in respect of Bearer Notes held in the CMU Service will be made to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest or proven error) and payment made in accordance thereof shall discharge the obligations of the Issuer, or, as the case may be, the Guarantor, in respect of that payment.

(c) *Payments in New York City*: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(d) *Payments subject to fiscal laws*: All payments in respect of the Bearer Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 12 (*Taxation*)) any law implementing an intergovernmental approach thereto.

(e) *No commissions or expenses*: No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(f) *Deductions for unmatured Coupons*: If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons.

(g) *Unmatured Coupons void*: If the relevant Pricing Supplement specifies that this Condition 10(g) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(b) (*Redemption for tax reasons*), Condition 9(c) (*Redemption for Change of Control*), Condition 9(d) (*Redemption at the option of the Issuer*), Condition 9(f) (*Redemption at the option of Noteholders*), Condition 9(g) (*Redemption upon a No Registration Event*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(h) *Payments on business days*: If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(i) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

(j) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(k) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

11. **Payments — Registered Notes**

This Condition 11 is only applicable to Registered Notes.

(a) *Principal*: Payments of principal shall be made:

(i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the

Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London); and

(ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency,

and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made:

(i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London); and

(ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency,

and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

Payments of principal and interest in respect of Registered Notes held in the CMU Service will be made to the person(s) for whose account(s) interests in the relevant Registered Note are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest or proven error) and payment made in accordance thereof shall discharge the obligations of the Issuer, or, as the case may be, the Guarantor, in respect of that payment.

(c) *Payments subject to fiscal laws*: All payments in respect of the Registered Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 12 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days*: Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 11 arriving after the due date for payment or being lost in the mail.

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date*: Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the close of business in the place of the relevant Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a

Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the close of business on the relevant Record Date.

So long as the Global Note Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Note Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

12. **Taxation**

(a) *Gross up*: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, Hong Kong (in the case of the Guarantor being CM Leasing HK), the PRC or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law.

Where such withholding or deduction is made by the Issuer or the Guarantor, as the case may be, at the rate applicable in the PRC on the date on which agreement is reached to issue the first Tranche of Notes (the "**Applicable Rate**"), the Issuer or the Guarantor, as the case may be, will pay such additional amounts to the extent required as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required.

If the Issuer or the Guarantor is required to make (i) such deduction or withholding by or within the PRC in excess of the Applicable Rate or (ii) any deduction or withholding by or within the British Virgin Islands (in the case of payments by the Issuer) or Hong Kong (in the case of payments by CM Leasing HK as Guarantor), the Issuer or the Guarantor, as the case may be, shall pay such additional amounts (the "**Additional Amounts**") as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note or Coupon:

(i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or

(ii) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such Additional Amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days.

(b) *Taxing jurisdiction*: If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands, Hong Kong or the PRC, respectively, references in these Conditions to the British Virgin Islands, Hong Kong or the PRC shall be construed as references to the British Virgin Islands, Hong Kong or the PRC (as the case may be) and/or such other jurisdiction.

13. **Events of Default**

If any of the following events (each, an "**Event of Default**") occurs, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or secured and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with accrued interest (if any) without further action or formality:

(a) *Non-payment*: there has been a failure to pay the principal of or interest on any of the Notes when due and, in the case of interest, such failure continues for a period of seven days; or

(b) *Breach of other obligations*:

(i) if CM Leasing HK is specified in the relevant Pricing Supplement as being the Guarantor, the Issuer, the Guarantor, the Company or the Parent defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Trust Deed, the relevant Keepwell and Liquidity Support Deed or the Deed of Equity Interest Purchase Undertaking (other than where it gives rise to a Liquidity Notice Failure Event or a redemption pursuant to Condition 9(c) (*Redemption for Change of Control*)) and such default (i) is incapable of remedy or, (ii) being a default which is capable of remedy, remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer, the Guarantor, the Company or the Parent, as the case may be; or

(ii) if the Company is specified in the relevant Pricing Supplement as being the Guarantor, the Issuer, the Guarantor or the Parent defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Trust Deed, the Parent Keepwell and Liquidity Support Deed or any Deed of Guarantee (other than where it gives rise to a redemption pursuant to Condition 9(g) (*Redemption upon a No Registration Event*)) and such default (i) is incapable of remedy or, (ii) being a default which is capable of remedy, remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer or the Guarantor, as the case may be; or

(c) *Cross-default of Issuer, Guarantor, Company, Parent or Subsidiary*:

(i) any other present or future indebtedness of the Issuer, the Guarantor, the Company, the Parent or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor, the Company, the Parent or (as the case may be) the relevant Subsidiary or (provided that no event of default, however described, has occurred) any person entitled to such indebtedness;

(ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period; or

(iii) the Issuer, the Guarantor, the Company, the Parent or any of their respective Subsidiaries fails to pay when due (or within any applicable grace period) any amount payable by it under any guarantee for, or indemnity in respect of, any moneys borrowed or raised;

provided that the amount of the relevant indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds U.S.$30,000,000 (or its equivalent in any other currency or currencies); or

(d) *Enforcement proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any material part of the property, assets or revenues of the Issuer, the Guarantor, the Company, the Parent or any Material Subsidiary and is not discharged within 30 days after the date thereof; or

(e) *Security enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor, the Company, the Parent or any Material Subsidiary in respect of all or a material part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged within 60 days after the date thereof; or

(f) *Insolvency*: the Issuer, the Guarantor, the Company, the Parent or any Material Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer, the Guarantor, the Company, the Parent or any Material Subsidiary; or

(g) *Winding up*: an order of any court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the Issuer, the Guarantor, the Company, the Parent or any Material Subsidiary (except for the voluntary solvent winding-up of any Material Subsidiary), or the Issuer, the Guarantor, the Company, the Parent or any Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except (i) for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an

Extraordinary Resolution of the Noteholders, (ii) in the case of any Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor, the Company or Parent (as the case may be) or another Subsidiary (or Subsidiaries) of the Parent, or (iii) a disposal of or by a Material Subsidiary at Fair Market Value and the net proceeds from such disposal shall be transferred to or otherwise vested in the Parent or any of its Subsidiaries; or

(h) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (A) to enable the Issuer, the Guarantor, the Company and the Parent lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes, the Trust Deed, the Keepwell and Liquidity Support Deeds and the Deed of Equity Interest Purchase Undertaking (in respect of Notes guaranteed by CM Leasing HK, other than with regard to the performance by the Company or the Parent of its obligations under the relevant Keepwell and Liquidity Support Deed and by the Company of its obligations under the Deed of Equity Interest Purchase Undertaking which may be subject to the approval or other authorisation of PRC governmental authorities) or the relevant Deed(s) of Guarantee (in respect of Notes guaranteed by the Company), (B) to ensure that those obligations are legally binding and enforceable and (C) to make the Notes, the Trust Deed, the Keepwell and Liquidity Support Deeds and the Deed of Equity Interest Purchase Undertaking (in respect of Notes guaranteed by CM Leasing HK) or the relevant Deed(s) of Guarantee (in respect of Notes guaranteed by the Company) admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(i) *Illegality*: it is unlawful for the Issuer, the Guarantor, the Company or the Parent to perform or comply with any one or more of their respective obligations under any of the Notes, the Trust Deed, the Keepwell and Liquidity Support Deeds (in respect of Notes guaranteed by CM Leasing HK), the Deed of Equity Interest Purchase Undertaking (in respect of Notes guaranteed by CM Leasing HK) or the relevant Deed(s) of Guarantee (in respect of Notes guaranteed by the Company); or:

(j) *Guarantee not in force*: the Guarantee of the Notes or the Cross-border Security Registration is not (or is claimed by the Guarantor not to be) in full force and effect or, in the case of the Cross-border Security Registration, is revoked; or

(k) *Keepwell and Liquidity Support Deeds and Deed of Equity Interest Purchase Undertaking*: (in respect of Notes guaranteed by CM Leasing HK) any Keepwell and Liquidity Support Deed or the Deed of Equity Interest Purchase Undertaking is not (or is claimed by the Company or the Parent not to be) enforceable, valid or in full force and effect or any Keepwell and Liquidity Support Deed or the Deed of Equity Interest Purchase Undertaking is modified, amended or terminated other than strictly in accordance with its terms or these Conditions; or

(l) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (d), (e), (f) or (g) above.

14. Prescription

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

15. Replacement of Notes and Coupons

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, in the case of Bearer Notes, or the relevant Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

16. **Trustee and Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified and/or pre-funded and/or provided with security to its satisfaction, as well as relieved from responsibility in certain circumstances and to be paid its fees, costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor, the Company, the Parent and any entity relating to the Issuer, the Guarantor, the Company or the Parent without accounting for any profit.

In the exercise of its powers and discretions under these Conditions, the Trust Deed, any Deed of Guarantee, any Keepwell and Liquidity Support Deed and the Deed of Equity Interest Purchase Undertaking, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Holders of Notes as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer, the Guarantor, the Company and the Parent and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer, the Guarantor, the Company and the Parent reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent, registrar, CMU lodging and paying agent, CMU registrar or calculation agent and additional or successor paying agents; *provided, however, that*:

(i) the Issuer, the Guarantor, the Company and the Parent shall at all times maintain a principal paying agent and a registrar; and

(ii) the Issuer and the Guarantor shall at all times maintain a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU Service and (if such Notes are Registered Notes) a CMU Registrar; and

(iii) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer, the Guarantor, the Company and the Parent shall at all times maintain a Calculation Agent; and

(iv) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer, the Guarantor and the Company shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

17. **Meetings of Noteholders; Modification and Waiver**

(a) *Meetings of Noteholders*: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or any modification to the Trust Deed, any Deed of Guarantee, any Keepwell and Liquidity Support Deed and the Deed of Equity Interest Purchase Undertaking. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer, the Guarantor and the Company (acting together) or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Noteholders holding not less than 90 per cent. of the aggregate principal amount of the outstanding Notes who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary

Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification and waiver*: The Trustee may in the case of (i) and (ii) below without the consent or sanction of the Noteholders, at any time and from time to time concur with the Issuer and any other party, to:

(i) any modification of these Conditions, the Trust Deed, any Deed of Guarantee, any Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking or the Agency Agreement (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make and which in the opinion of the Trustee, is not materially prejudicial to the interests of Noteholders; and

(ii) any modification of the Notes, the Trust Deed, any Deed of Guarantee, any Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking or the Agency Agreement which is, in the opinion of the Trustee, proper to make and which in the opinion of the Trustee is of a formal, minor or technical nature or which is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes, the Trust Deed, any Deed of Guarantee, any Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking or the Agency Agreement (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Any such authorisation, waiver or modification shall be binding on the Noteholders and Couponholders and (in the case of any such modification, unless the Trustee agrees otherwise), any such authorisation, waiver or modification shall be notified by the Issuer to the Noteholders in accordance with Condition 20 (*Notices*) as soon as practicable thereafter.

(c) *Directions from Noteholders*: Notwithstanding anything to the contrary in these Conditions or the Trust Deed, whenever the Trustee is required or entitled by the terms of these Conditions, the Trust Deed, any Deed of Guarantee, any Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking or the Agency Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Noteholders by way of an Extraordinary Resolution and shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

(d) *Certificates and reports*: The Trustee may rely without liability to Noteholders or to other person on a report, advice, opinion, confirmation or certificate from any lawyers, valuers, accountants (including the auditors, surveyors), financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation, certificate, opinion or advice shall be binding on the Issuer, the Guarantor, the Company, the Parent, the Trustee, the Noteholders and the Couponholders.

18. Enforcement

The Trustee may at any time, at its discretion and without notice, institute such proceedings, actions or steps as it thinks fit to enforce its rights under the Trust Deed, the relevant Deed(s) of Guarantee, the Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking or the Agency Agreement in respect of the Notes, but it shall not be bound to do so unless:

(i) it has been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(ii) it has been indemnified and/or pre-funded and/or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer, the Guarantor, the Company or the Parent unless the Trustee, having become bound to do so, fails to do so within a reasonable time or and such failure is continuing.

19. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest and the timing for reporting to the NDRC) so as to form a single series with the Notes.

20. **Notices**

(a) *Bearer Notes*: Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in Hong Kong or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Asia (which is expected to be the *Asian Wall Street Journal*). Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

(b) *Registered Notes*: Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Asia (which is expected to be the *Asian Wall Street Journal*). Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Notes are represented by a Global Note or a Global Note Certificate and such Global Note or Global Note Certificate is held on behalf of (i) Euroclear or Clearstream, or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions, or (ii) the CMU Service, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the Persons shown in a CMU Instrument Position Report issued by the Hong Kong Monetary Authority on the business day preceding the date of despatch of such notice. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear, Clearstream, the CMU Service and/or the alternative clearing system, as the case may be.

21. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

22. **Governing Law and Jurisdiction**

(a) *Governing law*: The Notes, the Trust Deed, each Deed of Guarantee, each Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking and the Agency Agreement and all non-contractual obligations arising out of or in connection with the Notes, the Trust Deed, each Deed of Guarantee, each Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking and the Agency Agreement are governed by English law.

(b) *Jurisdiction*: Each of the Issuer, CM Leasing HK, the Company and the Parent has in the Trust Deed, each Deed of Guarantee, each Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking and the Agency Agreement (i) agreed that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes; (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) irrevocably appointed CM Leasing HK at its registered office (currently at 2/F Hongkong Offshore Centre, 28 Austin Avenue, Tsim Sha Tsui, Kowloon) as its authorised agent to receive service of process in any Proceedings in Hong Kong;

(iv) consented to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction.

FORM OF PRICING SUPPLEMENT

The Pricing Supplement in respect of each Tranche of the Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.

[**MIFID II product governance / target market —** [*appropriate target market legend to be included*]]

[PRIIPs REGULATION / PROSPECTUS DIRECTIVE / PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC (the Insurance Mediation Directive) as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC as amended (the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.][6]

Pricing Supplement dated [●]

CMIG Capital Limited

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]

under the U.S.$[●] Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of the Notes described herein.

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date and the relevant terms and conditions from that Offering Circular with an earlier date were incorporated by reference in the current Offering Circular.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the offering circular dated [●] 2018 incorporated by reference in the offering circular dated [*current date*] ("**Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [*current date*] [and the supplemental Offering Circular dated [*date*]], save in respect of the Conditions which are set forth in the offering circular dated [●] 2018 and are incorporated by reference in the Offering Circular. This document constitutes the Pricing Supplement relating to the issue of Notes described herein.]

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the "**Conditions**") set forth in the Offering Circular dated [●] 2018 [and the supplemental Offering Circular dated [*date*]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [and the supplemental Offering Circular dated [*date*]].

Each of the Issuer [and]/[,] the Guarantor [and the Company] and the Parent is a private company and therefore there is less publicly available information about the Issuer [and]/[,] the Guarantor [and the Company] and the Parent than a public company. In particular, they are not required to publish periodic financial statements. Please see "*Risk Factors — There may be less publicly available information about the Issuer, CM Leasing HK, the Company and the Parent and PRC corporate disclosure and accounting standards differ from IFRS*" in the Offering Circular dated [●] 2018.

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.*]

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6 This legend is only to be included in the pricing supplement if the Notes may constitute "packaged" products and no key information document will be prepared.

1.	(i)	Issuer:	CMIG Capital Limited
	(ii)	Guarantor:	[CM International Financial Leasing Investment Holding Limited (中民國際融資租賃投資控股有限公司)/CM International Financial Leasing Co., Ltd. (中民國際融資租賃股份有限公司)
	[(iii)	Company:	CM International Financial Leasing Co., Ltd. (中民國際融資租賃股份有限公司)]
	(iv)	Parent:	China Minsheng Investment Group Corp., Ltd. (中國民生投資股份有限公司)
2.	[(i)	Series Number:]	[●]
	[(ii)	Tranche Number:	[●]
	[(iii)	Date on which the Notes become fungible]:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [●] on [[●]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 26 below [which is expected to occur on or about [●]].]
3.	Specified Currency or Currencies:		[●]
4.	Aggregate Nominal Amount:		[●]
	[(i)]	[Series]:	[●]
	[(ii)	Tranche:	[●]]
5.	(i)	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
	(ii)	Net Proceeds	[●] [(Required only for listed issues)]
6.	(i)	Specified Denominations[1][2][3]:	[●]
	(ii)	Calculation Amount:	[●]
7.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
8.	Maturity Date:		[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*][4] [*If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available.*]

[1] *If the specified denomination is expressed to be EUR100,000 or its equivalent and multiples of a lower principal amount (for example EUR1,000), insert the additional wording as follows: EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]. No Notes in definitive form will be issued with a denomination above [EUR199,000]. In relation to any issue of the Notes which are a "Global Note exchangeable for Definitive Notes" in circumstances other than "in the limited circumstances specified in the Global Notes", such Notes may only be issued in denominations equal to, or greater than, EUR100,000 (or equivalent) and multiples thereof.*

[2] *For so long as any Notes are listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of not less than U.S.$200,000 (or its equivalent in other currencies).*

[3] *Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.*

9. Interest Basis:	[[●] per cent. Fixed Rate] [[*Specify reference rate*] +/- [●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*Specify*)] (further particulars specified below)
10. Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*Specify*)]
11. Change of Interest or Redemption/ Payment Basis:	[*Specify details of any provision for convertibility of the Notes into another interest or redemption/ payment basis*]
12. Put/Call Options:	[Investor Put] [Issuer Call] [Change of Control Put] (further particulars specified below)
13. (i) [Date of [Board] approval for issuance of Notes [and Guarantee of the Notes] [respectively]] obtained:	[●] [and [●], respectively] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee of the Notes*)
(ii) [NDRC Certificate evidencing the registration of the issue of the Notes with the NDRC:]	[●]
14. Listing:	[Singapore Exchange Securities Trading Limited ("**SGX-ST**") / Other (*specify*) / None] (For Notes to be listed on the SGX-ST, insert the expected effective listing date of the Notes)
15. Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. Fixed Rate Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/ other (*specify*)] in arrear]
(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted*]*[5]

[5] *Note that for certain Renminbi or Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to adjustment in accordance with the Modified Following Business Day Convention.*

(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount[6]
(iv)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
(v)	Day Count Fraction:	[30/360/Actual/Actual (ICMA/ISDA)/Actual/365 (Fixed)/other]
(vi)	Determination Dates:	[[●] in each year (insert regular interest payment dates, ignoring Issue Date or Maturity Date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))]
(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]

17. Floating Rate Note Provisions — [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

(i)	Interest Period(s):	[●]
(ii)	Specified Period:	[●]
(iii)	Specified Interest Payment Dates:	[●] (*Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable"*)
(iv)	First Interest Payment Date:	[●]
(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
(vi)	Additional Business Centre(s):	[Not Applicable/*give detail*s]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent):	[[*Name*] shall be the Calculation Agent (*no need to specify if the Principal Paying Agent is to perform this function*)]
(ix)	Screen Rate Determination:	
	• Reference Rate	[*For example, LIBOR, EURIBOR, HIBOR or CNH HIBOR*]
	• Interest Determination Date(s):	[●] *(Second London business day prior to the start of each Interest Period if LIBOR (other than sterling, Hong Kong dollar or euro LIBOR), second Hong Kong business day prior to the start*

[6] *For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest RMB0.01, RMB0.005 for the case of Renminbi-denominated Fixed Rate Notes and to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards".*

		of each Interest Period if CNH HIBOR, first day of each Interest Period if sterling LIBOR or Hong Kong dollar LIBOR or HIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
	• Relevant Screen Page:	[*For example, Reuters LIBOR 01/EURIBOR 01*]
	• Relevant Time:	[*For example, 11.00 a.m. London time/Brussels time/Hong Kong time*]
	• Relevant Financial Centre:	[*For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro/Hong Kong*]
(x)	ISDA Determination:	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]
(xi)	Linear interpolation:	[Not Applicable/Applicable — the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(xii)	Margin(s):	[+/-][●] per cent. per annum
(xiii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiv)	Maximum Rate of Interest:	[●] per cent. per annum
(xv)	Day Count Fraction:	[●]
(xvi)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
18.	Zero Coupon Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Accrual Yield:	[●] per cent. per annum
(ii)	Reference Price:	[●]
(iii)	Day Count Fraction in relation to Early Redemption Amount:	[30/360 / Actual/Actual (ICMA/ISDA)/other]
(iv)	Any other formula/basis of determining amount payable:	[●]
19.	Index-Linked Interest Note/other variable-linked interest Note Provisions	[Applicable/Not Applicable][7] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Index/Formula/other variable:	[*give or annex details*]
(ii)	Calculation Agent responsible for calculating the interest due:	[●]
(iii)	Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[●]

7 *Certain equity- or index- linked Notes may require U.S. tax analysis, even for Notes sold solely outside the United States.*

(iv)	Interest Determination Date(s):	[●]
(v)	Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
(vi)	Interest or calculation period(s):	[●]
(vii)	Specified Period:	[●] (*Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable"*)
(viii)	Specified Interest Payment Dates:	[●] (*Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable"*)
(ix)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
(x)	Additional Business Centre(s):	[●]
(xi)	Minimum Rate/Amount of Interest:	[●] per cent. per annum
(xii)	Maximum Rate/Amount of Interest:	[●] per cent. per annum
(xiii)	Day Count Fraction:	[●]

20.	Dual Currency Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Rate of Exchange/method of calculating Rate of Exchange:	[*give details*]
(ii)	Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[●]
(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

21.	Call Option	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount

	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[●] per Calculation Amount
		(b) Maximum Redemption Amount	[●] per Calculation Amount
	(iv)	Notice period:	[●]
22.	Put Option		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	Notice period:	[●]
23.	Change of Control Put		[Applicable/Not Applicable]
24.	Final Redemption Amount of each Note		[●] per Calculation Amount
	In cases where the Final Redemption Amount is Index-Linked or other variable-linked:		
	(i)	Index/Formula/variable:	[*give or annex details*]
	(ii)	Calculation Agent responsible for calculating the Final Redemption Amount:	[●]
	(iii)	Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[●]
	(iv)	Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable:	[●]
	(v)	Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
	(vi)	[Payment Date]:	[●]
	(vii)	Minimum Final Redemption Amount:	[●] per Calculation Amount
	(viii)	Maximum Final Redemption Amount:	[●] per Calculation Amount
25.	Early Redemption Amount		[Not Applicable
	(i)	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons, on change of control triggering event or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	(*If the Early Redemption Amount (Tax) is the principal amount of the Notes and the Early Redemption Amount (Change of Control) and the Early Redemption Amount (No Registration Event) are 101 per cent. of the principal amount of the Notes/specify the Early Redemption Amount (Change of Control) and the Early Redemption Amount (No Registration Event) if different from 101 per cent. of the principal amount of the Notes and/or the Early Redemption Amount (Tax) if different from the principal amount of the Notes*)]
	(ii)	Early Termination Amount per Calculation Amount payable on mandatory redemption on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[Not Applicable (*If the Early Termination Amount is the* principal *amount of the Notes*)/*specify the Early Termination Amount if different from the principal amount of the Notes or specify its method of calculation*]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

26. Form of the Notes:	**Bearer Notes:**[8] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/in the limited circumstances specified in the Permanent Global Note][9] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice][10] [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/in the limited circumstances specified in the Permanent Global Note][11] **Registered Notes:** [Global Note Certificate exchangeable for Individual Note Certificates on [●] days' notice/in the limited circumstances specified in the Global Note Certificate][12]
27. Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details*] (*Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 17(vi) and 19(x) relate*)
28. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.]
29. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]:	[Not Applicable/*give details*]
30. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
31. Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
32. Consolidation provisions:	[The provisions in Condition 19 (*Further Issues*) [annexed to this Pricing Supplement] apply]

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8 *Bearer Notes issued in compliance with the TEFRA D Rules must initially be represented by a Temporary Global Note exchangeable for a Permanent Global Note or Definitive Notes upon Certification of non-U.S. beneficial ownership.*

9 *If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]", the Temporary Global Note shall not be exchangeable on [●] days' notice.*

10 *If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]", the Temporary Global Note shall not be exchangeable on [●] days' notice.*

11 *If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]", the Permanent Global Note shall not be exchangeable on [●] days' notice.*

12 *If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]", the Global Note Certificate shall not be exchangeable on [●] days' notice.*

33. Any applicable currency disruption/ fallback provisions:	[Not Applicable/*give details*]
34. Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

35. (i) If syndicated, names of Managers:	[Not Applicable/give names]
(ii) Stabilisation Manager(s) (if any):	[Not Applicable/give name]
36. If non-syndicated, name and address of Dealer:	[Not Applicable/give name and address]
37. Total commission and concession:	[●] per cent. of the Aggregate Nominal Amount
38. U.S. Selling Restrictions:	Reg. S Category [1/2] (*In the case of Bearer Notes*) — [TEFRA C RULES / TEFRA D RULES / TEFRA not applicable] (*In the case of Registered Notes*) — [TEFRA not applicable.][13]
39. Additional selling restrictions:	[Not Applicable/give details]
(i) Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.*)

OPERATIONAL INFORMATION

40. ISIN Code:	[●]
41. Common Code:	[●]
42. CMU Instrument Number:	[●]
43. Any clearing system(s) other than Euroclear / Clearstream and the CMU Service and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
44. Delivery:	Delivery [against/free of] payment
45. Additional Paying Agent(s) (if any):	[●]

GENERAL

46. Private Bank Rebate/Commission:	[Applicable/Not Applicable]
47. The aggregate principal amount of the Notes issued has been translated into United States dollars at the rate of [●], producing a sum of (for Notes not denominated in United States dollars):	[Not Applicable/U.S.$[●]]

13 *TEFRA not applicable may only be used for Registered Notes, or Bearer Notes with a maturity of 365 days or less (taking into account any unilateral rights to extend or rollover). Bearer Notes with a maturity of more than 365 days (taking into account unilateral rights to extend or rollover) that are held through the CMU Service must be issued in compliance with the C Rules, unless at the time of issuance the CMU Service and the CMU Lodging and Paying Agent have procedures in place so as to enable compliance with the certification requirements under the D Rules.*

48. [Ratings:	The Notes to be issued have been rated: [[●]: [●]]; [[●]: [●]]; [and] (each a "**Rating Agency**") If any Rating Agency shall not make a rating of the Notes publicly available, the Issuer shall select and substitute them with [●] or [●] and its successors.]

[USE OF PROCEEDS

Give details if different from the "Use of Proceeds" section in the Offering Circular.]

[STABILISATION

In connection with this issue, [insert name of Stabilisation Manager] (the "**Stabilisation Manager**") (or persons acting on behalf of any Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.]

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to the Official List of the Singapore Exchange Securities Limited (the "**SGX-ST**") of the Notes described herein pursuant to the U.S.$[●] Medium Term Note Programme of the Issuer.

RESPONSIBILITY

The SGX-ST takes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Pricing Supplement. The admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Programme or the Notes, the Issuer, the Guarantor, the Company, the Parent or any of their associated companies.

The Issuer [,]/[and] the Guarantor [and the Company] and the Parent each accepts responsibility for the information contained in this Pricing Supplement.

SIGNED on behalf of **CMIG CAPITAL LIMITED**:

By: ____________________________________

Duly authorised

Name: ____________________________________

Title: ____________________________________

[SIGNED on behalf of **CM INTERNATIONAL FINANCIAL LEASING INVESTMENT HOLDING LIMITED** (中民國際融資租賃投資控股有限公司):

By: ____________________________________

Duly authorised

Name: ____________________________________

Title: ____________________________________]

SIGNED on behalf of CM INTERNATIONAL FINANCIAL LEASING CO., LTD. ((中民國際融資租賃股份有限公司):

By: ____________________________________

Duly authorised

Name: ____________________________________

Title: ____________________________________

SIGNED on behalf of CHINA MINSHENG INVESTMENT GROUP CORP., LTD. (中國民生投資股份有限公司):

By: ____________________________________

Duly authorised

Name: ____________________________________

Title: ____________________________________

DESCRIPTION OF THE KEEPWELL AND LIQUIDITY SUPPORT DEEDS

The following contains summaries of certain key provisions of the Keepwell and Liquidity Support Deeds. Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell and Liquidity Support Deeds. Unless otherwise defined herein, defined terms used in this section shall have the meanings given to them in the Keepwell and Liquidity Support Deeds.

CM Leasing HK as the Guarantor

Where CM Leasing HK is specified in the relevant Pricing Supplement as being the Guarantor for that Tranche of Notes, the Notes will have the benefit of the Keepwell and Liquidity Support Deeds and the Deed of Equity Interest Purchase Undertaking from the Company. For the purposes of this sub-section, references to "Guarantor" mean CM Leasing HK only.

Ownership of the Issuer and the Guarantor

In relation to Notes where the Change of Control Put is specified in the relevant Pricing Supplement, for so long as any of such Notes remain outstanding, each of the Company and the Parent, in the relevant Keepwell and Liquidity Support Deed, has undertaken with the Issuer, the Guarantor and the Trustee that it shall:

- procure the Guarantor to, directly or indirectly, own and hold all (in the case of the Company) or directly or indirectly own and hold not less than 50.1% of (in the case of the Parent) the outstanding shares of the Issuer, free and clear of any security interest, claim, lien or encumbrance and will not directly or indirectly pledge, charge, mortgage, grant a security interest, or in any way encumber or otherwise dispose of any such shares, unless required to dispose of, or permit the disposal of, any or all such shares pursuant to a court decree or order of any governmental authority, in each case, not obtained at the direction or request of the Issuer, the Guarantor, the Company or the Parent; and
- directly or indirectly remain the single largest holder of issued share capital of the Guarantor (whether through direct or indirect shareholding (including beneficial ownerships) held by the Subsidiaries of the Company (in the case of the Company)/Parent (in the case of Parent) or otherwise).

Solvency, Maintenance of Net Assets; Liquidity

For so long as any Note remains outstanding, each of the Company and the Parent, in the relevant Keepwell and Liquidity Support Deed, has undertaken that it shall cause:

(i) each of the Issuer and the Guarantor to remain solvent and a going concern at all times under the laws of their respective jurisdictions of incorporation or applicable accounting standards;

(ii) each of the Issuer and the Guarantor to have Consolidated Net Assets of at least U.S.$1.00 (or its equivalent in any other currency) at all times; and

(iii) each of the Issuer and the Guarantor to have sufficient liquidity to ensure timely payment by it of any amounts payable in respect of the Notes and the Coupons in accordance with the Terms and Conditions and otherwise under the Trust Deed and the Agency Agreement.

If the Issuer or the Guarantor at any time determines that it will have insufficient liquidity to meet any of its payment obligations under the Notes, the Coupons, the Trust Deed or the Agency Agreement as they fall due, the Issuer and the Guarantor have each undertaken in the relevant Keepwell and Liquidity Support Deed to promptly notify the Company or the Parent of the shortfall and each of the Company and the Parent has undertaken in the relevant Keepwell and Liquidity Support Deed to make available, or procure the availability, to the Issuer or the Guarantor, as the case may be, before the due date of the relevant payment obligations, funds sufficient to enable the Issuer or the Guarantor, as the case may be, to pay such payment obligations in full as they fall due. Each of the Issuer and the Guarantor has undertaken in the relevant Keepwell and Liquidity Support Deed to use any funds made available to it by the Company or the Parent in items (i) to (iii) above solely for the payment when due of such payment obligations under the Notes, the Coupons, the Trust Deed or the Agency Agreement (as the case may be).

Relevant Indebtedness

For so long as any Note remains outstanding, each of the Company and the Parent, in the relevant Keepwell and Liquidity Support Deed, has undertaken to the Trustee that it shall not, and shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or guarantee of Relevant Indebtedness without at the same time or prior thereto (i) securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (ii) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders.

Financial Statements

For so long as any Note remains outstanding, each of the Company and the Parent has undertaken to send to the Trustee:

(A) as soon as reasonably practicable after their date of publication and in any event not more than 180 days after the end of each financial year, two copies of audited annual consolidated financial statements prepared in accordance with accounting principles generally accepted in, and pursuant to the relevant laws of, the PRC (audited by an internationally recognised firm of independent accountants) of it and its Subsidiaries and, if such statements shall be in the Chinese language, together with an English translation of the same translated by a professional translation service provider or itself, together with a certificate signed by a director or authorised signatory of the Company or the Parent, as the case may be, certifying that such translation is complete and accurate; and

(B) as soon as reasonably practicable after their date of publication and in any event not more than 120 days after the end of each second financial quarter, two copies of unaudited and unreviewed semi-annual consolidated financial statements prepared on a basis consistent with audited consolidated financial statements of it and its Subsidiaries and, if such statements shall be in the Chinese language, together with an English translation of the same and a certificate signed by a director or authorised signatory of the Company or the Parent, as the case may be, certifying that such translation is complete and accurate;

provided that, if at any time its capital stock is listed for trading on a recognised stock exchange, it may make available to the Trustee, as soon as they are available but in any event not more than 14 calendar days after any financial or other reports of it are filed with the exchange on which its capital stock is at such time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the reports identified in (i) and (ii) above.

Triggering Events

Under the relevant Keepwell and Liquidity Support Deed, each of the Issuer, the Guarantor and the Company (or, as the case may be, the Parent) has undertaken to notify the Trustee as soon as practicable in writing (and include sufficient details of such event) upon the occurrence of any of the following Triggering Events:

- the Consolidated Net Assets of the Issuer or the Guarantor falls below U.S.$1.00 (or its equivalent in any other currency) (a "**Financial Ratio Failure**"); or
- the Issuer or the Guarantor fails to provide a Liquidity Notice in accordance with, and by the time and to the persons specified in, the Company Keepwell and Liquidity Support Deed (a "**Liquidity Notice Failure Event**"); or
- an Event of Default; or
- the Issuer or the Guarantor determines that it will have insufficient liquidity to meet any of its payment obligations under the Notes, the Coupons, the Guarantee of the Notes, the Trust Deed or the Agency Agreement as they fall due (a "**Shortfall Event**").

Irrevocable Cross-border RMB Standby Facility, Liquidity Support and Parent Investment

Liquidity Notice

For so long as any Note remains outstanding, by no later than the 10th Business Day immediately following 30 June and 31 December of each year (the "**Liquidity Notice Date**"), the Issuer or the Guarantor has undertaken in the Company Keepwell and Liquidity Support Deed that it shall send to the Company and the Trustee a written notice (a "**Liquidity Notice**") certifying, as at the date of the Liquidity Notice, (a) that it has sufficient liquidity to meet its payment obligations under all outstanding Notes and Coupons (if applicable) in accordance with the Terms and Conditions, the Guarantee of the Notes, the Trust Deed and the Agency Agreement as they may fall due (together with evidence of available funding outside the PRC) on the immediately following Interest Payment Date of each Series of Notes and (b) that no Event of Default or Potential Event of Default has occurred.

Trigger Notice

Notwithstanding and without prejudice to the other provisions in the relevant Keepwell and Liquidity Support Deed, the Trustee has undertaken to provide a written notice (the "**Trigger Notice**") to the Company (or, as the case may be, the Parent) in accordance with the Trust Deed:

- if the Trustee does not receive the Liquidity Notice from the Issuer or the Guarantor within five Business Days after the relevant Liquidity Notice Date in accordance with the Company Keepwell and Liquidity Support Deed,
- upon being notified in writing by the Issuer, the Guarantor, the Company and/or the Parent that a Triggering Event has occurred pursuant to the relevant Keepwell and Liquidity Support Deed, or
- if any Triggering Event has occurred and if so requested in writing by Noteholders of at least one quarter of the aggregate principal amount of the Notes of the relevant Series then outstanding (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction).

Upon the receipt of a Trigger Notice and in accordance with the relevant Keepwell and Liquidity Support Deed, the Company (or, as the case may be, the Parent), in accordance with the applicable laws and regulations of the PRC, has undertaken to:

- as soon as practicable grant to the Issuer or the Guarantor a committed cross-border standby facility (the "**Standby Facility**") in an amount in RMB which upon conversion will not be less than the Relevant Amount;
- provide the liquidity support to the Issuer and the Guarantor (the "**Liquidity Support**"); and
- invest in the Issuer, the Guarantor and/or any Offshore Subsidiar(ies) (the "**Parent Investment**"),

in each case, subject to it having obtained the Company's (or, as the case may be, the Parent's) shareholder approval and all relevant Regulatory Approvals (which the Company or the Parent, as the case may be, shall use its reasonable endeavours to obtain), so as to enable the Issuer and the Guarantor to (i) make payment in full of any outstanding amounts as they fall due under the Trust Deed, the Notes, the Coupons and the Guarantee of the Notes (including any interest accrued but unpaid on the Notes) if the Triggering Event is a Liquidity Notice Failure Event or an Event of Default or (ii) remedy the Financial Ratio Failure or the Shortfall Event if such Triggering Event has occurred.

Irrevocable Cross-border RMB Standby Facility

Pursuant to the relevant Keepwell and Liquidity Support Deed, upon receipt of a Trigger Notice, each of the Company and the Parent has, in accordance with the applicable laws and regulations of the PRC, agreed to:

- as soon as practicable, establish and grant to the Issuer or the Guarantor a committed cross-border Standby Facility pursuant to which the Company (or, as the case may be, the Parent) will remit an amount in RMB which upon conversion will be not less than the Relevant Amount (the "**Remittance Amount**");
- as soon as practicable open with a PRC commercial bank (the "**Settlement Bank**") a special RMB account for the transfer and remittance of the Remittance Amount to the Issuer or the Guarantor, as the case may be; and
- remit the Remittance Amount to a specified account of the Issuer or the Guarantor, as the case may be, in Hong Kong through the special RMB account (i) in the case of a Financial Ratio Failure, at least two KWD Business Days prior to the immediately following Interest Payment Date for any Series of Notes outstanding or (ii) in the case of a Liquidity Notice Failure Event, an Event of Default or a Shortfall Event, as soon as practicable,

provided that the Company's (or, as the case may be, the Parent's) obligations above may be subject to the approval or clearance or other authorisation of PRC government authorities pursuant to the applicable laws and regulations of the PRC as further provided in the relevant Keepwell and Liquidity Support Deed.

Each of the Issuer, the Guarantor and the Company (or, as the case may be, the Parent) has agreed and acknowledged in the relevant Keepwell and Liquidity Support Deed that the terms of the Standby Facility shall be at arm's length (or more favourable to the Issuer or the Guarantor, as the case may be) and shall not require any security from the Issuer or the Guarantor.

Liquidity Support

Pursuant to the relevant Keepwell and Liquidity Support Deed, upon the receipt of a Trigger Notice, each of the Company and the Parent has undertaken to make available, or procure the availability, to the Issuer or the Guarantor, as the case may be, before the due date of the relevant payment obligations, funds sufficient to enable the Issuer or the Guarantor, as the case may be, to pay its payment obligations under the Notes, the Coupons and the Guarantee of the Notes in accordance with the Terms and Conditions and the Trust Deed in full as they fall due.

Parent Investment

Pursuant to the relevant Keepwell and Liquidity Support Deed, upon the receipt of a Trigger Notice, each of the Company and the Parent has, in accordance with the applicable laws and regulations of the PRC, undertaken to invest, or procure an Onshore Subsidiary to invest, by way of equity investment or shareholders' loan or a combination thereof in, the Issuer, the Guarantor and/or any other Offshore Subsidiar(ies):

- within 12 Business Days after the date of the Trigger Notice, determine and notify the Trustee in writing which Offshore Subsidiar(ies) (the "**Relevant Investee(s)**") will be the subject of the Parent Investment and procure the Relevant Investee(s) to on-lend such Investment Amount (as defined below) to the Issuer and/or the Guarantor;
- within 12 Business Days after the date of the Trigger Notice, determine the aggregate amount, being an amount in cash in Renminbi, euros, Hong Kong dollars or U.S. dollars (where the Company is entitled to determine the currency subject to the Regulatory Approvals) of the Parent Investment (the "**Investment Amount**") which shall, in any event, upon conversion or otherwise, be no less than the Relevant Amount;
- promptly and in any event, no later than 20 Business Days after the date of the Trigger Notice, execute or procure the relevant Onshore Subsidiar(ies) to execute the relevant investment agreement(s) with the Relevant Investee(s) and, file the same with the relevant Approval Authorities for approval of the Parent Investment;
- promptly and in any event, no later than 10 Business Days after receipt of all Regulatory Approvals from the relevant Approval Authorities, submit all application documents required by applicable laws and regulations of the PRC to competent banks for approvals and/or registrations with SAFE or PBOC (as the case may be) for the Parent Investment, the payment of the Investment Amount and the remittance of the Investment Amount (if applicable) outside the PRC; and
- procure the remittance of the Investment Amount on or prior to the day falling 10 Business Days after the date of receipt of the approvals and/or registrations from SAFE or PBOC (as the case may be) whereupon the Company (or, as the case may be, the Parent) shall pay or procure the relevant Onshore Subsidiary to pay to, or to the order of, each Relevant Investee the Investment Amount in immediately available funds in Renminbi, euro, Hong Kong dollars or U.S. dollars (where the Company is entitled to determine the currency subject to the Regulatory Approvals), as the case may be. Such payment shall be made by remittance of the Investment Amount to a specified account of the Issuer or the Guarantor, as the case may be, in Hong Kong as may be designated by such Relevant Investee.

Undertakings as to Use of Proceeds

Each of the Company and the Parent has undertaken in the relevant Keepwell and Liquidity Support Deed to procure that the Issuer and the Guarantor shall take all actions necessary for the proceeds received from the Standby Facility, the Liquidity Support and/or the Parent Investment (as applicable) to be applied in and towards (a) the payment in full of any outstanding amounts as they fall due under the Trust Deed, the relevant Series of Notes, the Coupons and the Guarantee of the Notes (including any interest accrued but unpaid on the relevant Series of Notes) if the Triggering Event is an Event of Default, including all costs, fees and expenses (including without limitation, legal expenses) and other amounts payable to the Trustee and/or the Agents under or in connection with such Series of Notes, the Guarantee of the Notes, the Trust Deed, the Agency Agreement, the relevant Keepwell and Liquidity Support Deed, and/or the Deed of Equity Interest Purchase Undertaking as at the date of such Trigger Notice plus provisions for fees, costs, expenses (including without limitation, legal expenses) and other amounts which may be incurred after the date of the Trigger Notice in accordance with such Series of Notes, the Agency Agreement, the Trust Deed, the Deed of Equity Interest Purchase Undertaking and/or the relevant Keepwell and Liquidity Support Deed, as notified by the Trustee in the Trigger Notice or (b) the payment in full of any outstanding amount as they fall due on the immediately following Interest Payment Date of the relevant Series of Notes under the Trust Deed, the Notes, the Coupons and the Guarantee of the Notes (including any interest accrued but unpaid on the Notes) if the Triggering Event is a Liquidity Notice Failure Event under the relevant Series of Notes or (c) the remedy of the Financial Ratio Failure or the Shortfall Event if such Triggering Event has occurred, prior to any other use, disposal or transfer of the proceeds received.

Each of the Issuer and the Guarantor has further undertaken in the relevant Keepwell and Liquidity Support Deed to take all actions necessary for the proceeds received from the Standby Facility, the Liquidity Support and/or the Parent Investment (as applicable) to be applied in and towards (a) the payment in full of any outstanding amounts as they fall due under the Trust Deed, the relevant Series of Notes, the Coupons and the Guarantee of the Notes (including any interest accrued but unpaid on the relevant Series of Notes) if the Triggering Event is an Event of Default, including all costs, fees and expenses (including without limitation, legal expenses) and other amounts payable to the Trustee and/or the Agents under or in connection with such Series of Notes, the Guarantee of the Notes, the Trust Deed, the Agency Agreement, the relevant Keepwell and Liquidity Support Deed, and/or the Deed of Equity Interest Purchase Undertaking as at the date of such Trigger Notice plus provisions for fees, costs, expenses (including without limitation, legal expenses) and other amounts which may be incurred after the date of the Trigger Notice in accordance with such Series of Notes, the Agency Agreement, the Trust Deed, the Deed of Equity Interest Purchase Undertaking and/or the relevant Keepwell and Liquidity Support Deed, as notified by the Trustee in the Trigger Notice or (b) the payment in full of any outstanding amount as they fall due on the immediately following Interest Payment Date of the relevant Series of Notes under the Trust Deed, the Notes, the Coupons and the Guarantee of the Notes (including any interest accrued but unpaid on the Notes) if the Triggering Event is a Liquidity Notice Failure Event under the relevant Series of Notes or (c) the remedy of the Financial Ratio Failure or the Shortfall Event if such Triggering Event has occurred, prior to any other use, disposal or transfer of the proceeds received.

Other Covenants

For so long as any Note remains outstanding, each of the Company and the Parent has undertaken:

- not to amend its articles of association, and to procure that the memorandum and articles of association of the Issuer and the Guarantor shall not be amended, in each case in a manner that is, directly or indirectly, adverse to holders of the Notes or holders of the Coupons;
- to cause the Issuer, the Guarantor and the Subsidiary which receives the proceeds from the offering of the Notes to use such proceeds in accordance with the applicable laws and regulations, including but not limited to the relevant rules and regulations issued by SAFE;
- to cause the Issuer and the Guarantor to remain in full compliance with the Terms and Conditions, the Guarantee of the Notes, the Trust Deed, the Deed of Equity Interest Purchase Undertaking (in the case of the Company), the Agency Agreement and all applicable rules and regulations of the British Virgin Islands and Hong Kong;
- promptly to take any and all action necessary to comply with its obligations under the Terms and Conditions, the relevant Keepwell and Liquidity Support Deed, the Trust Deed, the Agency Agreement and the Deed of Equity Interest Purchase Undertaking (in the case of the Company);
- to cause each of the Issuer and the Guarantor to take all action necessary in a timely manner to comply with its obligations under the Terms and Conditions, the relevant Keepwell and Liquidity Support Deed, the Trust Deed, the Agency Agreement and the Deed of Equity Interest Purchase Undertaking (in the case of the Company);
- to ensure that the Issuer has sufficient funds to meet its obligations with respect to any and all fees and expenses payable by, and obligations of, the Issuer, including but not limited to fees and expenses with respect to the administration of the Issuer; and
- to procure that the Issuer will not, conduct any business or other activities other than the permitted activities in connection with the Programme and the Notes (such activities in connection with the Programme, the Notes and the Coupons shall, for the avoidance of doubt, include (i) the offering, sale or issuance of Notes and the Coupons under the Programme, (ii) the incurrence of Relevant Indebtedness represented by the Notes and the Coupons issued under the Programme; (iii) the offering, sale, or issuance of Relevant Indebtedness as permitted under the Conditions; (iv) the on-lending of the proceeds of the issue of the Notes and/or the Coupons to the Company or as the Company may direct; and (v) the activities directly related to the establishment and/or maintenance of the Issuer's corporate existence).

General

The performance by the Company (or, as the case may be, the Parent) of its obligations under the relevant Keepwell and Liquidity Support Deed may be subject to the approval or clearance or other authorisation of PRC government authorities pursuant to the applicable laws and regulations of the PRC. The Company (or, as the case may be, the Parent) has undertaken in the relevant Keepwell and Liquidity Support Deed to use all reasonable efforts to obtain such approval, clearance or other authorisation within the time period stipulated by such authorities or by the applicable laws and regulations of the PRC.

The Keepwell and Liquidity Support Deeds will not, and nothing therein contained and nothing done pursuant thereto by the Company (or, as the case may be, the Parent) will, be deemed to constitute, or shall be construed as, or shall be deemed on evidence of, a guarantee by or any similar legally binding obligation of, the Company (or, as the case may be, the Parent) of the payment of any obligation, indebtedness or liability, of any kind or character whatsoever, of the Issuer or the Guarantor under the laws of any jurisdiction, including the PRC.

The Keepwell and Liquidity Support Deeds may only be modified, amended or terminated by the written agreement of the parties thereto.

The Keepwell and Liquidity Support Deeds and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

The courts of Hong Kong are to have exclusive jurisdiction to settle any dispute arising from or connected with the Keepwell and Liquidity Support Deeds (including a dispute regarding the existence, validity or termination of the Keepwell and Liquidity Support Deeds or any non-contractual obligation arising out of or in connection with the Keepwell and Liquidity Support Deeds) or the consequences of its nullity and accordingly any legal action or proceedings arising out of or in connection with the Keepwell and Liquidity Support Deeds may only be brought in such courts.

The Company as the Guarantor

Where the Company is specified in the relevant Pricing Supplement as being the Guarantor for that Tranche of Notes, the Notes will have the benefit of the Parent Keepwell and Liquidity Support Deed, in addition to the guarantee provided by the Company. For the purposes of this sub-section, references to "Guarantor" mean the Company only.

Ownership of the Issuer and the Guarantor

In relation to Notes where the Change of Control Put is specified in the relevant Pricing Supplement, for so long as any of such Notes remain outstanding, the Parent has undertaken with the Issuer, the Guarantor and the Trustee that it shall:

- procure the Guarantor to, directly or indirectly, own and hold not less than 50.1% of the outstanding shares of the Issuer, free and clear of any security interest, claim, lien or encumbrance and will not directly or indirectly pledge, charge, mortgage, grant a security interest, or in any way encumber or otherwise dispose of any such shares, unless required to dispose of, or permit the disposal of, any or all such shares pursuant to a court decree or order of any governmental authority, in each case, not obtained at the direction or request of the Issuer, the Guarantor or the Parent; and
- directly or indirectly remain the single largest holder of issued share capital of the Guarantor (whether through direct or indirect shareholding (including beneficial ownerships) held by the Subsidiaries of the Parent or otherwise).

Solvency, Maintenance of Net Assets; Liquidity

For so long as any Note remains outstanding, the Parent has undertaken that it shall cause:

(i) each of the Issuer and the Guarantor to remain solvent and a going concern at all times under the laws of their respective jurisdictions of incorporation or applicable accounting standards;

(ii) each of the Issuer and the Guarantor to have Consolidated Net Assets of at least U.S.$1.00 (or its equivalent in any other currency) at all times; and

(iii) each of the Issuer and the Guarantor to have sufficient liquidity to ensure timely payment by it of any amounts payable in respect of the Notes and the Coupons in accordance with the Terms and Conditions and otherwise under the Trust Deed and the Agency Agreement.

If the Issuer or the Guarantor at any time determines that it will have insufficient liquidity to meet any of its payment obligations under the Notes, the Coupons, the Trust Deed or the Agency Agreement as they fall due, the Issuer and the Guarantor have each undertaken to promptly notify the Parent of the shortfall and the Parent has undertaken to make available, or procure the availability, to the Issuer or the Guarantor, as the case may be, before the due date of the relevant payment obligations, funds sufficient to enable the Issuer or the Guarantor, as the case may be, to pay such payment obligations in full as they fall due. Each of the Issuer and the Guarantor has undertaken to use any funds made available to it by the Parent in items (i) to (iii) above solely for the payment when due of such payment obligations under the Notes, the Coupons, the Trust Deed or the Agency Agreement (as the case may be).

Relevant Indebtedness

For so long as any Note remains outstanding, the Parent has undertaken to the Trustee that it shall not, and shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or guarantee of Relevant Indebtedness without at the same time or prior thereto (i) securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (ii) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders.

Financial Statements

For so long as any Note remains outstanding, the Parent has undertaken to send to the Trustee:

(A) as soon as reasonably practicable after their date of publication and in any event not more than 180 days after the end of each financial year, two copies of audited annual consolidated financial statements prepared in accordance with accounting principles generally accepted in, and pursuant to the relevant laws of, the PRC (audited by an internationally recognised firm of independent accountants) of it and its Subsidiaries and, if such statements shall be in the Chinese language, together with an English translation of the same translated by a professional translation service provider or itself, together with a certificate signed by a director or authorised signatory of the Parent certifying that such translation is complete and accurate; and

(B) as soon as reasonably practicable after their date of publication and in any event not more than 120 days after the end of each second financial quarter, two copies of unaudited and unreviewed semi-annual consolidated financial statements prepared on a basis consistent with audited consolidated financial statements of it and its Subsidiaries and, if such statements shall be in the Chinese language, together with an English translation of the same and a certificate signed by a director or authorised signatory of the Parent, certifying that such translation is complete and accurate;

provided that, if at any time its capital stock is listed for trading on a recognised stock exchange, it may make available to the Trustee, as soon as they are available but in any event not more than 14 calendar days after any financial or other reports of it are filed with the exchange on which its capital stock is at such time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the reports identified in (i) and (ii) above.

Triggering Events

Under the Parent Keepwell and Liquidity Support Deed, each of the Issuer, the Guarantor and the Parent has undertaken to notify the Trustee as soon as practicable in writing (and include sufficient details of such event) upon the occurrence of any of the following Triggering Events:

- a Financial Ratio Failure; or
- an Event of Default; or
- a Shortfall Event.

Liquidity Support

Trigger Notice

Notwithstanding and without prejudice to the other provisions in the Parent Keepwell and Liquidity Support Deed, the Trustee has undertaken to provide a Trigger Notice to the Parent in accordance with the Trust Deed:

- upon being notified in writing by the Issuer, the Guarantor and/or the Parent that a Triggering Event has occurred pursuant to the Parent Keepwell and Liquidity Support Deed, or
- if any Triggering Event has occurred and if so requested in writing by Noteholders of at least one quarter of the aggregate principal amount of the Notes of the relevant Series then outstanding (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction).

Upon the receipt of a Trigger Notice and in accordance with the Parent Keepwell and Liquidity Support Deed, the Parent, in accordance with the applicable laws and regulations of the PRC, has undertaken to provide the Liquidity Support to the Issuer and the Guarantor subject to it having obtained the Parent's shareholder approval and all relevant Regulatory Approvals (which the Parent shall use its reasonable endeavours to obtain), so as to enable the Issuer and the Guarantor to (i) make payment in full of any outstanding amounts as they fall due under the Trust Deed, the Notes, the Coupons and the Guarantee of the Notes (including any interest accrued but unpaid on the Notes) if the Triggering Event is an Event of Default or (ii) remedy the Financial Ratio Failure or the Shortfall Event if such Triggering Event has occurred.

Liquidity Support

Pursuant to the Parent and Liquidity Support Deed, upon the receipt of a Trigger Notice, the Parent has undertaken to make available, or procure the availability, to the Issuer or the Guarantor, as the case may be, before the due date of the relevant payment obligations, funds sufficient to enable the Issuer or the Guarantor, as the case may be, to pay its payment obligations under the Notes, the Coupons and the Guarantee of the Notes in accordance with the Terms and Conditions and the Trust Deed in full as they fall due.

Undertakings as to Use of Proceeds

The Parent has undertaken in the Parent Keepwell and Liquidity Support Deed to procure that the Issuer and the Guarantor shall take all actions necessary for the proceeds received from the Liquidity Support to be applied in and towards (a) the payment in full of any outstanding amounts as they fall due under the Trust Deed, the relevant Series of Notes, the Coupons and the Guarantee of the Notes (including any interest accrued but unpaid on the relevant Series of Notes) if the Triggering Event is an Event of Default, including all costs, fees and expenses (including without limitation, legal expenses) and other amounts payable to the Trustee and/or the Agents under or in connection with such Series of Notes, the Guarantee of the Notes, the Trust Deed, the Agency Agreement, and/or the Parent Keepwell and Liquidity Support Deed as at the date of such Trigger Notice plus provisions for fees, costs, expenses (including without limitation, legal expenses) and other amounts which may be incurred after the date of the Trigger Notice in accordance with such Series of Notes, the Agency Agreement, the Trust Deed, and/or the Parent Keepwell and Liquidity Support Deed, as notified by the Trustee in the Trigger Notice or (b) the remedy of the Financial Ratio Failure or the Shortfall Event if such Triggering Event has occurred, prior to any other use, disposal or transfer of the proceeds received.

Each of the Issuer and the Guarantor has further undertaken in the Parent Keepwell and Liquidity Support Deed to take all actions necessary for the proceeds received from the Liquidity Support to be applied in and towards (a) the payment in full of any outstanding amounts as they fall due under the Trust Deed, the relevant Series of Notes, the Coupons and the Guarantee of the Notes (including any interest accrued but unpaid on the relevant Series of Notes) if the Triggering Event is an Event of Default, including all costs, fees and expenses (including without limitation, legal expenses) and other amounts payable to the Trustee and/or the Agents under or in connection with such Series of Notes, the Guarantee of the Notes, the Trust Deed, the Agency Agreement, and/or the Parent Keepwell and Liquidity Support Deed as at the date of such Trigger Notice plus provisions for fees, costs, expenses (including without limitation, legal expenses) and other amounts which may be incurred after the date of the Trigger Notice in accordance with such Series of Notes, the Agency Agreement, the Trust Deed, and/or the Parent Keepwell and Liquidity Support Deed, as notified by the Trustee in the Trigger Notice or (b) the remedy of the Financial Ratio Failure or the Shortfall Event if such Triggering Event has occurred, prior to any other use, disposal or transfer of the proceeds received.

Other Covenants

For so long as any Note remains outstanding, the Parent has undertaken:

- not to amend its articles of association, and to procure that the memorandum and articles of association of the Issuer and the Guarantor shall not be amended, in each case in a manner that is, directly or indirectly, adverse to holders of the Notes or holders of the Coupons;
- to cause the Issuer, the Guarantor and the Subsidiary which receives the proceeds from the offering of the Notes to use such proceeds in accordance with the applicable laws and regulations, including but not limited to the relevant rules and regulations issued by SAFE;
- to cause the Issuer and the Guarantor to remain in full compliance with the Terms and Conditions, the Guarantee of the Notes, the Trust Deed, the Agency Agreement and all applicable rules and regulations of the British Virgin Islands and Hong Kong;
- promptly to take any and all action necessary to comply with its obligations under the Terms and Conditions, the Parent Keepwell and Liquidity Support Deed, the Trust Deed and the Agency Agreement;
- to cause each of the Issuer and the Guarantor to take all action necessary in a timely manner to comply with its obligations under the Terms and Conditions, the Parent Keepwell and Liquidity Support Deed, the Trust Deed and the Agency Agreement;
- to ensure that the Issuer has sufficient funds to meet its obligations with respect to any and all fees and expenses payable by, and obligations of, the Issuer, including but not limited to fees and expenses with respect to the administration of the Issuer; and
- to procure that the Issuer will not, conduct any business or other activities other than the permitted activities in connection with the Programme and the Notes (such activities in connection with the Programme, the Notes and the Coupons shall, for the avoidance of doubt, include (i) the offering, sale or issuance of Notes and the Coupons under the Programme, (ii) the incurrence of Relevant Indebtedness represented by the Notes and the Coupons issued under the Programme; (iii) the offering, sale, or issuance of Relevant Indebtedness as permitted under the Conditions; (iv) the on-lending of the proceeds of the issue of the Notes and/or the Coupons to the Company or as the Company may direct; and (v) the activities directly related to the establishment and/or maintenance of the Issuer's corporate existence).

General

The performance by the Parent of its obligations under the Parent Keepwell and Liquidity Support Deed may be subject to the approval or clearance or other authorisation of PRC government authorities pursuant to the applicable laws and regulations of the PRC. The Parent has undertaken in the Parent Keepwell and Liquidity Support Deed to use all reasonable efforts to obtain such approval, clearance or other authorisation within the time period stipulated by such authorities or by the applicable laws and regulations of the PRC.

The Parent Keepwell and Liquidity Support Deed will not, and nothing therein contained and nothing done pursuant thereto by the Parent will, be deemed to constitute, or shall be construed as, or shall be deemed on evidence of, a guarantee by or any similar legally binding obligation of, the Parent of the payment of any obligation, indebtedness or liability, of any kind or character whatsoever, of the Issuer or the Guarantor under the laws of any jurisdiction, including the PRC.

The Parent Keepwell and Liquidity Support Deed may only be modified, amended or terminated by the written agreement of the parties thereto.

The Parent Keepwell and Liquidity Support Deed and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

The courts of Hong Kong are to have exclusive jurisdiction to settle any dispute arising from or connected with the Parent Keepwell and Liquidity Support Deed (including a dispute regarding the existence, validity or termination of the Parent Keepwell and Liquidity Support Deed or any non-contractual obligation arising out of or in connection with the Parent Keepwell and Liquidity Support Deed) or the consequences of its nullity and accordingly any legal action or proceedings arising out of or in connection with the Parent Keepwell and Liquidity Support Deed may only be brought in such courts.

DESCRIPTION OF THE DEED OF EQUITY INTEREST PURCHASE UNDERTAKING

The following contains summaries of certain key provisions of the Deed of Equity Interest Purchase Undertaking. Such statements do not purport to be complete and are qualified in their entirety by reference to the Deed of Equity Interest Purchase Undertaking. Unless otherwise defined herein, defined terms used in this section shall have the meanings given to them in the Deed of Equity Interest Purchase Undertaking.

The Deed of Equity Interest Purchase Undertaking is applicable to Notes where CM Leasing HK is specified in the relevant Pricing Supplement as being the Guarantor. For the purposes of this section, references to "Guarantor" mean CM Leasing HK only.

The Company intends to assist the Issuer and the Guarantor in meeting their respective obligations under the Notes, the Guarantee of the Notes, and the Trust Deed by entering into the Deed of Equity Interest Purchase Undertaking whereby, upon the receipt of a written notice from the Trustee provided in accordance with the Deed of Equity Interest Purchase Undertaking, the Company will agree to purchase certain equity interest as further described below.

Obligation to Acquire Equity Interest

Upon the receipt of a written Purchase Notice given by the Trustee in accordance with the Trust Deed following the occurrence of an Event of Default, the Company has agreed to, subject to and conditional upon (a) obtaining the Company's shareholder approval (where applicable) and all Regulatory Approvals and (b) compliance with all relevant laws and regulations, purchase or procure an Onshore Subsidiary of the Company to Purchase:

(i) the Equity Interests held directly by the Issuer, the Guarantor and/or any other Offshore Subsidiary of the Guarantor in one or more of such Person's Subsidiaries, as designated by the Company and notified in writing to the Trustee by the Company within 10 Business Days after the date of the Purchase Notice or (which notice shall specify (i) the Persons from which the relevant Equity Interests will be purchased, (ii) a description of the Capital Stock forming such Equity Interests and (iii) the Purchaser (such notice a "**Purchase Notice Response**")); or

(ii) in the event a Purchase Notice Response is not sent in accordance with (i) above, all Equity Interests directly held by the Guarantor in its Subsidiaries,

in either such case, at the Purchase Price (together with an amount equal to any applicable stamp duties or similar registration taxes payable in connection with such Purchase) on the relevant Purchase Closing Date pursuant to the terms set out in the Deed of Equity Interest Purchase Undertaking and the relevant Equity Interest Transfer Agreement(s).

Determination of Purchase Price

Within 20 Business Days after the date of the Purchase Notice, the Company has undertaken in the Deed of Equity Interest Purchase Undertaking to determine (a) the aggregate purchase price of the Equity Interest(s) being the subject of the Purchase in accordance with any applicable PRC laws and regulations effective at the time of determination; and (b) the other applicable terms relating to the Purchase, *provided that* the Purchase Price shall be no less than the aggregate of the following amounts with respect to the relevant series of Default Notes:

(i) an amount in the Specified Currency the Default Notes then outstanding, sufficient to enable the Issuer and the Guarantor to discharge in full their respective obligations under the Default Notes and the Coupons, the Guarantee of the Default Notes, the Agency Agreement and the Trust Deed that are due and owing as at the date of such Purchase Notice (including without limitation the principal amount of the Default Notes then outstanding that is due and owing as at the date of such Purchase Notice and any interest due and unpaid on the Default Notes up to but excluding the date of such Purchase Notice); plus

(ii) an amount equal to the interest payable in respect of the immediately following interest period on the Default Notes, if any; plus

(iii) all costs, fees and expenses and other amounts payable in U.S. dollars to the Trustee and/or the Agents under or in connection with the Default Notes, the Trust Deed, the Agency Agreement, the Keepwell and Liquidity Support Deeds and/or the Deed of Equity Interest Purchase Undertaking that are due and owing as at the date of such Purchase Notice plus provisions for fees and expenses of the Trustee and/ or Agents which may be incurred after the date of the Purchase Notice in accordance with the Default Notes, the Agency Agreement, the Trust Deed, the Keepwell and Liquidity Support Deeds and/or the Deed of Equity Interest Purchase Undertaking, as notified by the Trustee in the Purchase Notice, in each case, in connection with the recovery of amounts due under item (i) and (ii) above.

Closing in Respect of Purchase of Equity Interest

In relation to the Purchase of any Equity Interest relating to a Target Subsidiary which is an Onshore Subsidiary:

(i) within 30 Business Days after the date of the Purchase Notice, the Company has undertaken to, and has undertaken to procure such Relevant Transferor to, obtain approval from the requisite number of shareholders of such Target Subsidiary in relation to the Purchase, and to execute, and the Company undertakes to procure the board of directors of such Target Subsidiary to execute (where applicable), an Equity Interest Transfer Agreement and all other application documents (including any equity interest transfer agreement in the Chinese language and in such form as required by applicable laws and regulations) required by applicable laws and regulations of the PRC and, undertakes to file such agreements and/or documents with MOFCOM and NDRC (where applicable), for approval of the transfer of the Equity Interest being the subject of the Purchase;

(ii) within 20 Business Days after the receipt of approval from MOFCOM, the Company has undertaken to, or procure the Target Subsidiary to, submit all application documents required by applicable laws and regulations of the PRC to the competent AIC for the AIC registration of the transfer of the Equity Interest of such Relevant Transferor;

(iii) as soon as reasonably practicable after receipt of the AIC registration from the competent AIC, the Company has undertaken to complete the procedures in respect of withholding tax for such Relevant Transferor as required by applicable laws and regulations of the PRC with the competent tax authority and obtain the tax clearance certificate from such tax authority;

(iv) within 20 Business Days after completion of the change of AIC registration and the receipt of the tax clearance certificate, the Company has undertaken to, or procure the Target Subsidiary to, submit all application documents required by applicable laws and regulations of the PRC to SAFE (A) to change the SAFE registration of such Target Subsidiary and (B) for the remittance of the relevant Purchase Price outside the PRC; and

(v) the Company has undertaken to procure that the completion of such Purchase shall take place on or prior to the 20th Business Day after the date of receipt of the approvals from SAFE and all other Regulatory Approvals or, if no Regulatory Approval from any Approval Authority is required, on or prior to the fifth Business Day after the date of execution of the Equity Interest Transfer Agreement, whereupon the Company has undertaken to pay to, or procure the relevant Purchaser to pay to, or to the order of, such Relevant Transferor the Purchase Price in immediately available funds. Such payment shall be made by remittance of the Purchase Price to such account in Hong Kong as may be designated by such Relevant Transferor, which shall be an account either of the Issuer or the Guarantor,

provided that the requirements and deadlines set out above may be modified if the Trustee receives an opinion of a nationally recognised law firm of good repute in the PRC stating that, under applicable laws and regulations of the PRC as at the date of the opinion, (A) any requirement and/or the time allowed for the Company to complete any of the requirements above is not reasonably achievable, and (B) new requirement shall be fulfilled and, in such case, further stating the commercially reasonable period of time that is necessary to fulfil such requirement. Such opinion shall be addressed and delivered to the Trustee by the Company within 14 Business Days after the receipt of the Purchase Notice.

In relation to the Purchase of any Equity Interest relating to a Target Subsidiary which is an Offshore Subsidiary:

(i) within 30 Business Days after the date of the Purchase Notice, the Company has undertaken to (A) submit a project information report and other required documents to NDRC (where applicable) and (B) submit the preliminary report and other required documents for overseas mergers and acquisitions to MOFCOM and SAFE;

(ii) within 20 Business Days after obtaining the confirmation of NDRC, MOFCOM and SAFE for the report referred to in the immediately preceding paragraph, the Company has undertaken to, and has undertaken to procure such Relevant Transferor to, obtain approval from the requisite number of shareholders of such Target Subsidiary in relation to the Purchase, and to execute, and the Company has undertaken to procure the board of directors of such Target Subsidiary to execute (where applicable), an Equity Interest Transfer Agreement and all other application documents (including any equity interest transfer agreement in the Chinese language and in such form as required by applicable laws and regulations) required by applicable laws and regulations, and has undertaken to file such agreements and/or documents with NDRC, MOFCOM, SAFE and authorities of the other jurisdiction(s) in connection with the Purchase (where applicable), for approval or registration of the transfer of the Equity Interest being the subject of the Purchase;

(iii) within 20 Business Days after the receipt of approval from MOFCOM, NDRC, SASAC and other applicable Approval Authorities, the Company shall submit all application documents required by applicable laws and regulations of the PRC to SAFE for registration of the transfer of the Equity Interest being the subject of the Purchase; and

(iv) the Company has undertaken to procure that the completion of such Purchase shall take place on or prior to the 20th Business Day after the date of receipt of the approvals or registrations from NDRC, MOFCOM, SAFE and authorities of other jurisdiction(s) in charge of the Purchase as referred to in the immediately preceding paragraph and all other Regulatory Approvals or, if no such Regulatory Approval from any Approval Authority is required, on or prior to the fifth Business Day after the date of execution of the Equity Interest Transfer Agreement, whereupon the Company has undertaken to pay to, or procure the relevant Purchaser to pay to, or to the order of, such Relevant Transferor the Purchase Price in immediately available funds. Such payment shall be made by remittance of the Purchase Price to such account in Hong Kong as may be designated by such Relevant Transferor, which shall be an account either of the Issuer or the Guarantor,

provided that the requirements and deadlines set out above may be modified if the Trustee receives an opinion of a nationally recognised law firm of good repute in the PRC stating that, under applicable laws and regulations of the PRC as at the date of the opinion, (A) any requirement and/or the time allowed for the Company to complete any of the requirements above is not reasonably achievable, and (B) new requirement shall be fulfilled and, in such case, further stating the commercially reasonable period of time that is necessary to fulfil such requirement. Such opinion shall be addressed and delivered to the Trustee by the Company within 14 Business Days after the receipt of the Purchase Notice.

Undertakings upon completion

Upon the completion of any Purchase, the Company has undertaken in the Deed of Equity Interest Purchase Undertaking to:

(i) in the event that a Relevant Transferor is not the Issuer or the Guarantor, procure such Relevant Transferor to promptly on-lend or distribute in full the relevant portion of the Purchase Price, being an amount no less than the Shortfall Amount, to the Issuer or the Guarantor prior to any other use, disposal or transfer of the proceeds received; and

(ii) promptly do all such things (including entering into and executing any agreements or arrangements required) and take all actions necessary for the Purchase Price received by the Issuer or the Guarantor from the Company or, as the case may be, the relevant Purchaser or pursuant to any on-loan or distribution referred to in paragraph (i) above to be applied solely towards the payment in accordance with the Deed of Equity Interest Purchase Undertaking of any outstanding amounts as they fall due under the Deed of Equity Interest Purchase Undertaking, the Trust Deed and the Default Notes (including without limitation the payment of the principal amount of the Default Notes then outstanding as at the date of payment and any interest due and unpaid and/or accrued but unpaid on the Notes up to but excluding the date of payment *provided that* if an Event of Default also occurs under other Series of Notes, the Company shall cause such purchase price to be applied solely towards the payment in accordance with the Trust Deed of any outstanding amounts under the Trust Deed and all Series of Notes which are subject to an Event of Default on a *pari passu* basis), prior to any other use, disposal or transfer of the proceeds received.

General

The Deed of Equity Interest Purchase Undertaking will not, and nothing therein contained and nothing done pursuant thereto by the Company will be deemed to constitute, or shall be construed as, or shall be deemed an evidence of a guarantee by or any similar legally binding obligation of the Company of the payment of any obligation, indebtedness or liability, of any kind or character whatsoever, of the Issuer or the Guarantor under the laws of any jurisdiction, including the PRC.

The performance by the Company of its obligations under the Deed of Equity Interest Purchase Undertaking may be subject to the approval or clearance or other authorisation of PRC government authorities pursuant to applicable laws. The Company has undertaken in the Deed of Equity Interest Purchase Undertaking to use all reasonable efforts to obtain such approval, clearance or other authorisation within the time period stipulated by such authorities or by applicable law.

The Deed of Equity Interest Purchase Undertaking may only be modified, amended or terminated by the written agreement of the parties thereto.

The Deed of Equity Interest Purchase Undertaking and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

The courts of Hong Kong are to have exclusive jurisdiction to settle any dispute arising from or connected with the Deed of Equity Interest Purchase Undertaking (including a dispute regarding the existence, validity or termination of the Deed of Equity Interest Purchase Undertaking or any non-contractual obligation arising out of or in connection with the Deed of Equity Interest Purchase Undertaking) or the consequences of its nullity and accordingly any legal action or proceedings arising out of or in connection with the Deed of Equity Interest Purchase Undertaking may be brought in such courts.

CAPITALISATION AND INDEBTEDNESS OF CM LEASING HK

	As at 30 June 2017	
	Actual and unaudited	
	RMB (millions)[3]	U.S.$ (millions)
Indebtedness		
Guaranteed notes payables	685	101
Secured short-term bank borrowings	536	79
Unsecured short-term bank borrowings	712	105
Unsecured short-term borrowings from related parties	2,908	429
Secured long-term bank borrowings	678	100
Total indebtedness[1]	5,519	814
Total equity	61	9
Total capitalisation[2]	5,580	823

Notes:

(1) Total indebtedness equals to the sum of secured short-term bank borrowings, unsecured short-term bank borrowings, unsecured borrowings from related parties, secured long-term bank borrowings and guaranteed notes payables.

(2) Total capitalisation equals to the sum of total indebtedness and total equity.

(3) The translation of U.S. dollar amounts into Renminbi amounts has been made at the rate of U.S.$1.00 to RMB6.7793.

Except as otherwise disclosed above, there has been no material adverse change in the capitalisation and indebtedness of CM Leasing HK since 30 June 2017.

CAPITALISATION AND INDEBTEDNESS OF THE GROUP

	As at 30 June 2017	
	Actual and unaudited	
	RMB (millions)	U.S.$[5] (millions)
Indebtedness		
Short-term borrowings	9,315	1,374
Long-term borrowings[1]	5,299	782
Debt securities payables	6,606	974
Total indebtedness[2]	21,220	3,130
Total equity[3]	4,793	707
Total capitalisation[4]	26,013	3,837

Notes:

(1) The Group has incurred additional long-term borrowings in the ordinary course of business since 30 June 2017. As at 31 December 2017, the amount of long-term borrowings of the Group increased to RMB5,815 million.

(2) Total indebtedness equals to the sum of short-term borrowings, long-term borrowings, Debt securities payables and long-term payables.

(3) The total equity includes share capital, capital reserve, other comprehensive income, surplus reserve, and undistributed profits.

(4) Total capitalisation equals to the sum of total indebtedness and total equity.

(5) The translation of Renminbi amounts into U.S. dollar amounts has been made at the rate of RMB6.7793 to U.S.$1.00.

Except as otherwise disclosed above, there has been no material adverse change in the capitalisation and indebtedness of the Group from 30 June 2017 to 31 December 2017, and there has been no material adverse change in the capitalisation and indebtedness of the Group since 31 December 2017.

CAPITALISATION AND INDEBTEDNESS OF THE PARENT GROUP

	As at 30 June 2017	
	Actual and unaudited	
	RMB (millions)	U.S.$[3] (millions)
Indebtedness		
Short-term borrowings[1]	40,201	5,930
Long-term borrowings[2]	54,087	7,978
Bonds payable[3]	53,462	7,886
Total indebtedness[4]	147,750	21,794
Total equity	73,564	10,851
Total capitalisation[5]	221,314	32,645

Notes:

(1) The Parent Group has incurred additional short-term borrowings in the ordinary course of business since 30 June 2017. As at 31 December 2017, the amount of short-term borrowings of the Parent Group increased to RMB47,082 million.

(2) The Parent Group has incurred additional long-term borrowings in the ordinary course of business since 30 June 2017. As at 31 December 2017, the amount of long-term borrowings of the Parent Group increased to RMB58,171 million.

(3) The total amount of bonds payable increased to RMB56,786 million as at 31 December 2017.

(4) Total indebtedness equals to the sum of short-term borrowings, long-term borrowings and bonds payable.

(5) Total capitalisation equals to the sum of total indebtedness and total equity.

(6) The translation of Renminbi amounts into U.S. dollar amounts has been made at the rate of RMB6.7793 to U.S.$1.00.

Except as otherwise disclosed above, there has been no material change in the capitalisation and indebtedness of the Parent Group from 30 June 2017 to 31 December 2017, and there has been no material adverse change in the capitalisation and indebtedness of the Parent Group since 31 December 2017.

DESCRIPTION OF THE ISSUER

FORMATION

The Issuer is a limited liability company incorporated on 4 May 2017 under the laws of British Virgin Islands (Company Number: 1944103). The registered agent for the Issuer is Vistra (BVI) Limited and its registered office is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. As at the date of this Offering Circular, the Issuer is an indirectly wholly owned subsidiary of the Company.

BUSINESS ACTIVITY

As at the date of this Offering Circular, the Issuer has not engaged, since its incorporation, in any material activities other than the issue of the Notes and other activities reasonably incidental thereto, with the benefit of either keepwell deeds provided by the Company and the Parent or guarantee provided by the Company, and those relating to the proposed issue of the Notes under the Programme and the on-lending of the proceeds thereof to the Company and/or its subsidiaries or affiliates, and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party.

DIRECTORS

The directors of the Issuer are Tang Min and Chang Ying and their business address is Jianyijingyuan, No.18 Xiwaguoyuan, Beiwucun Road, Haidian District, Beijing, PRC.

The Issuer does not have any employees and has no subsidiaries.

SHARE CAPITAL

The Issuer is authorised to issue a maximum of 10,000 shares of a single class each with a par value of U.S.$1.00. As at the date of this Offering Circular, 10,000 ordinary shares have been issued by the Issuer to its sole shareholder, CM Leasing HK, which is wholly owned by the Company. No part of the equity securities of the Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

FINANCIAL STATEMENTS

Under the laws of the British Virgin Islands, the Issuer is not required to publish interim or annual financial statements. As at the date of this Offering Circular, save for the issue of the Notes and other activities reasonably incidental thereto, the Issuer has no business or assets. Therefore, it has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary or desirable in order to show and explain the Issuer's transactions and reflect the financial position of the Issuer with reasonable accuracy.

DESCRIPTION OF CM LEASING HK

OVERVIEW

CM Leasing HK is a wholly-owned subsidiary of the Company. CM Leasing HK is a limited liability company incorporated in Hong Kong on 14 September 2015 under the Companies Ordinance (Cap. 622) of Hong Kong (CR No. 2285663). As of 30 June 2017, CM Leasing HK had 10,000 ordinary shares in issue. CM Leasing HK's registered office is 2/F Hongkong offshore centre 28, Austin Avenue Tsim Sha Tsui, Kowloon.

BUSINESS ACTIVITY

CM Leasing HK engages in financial leasing and leasing business, and it also serves as the core offshore investment and funding platform for the Company, sharing common financial and treasury functions, investment decision processes and strategic goals. CM Leasing HK is engaged in holding investments in various subsidiaries, associate companies, and jointly-controlled entities that are engaged in the provision of finance lease and related consulting services and investment business.

DIRECTORS

All of the directors of CM Leasing HK are appointed by the Company. At the date of this Offering Circular, the directors of CM Leasing HK are Tang Min and Zhang Luyang.

FINANCIAL INFORMATION

The consolidated financial statements of CM Leasing HK reflect the financial information and results of operations of CM Leasing HK. For the period from 14 September 2015 (the date of incorporation of CM Leasing HK) to 31 December 2016, CM Leasing HK had a consolidated revenue of US$14,275,276 and a consolidated net profit of US$1,798,593. For the six months 30 June 2017, CM Leasing HK had a consolidated revenue of US$27,140,188, and a consolidated net profit of US$7,413,607. For details of CM Leasing HK's financial information, see "Summary Financial Information of CM Leasing HK" and the Guarantor's audited consolidated financial statements as at 31 December 2016 and for the period from 14 September 2015 (the date of incorporation of CM Leasing HK) to 31 December 2016 and the Guarantor's reviewed consolidated financial statements as at and for the six months ended 30 June 2017.

DESCRIPTION OF THE COMPANY

OVERVIEW

The Company is a private Sino-foreign leasing company, established on 16 April 2015 with the approval of Tianjin Commission of Commerce (天津市商務委員會) and with a registered capital of RMB1.8 billion. On 26 April 2016, the Company's registered capital was proposed to RMB4.5 billion according to the resolution of the first shareholders' meeting in 2016. As at 5 May 2016, the Company's registered capital of RMB4.5 billion was fully paid up. As of 30 June 2017, the Company has the total assets of RMB31 billion. As of 30 June 2017, the Company had efficiently completed various projects, covering such areas as helicopter, vessels, ports, logistics and new energy.

The Company has a strong shareholder base. As at 30 June 2017, the Company's shareholders were CMIG Leasing Holdings Limited (中民投租賃控股有限公司), Korean Hana Bank (株式會社韓亞銀行) and CM International Investment Holding Limited (中民國際投資控股有限公司), each holding an equity interest in the Company as to 60.56%, 25% and 10%, respectively. Please refer to "*Description of the Company — Ownership and Corporate Structure*" for a comprehensive ownership and corporate structure chart.

The Company targets to achieve a national leading position and become an internationally well-known enterprise in the financial leasing industry. Fully leveraging on the strength of its Chinese and foreign shareholders, the Company adopts a two-pronged strategy of developing its core leasing business and expanding through investment and acquisitions. With special focus on general aviation, shipping, clean energy and high-end equipment, the Company strives to focuses on the balanced development and integration of leasing business and investment activities, business size and efficiency, financial leasing and operational lease business, as well as professional development and systematic management. Through such a two-pronged development strategy, the Company aims to realise prominent growth and become a national leader and a well-known global player in the financial leasing industry.

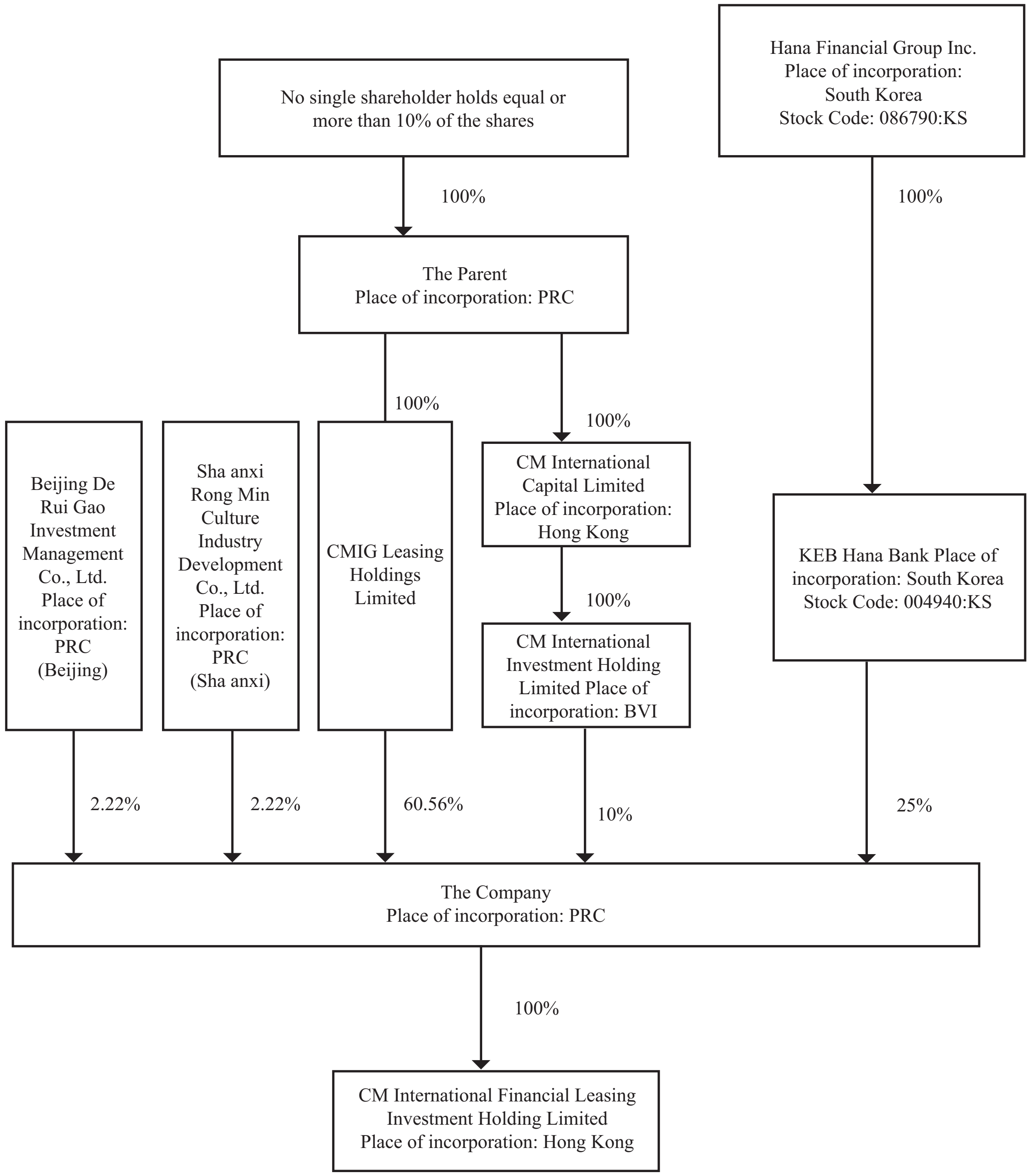
On the one hand, the Company has built a professional, sustainable and unique development path; on the other hand, with global vision and regional strategy, the Company vigorously explores the overseas market, promotes the transition and upgrade of the real economy, serves the national strategy of "going global" and is committed to becoming a domestically leading and internationally renowned leasing company with prominent business operation and promising profitability.

The Group's main business covers financial leasing, leasing, purchase of leased property at home and abroad, residual value treatment and maintenance of leased property, lease transaction advisory and guarantees, and the Group also operates factoring business and other side businesses relating to its core leasing business. The Group currently engages in four business segments, namely (i) general aviation; (ii) shipping; (iii) clean energy; and (iv) high-end equipment.

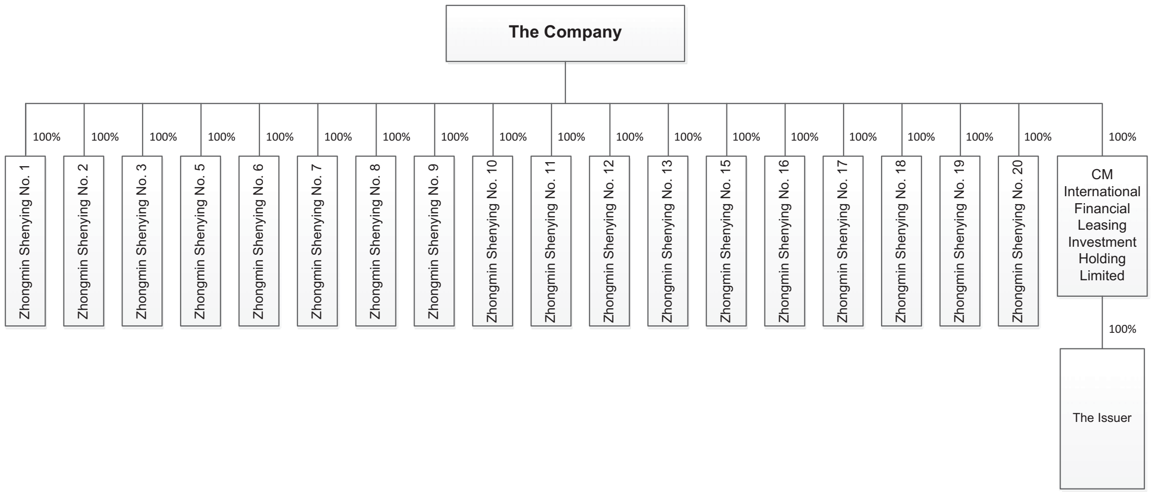
The Group showed a strong financial position for the two and a half years of its operation. For the period from the Company's date of incorporation on 16 April 2015 to 31 December 2015, the Group recorded net profit of RMB141.23 million and operating income of RMB327.66 million. For the year ended 31 December 2016, the Group recorded net profit of RMB237.23 million and operating income of RMB1,260.03 million. For the six months ended 30 June 2016 and 30 June 2017, the Group recorded net profit of RMB152.28 million and RMB231.03 million, and operating income of RMB406.07 million and RMB1,100.49 million, respectively. As at 30 June 2017, the Group had total assets of RMB37.70 billion.

OWNERSHIP AND CORPORATE STRUCTURE

The following chart illustrates the ownership and corporate structure of the Company as of 30 June 2017:



The following chart illustrates the ownership and corporate structure of the Group as of 30 June 2017:



COMPETITIVE STRENGTHS

The Group believes that it has the following competitive strengths:

Strong Shareholder Base

The Company is a leasing company originally on a Sino-foreign joint venture basis. Its current shareholders are CMIG Leasing Holdings Limited (中民投租賃控股有限公司), Korean Hana Bank (株式會社韓亞銀行) and CM International Investment Holdings Limited (中民國際投資控股有限公司), each holding an equity interest in the Company as to 60.56%, 25% and 10%, respectively.

China Minsheng Investment Group Corp., Ltd., also the Parent, is a global major private financial investment group, having a registered capital of RMB50 billion. Its financial management strategy focuses on full-licenced financial service and industry consolidations to lead Chinese private capital investment and promote economic transition and upgrade. The Parent was initiated by the All-China Federation of Industry & Commerce (中華全國工商聯合會) ("**ACFIC**") and co-founded by 65 well-known private enterprises across China. It was incorporated in Shanghai in May 2014, with business scope including equity investment, equity investment management, business, financial and investment consulting, industrial investment and asset management. International expansion has always been an important development direction of the Parent. It currently has conducted business in Hong Kong, Singapore and London, and has set up an International Expert Consulting Committee to plan for a wider global presence in the future. All shareholders of the Parent are large private enterprises who are leaders and outstanding players in their respective PRC industries, including, among others, new energy, machinery manufacturing, metallurgical information technology, asset management, clothing, bio-pharmaceuticals, environmental protection, culture and media, commerce, electricity, home appliance department stores, e-commerce, finance, real estate. Among them, Suning (蘇寧電器集團有限公司), Sinogiant Group (新華聯合冶金控股集團), Hongdou Group (紅豆集團), Yida China Holdings Limited (億達中國控股有限公司), Dongyue Group Ltd. (東岳集團), Kechuang Group (科創控股集團) and Hengtong Group (亨通集團) have been ranked as China's top 500 enterprises and China's top 100 private enterprises.

Korean Hana Bank, the largest bank and the second largest financial group in South Korea, has an overseas business network across Asia, Europe, United States and other places. Led by its asset management business, Korean Hana Bank continuously innovates its network and mobile channels under the new changes in financial environment. It is committed to becoming an industry leader with a solid position by having continuous efforts to strengthen its risk management and pioneer financial technology and intelligent finance.

The Company relies on its advantages from both its Chinese and foreign shareholder background to vigorously explore the overseas market by making full use of "two markets and two resources" at home and abroad featuring local roots and global reach. With its global vision and regional strategy to facilitate the transition and upgrade of China's real economy, the Company fully serves the national "Go Global" strategy. In addition, the Company has appointed Sudhir P. Amembal, who chaired World Leasing Conventions, as the Company's Chief Consultant, creating a strong momentum for the Company's specialisation and internationalisation process. The Parent's expanding international network also provides the Company with numerous advantages, including a presence in key global leasing centres and the ability to develop innovative, tax efficient leasing products. The Parent's branch operations in Hong Kong place the Company in close proximity to its regional clients, allowing for better responsiveness and a more thorough understanding of local market's dynamics.

Leading Client Base through the Management of the Parent Group

The Company, as a primary financial leasing platform of the Parent Group, is strategically important to the Parent Group's global market strategy, and it is also an important profit contributor for the Parent. The Parent, on the other hand, has historically provided financial support to the Company through capital injections. In addition, access to the Parent's network and client base enables the Group to provide its clients with a wide array of diversified, high value-added services beyond traditional leasing. The Group's ability to leverage the Parent's capabilities to provide comprehensive services to a broad client base helps distinguish the Company from other domestic and international leasing companies.

Proven Business Model with Solid Capital Position and Profitability

Relying on its two-pronged business model of developing leasing business and expanding through investment business, the Company has achieved above-industry return on equity and return on assets, fast profit growth and significant increase in assets scale over its two and a half years of operation. Since its establishment in April 2015, the Company has sought profitable and dynamic development of its leasing business and investment business. In particular, the Company supports its investment business with leasing business and drives its leasing business with investment business. The Company was officially established with proposed registered capital of RMB6 billion and initial registered capital of RMB3 billion. Within the first half year since its establishment, the Company established cooperation with a number of banks on credit facilities, with its cumulative total credit facilities granted exceeding RMB50 billion. The Company has officially completed its planned capital increase on 5 May 2016, and the registered capital was increased from RMB3 billion to RMB4.5 billion. The Company intends to complete the planned capital increase from RMB4.5 billion to 6 billion.

As of 30 June 2017, the Company's finance lease receivables and finance lease prepayments amounted to RMB28.62 billion and had completed investments in a number of projects across general aviation, shipping, clean energy and other areas. Among the leasing companies newly established in 2015, the Company ranked No. 1 by profits, No. 2 by asset size, and stood at industry-leading level by return on equity and return on assets. Moreover, the Group showed strong performance for the two and a half years of its operation as it recorded operating income of RMB327.66 million, RMB1,206.03 million, RMB406.07 million and RMB1,100.49 million for the period from 16 April 2015 (the Company's date of incorporation) to 31 December 2015, for the year ended 31 December 2016 and for the six months ended 30 June 2016 and 30 June 2017, respectively.

Senior Team Experienced in Leasing Industry

The Company's team members, from senior management to project executives, are experienced in financial leasing, risk management, banking, financing and enterprise operation, etc., shaping a well-established and orderly-deployed front, middle, back office management system. Ms. Rong WANG, the Chairman and President of the Company, was awarded "Person of the Financial Leasing Year 2015" by 2015 China Financial Leasing Annual Meeting.

In 2015, the Company was awarded "Best Business Model Breakthrough Leasing Company of the Year" by Financial Times, "Best Financing Model Breakthrough Leasing Company" by China Business Network (CBN) and "2015 Best Helicopter Finance Leasing Award" by China Aviation News. In 2016, the Company was awarded "2016 Most Influential Leasing Company" by Financial Times, "2016 Superior Competitiveness Financial Leasing Company" by 21st Century Economic Report , "2016 Annual Helicopter Financial Leasing Star" by the 3rd China Civil Helicopter Operation & Development Forum and "2016 Annual Outstanding Contribution Award for Support of Private Port and Shipping Enterprises" by the 2nd China Maritime Finance (DFTP) Summit.

Stringent Risk-control Measures

The Company adheres to the risk concept of "integrity, rationality, all-around, full participation, sustainability" to build a sound risk management mechanism. Based on clients' varied needs, the Company dynamically adjusts its risk plans to have systematic and individualised risk management, creating a flexible risk management system. In addition, the Company performs regular multi-dimensional risk stress testing and risk structure analysis, and strives to build the risk management into integrated management system, so as to enhance the multi-dimensional risk identification capabilities. It actively uses a variety of financial instruments and credit insurance products to have an effective management of country, exchange rate and other risks. The Company has established organisational structure featuring parallel operations of front, middle, back offices, and gradually achieves the dispatched risk officer system through efficient organisation of risk management, having a sense of management that connects risks with operations. The Company has: (i) adopted the risk management framework of financial leasing companies and banks; (ii) established efficient and transparent risk management systems and rules to track the operation and value of the leasing assets and forecast the operation performance of the lessee; (iii) attracted risk staff with extensive practical experience in the industry to set up a risk control team; and (iv) established the risk committee system and industry-specific dispatched risk officer system, to have full-process management of risks and accurately ascertain business risks, with strategically advantageous position, flexible risk control measures, diverse management methods and good market reputation. Given the stringent risk-control measures above, the Company experiences no default for all 148 leasing agreements it executed between 16 April 2015 (date of incorporation) and 30 June 2017.

BUSINESS STRATEGIES

The Company targets to achieve a national leading position and become an internationally well-known enterprise in the financial leasing industry with focused core business, high earnings, national leading position, international visibility and sustainable development. The Company is committed to becoming a "propeller to the Parent's industry-finance integration strategy" to facilitate the transition and upgrade of China's real economy with its global vision and regional strategy. Fully leveraging on the strength of its Chinese and foreign shareholders, the Company adopts a two-pronged strategy of developing its core leasing business and expanding through investment and acquisitions. In relation to investment, the Company pursues a combination of organic growth and in-depth specialisation to maintain highly-focused choice of investment sectors. With special focus on general aviation, shipping, clean energy and high-end equipment, the Company strives to promote its financial leasing business through investments and bolster its investments with its financial leasing business. Through such a two-pronged development strategy, the Company aims to realise prominent growth and become a national leader and a well-known global player in the financial leasing industry.

On the one hand, the Company has built a professional, sustainable and unique development path; on the other hand, with global vision and regional strategy, the Company vigorously explores the overseas market, promotes the transition and upgrade of the real economy, serves the national strategy of "going global." Recently, the Company has formed a leasing platform to pitch more assets categories and has built international leasing centres overseas to develop broader business potentials. The Company is committed to becoming a domestically leading and internationally renowned leasing company with prominent business operation and promising profitability.

Specialisation

The Company intends to enhance its position as a leasing industry innovator by remaining focused on its selected industries. Apart from general aviation and shipping, the Company also aims to develop energy and equipment leasing market by focusing on the areas of clean energy and high-end equipment.

Marketisation

The Company aims to offer leasing services and products that meet clients' needs. Leveraging on the brand, clients, network and technological advantages of the Parent, the Company aims to establish a comprehensive range of financial leasing products and services. The Company's clients include not only large and medium-sized state-owned enterprises and industry-leading enterprises, but also listed companies and successful private and small and medium-sized enterprises.

Further improve risk management capabilities

In an effort to further enhance its existing risk management processes, and improve the overall risk management system, the Company strives to adjust its current project risk assessment framework, which is based on a credit risk-centric approach, to a more comprehensive system encompassing both credit risk and asset investment risk. In addition, the Company aims to adopt a more systematic decision-making process that promotes greater reviewer accountability through professional consultation. Furthermore, the Company plans to adopt a more integrated and compatible risk management model which allows for information sharing and collaboration with the Parent's other entities under the guidance of the centralised risk management system.

Diversified financing sources and reduction of financing cost

The Company strives to actively manage its liability structure in order to obtain competitive cost of financing and optimal match of durations of assets and liabilities. Traditionally, the domestic loan market has been the primary source of funding for Chinese leasing companies. Since its establishment, the Company has been expanding its funding sources and has developed cooperative relationships in financing with over 100 Chinese and foreign banks, including The Export-Import Bank of China (中國進出口銀行), Agricultural Bank of China (中國農業銀行), Bank of China (中國銀行), Bank of Beijing (北京銀行), Shanghai Pudong Development Bank (上海浦東發展銀行), Industrial Bank Co., Ltd. (興業銀行), China Development Bank (國家開發銀行), China CITIC Bank (中信銀行), Bank of Jiangsu (江蘇銀行) and Industrial and Commercial Bank of China Limited (中國工商銀行), with a total size of strategic cooperation agreements signed exceeds RMB100 billion. It has actively accessed the refinancing market to raise cost-effective funds and received support from the Parent. It also engages in lease receivable factoring, issuance of asset-backed securities and other transfers to better manage its liquidity condition. The Company has been innovating financing channels. The types of bonds issued include corporate bond, private placement notes, asset-backed security, asset-backed notes and overseas bond, and the total registered size amounts to approximately RMB22 billion and the issuance size amounts to approximately RMB12 billion. The Company intends to further optimise its diversified funding structure by fully leveraging its existing funding channels as well as exploring new sources of funding. The Company's use of the Programme to raise debt overseas represents a further step towards improving the Company's overall funding mix, enhancing financial flexibility and securing an optimal asset liability match.

As the Group is part of the Parent Group, the Group's business strategies also benefit from its synergies with those of the Parent Group, in particular:

Active participation in the PRC's economic transformation and contribute to the PRC economy's healthy development

The Parent Group regards serving the national strategy as its mission. As the representative of Chinese private investment, the Parent Group aims to harness the "Go Global" opportunities presented by the development potential of countries along the "One Belt, One Road" routes to expand its outbound investments. Leveraging on the Parent Group's financial wisdom, industrial strength, ability to synergise capital energy and create a globalised industrial platform, the Parent Group aspires to fully utilise the advantages of its technical skills, branding and resources in developed countries. The Parent Group will continue to guide Chinese private enterprises to jointly invest overseas and push forward industrial upgrade and economic transformation.

Fulfil corporate-social responsibility by participating in poverty alleviation projects

The Parent Group strives to balance its business interests with the interest of the society. It aims to create economic value, social value and bring positive energy into the PRC local communities. The Parent Group adheres to the principle of investing in healthcare and property management to building a convenient and harmonious society in cities; it aims to help alleviate poverty by participating in rural area projects.

Adhere to the virtues of "empathy" and "honesty" and be a law-abiding body corporate

In order to embrace the national policy, the Parent Group will engage in active, sincere and frank discussions with the PRC government to reflect the difficulties and challenges of the domestic private enterprises, and support the PRC government policies and regulation. The Parent Group is committed to avoid dishonest and unethical conduct, for example, bribing government officials. Instead, it focuses on properly utilising its resources and time to concentrate on enterprise development, research and improvisation of its internal policies. The Parent Group is willing to accept supervision from its employees, its shareholders and the wider community, and will continue to be a law-abiding body corporate.

Continuous integration of target industries

The Parent Group possesses in-depth understanding and expertise of the commercial and political environment both in China and overseas and enjoys a unique and globalised financial perspective. Focusing on its comprehensive strengths, including national brand recognition, resource integration, capital strength and business integration, the Parent Group will continue to select target industries in line with the PRC government's development plans for strategic integration, create a sustainable strategic business model and formulate sophisticated exit mechanisms. By amassing the value created by the PRC private enterprises and synergising their capital input, the Parent Group plans to guide private investments in facilitating the transformation and development of the PRC economy.

Strategic positioning of industry-finance integration

The Parent Group aims to become a full-service financial holding group in five to seven years, and create an international full-licenced financial service platform with licences in insurance, securities, funds, asset management, leasing and other financial services. The Parent Group aims to develop its strategy surrounding its full-licenced financial service platform and industry-finance integration to construct its commercial pillars and key business segments. The Parent Group intends to push forward the development of its advantageous industries by transferring traditional underutilised production capacity to advantageous industries through industrial integration, strategic industrial investment, mixed investment and overseas market expansion.

Implementing its strategic business model as a pure financial holding company, and among others, combining its current development of direct and internet banking business, the Parent Group aims to lead in the growth of the "new finance" concept by offering innovative financial products and services, such as "investment-credit linkage" ("投貸聯動") where equity investment will be combined with credit financing, "stock-debt union" ("股債聯合") where both equity investments and debt investments are included in its portfolio management, intermediary services, disposal of non-performing assets, asset management and other business models. The Parent Group also strives to build its capital markets and equity investment fund business segments with the aim of becoming a leader in the private capital investment industry in the PRC.

Strives to be China's largest value-added service provider for communities by offering comprehensive community services through property management

The Parent Group is committed to establishing an O2O platform based on community property management. It strives to be PRC's largest value-added service provider for communities by offering comprehensive community services through property management. Through China Minsheng Property Limited (中民物業有限責任公司), the Parent Group aims to establish a community-based open platform to meet consumers' needs and offers one-stop services that bridge the gap between online and offline resources, covering sectors such as property management, social life, commodity services, wealth management, health care, home care, and education. The Parent Group believes that by combining property management services with the community O2O platform, it can create a quality community services ecosystem.

Enhance its ability to provide business support and management improvement to different subsidiaries

The Parent Group plans to further improve the supervisory and control system through systematically enhancing its management system by adopting strategic planning, overall budgeting and annual planning, performance appraisal and incentive schemes. It will also strive to explore the revenue and cost synergies of the Parent Group companies to enhance the profitability of its investee companies. The Parent Group also plans to proactively integrate and utilise global resources to expand the operations of its portfolio companies in China.

To successfully implement these strategies, the Parent Group will strive to optimise its corporate governance structure and internal control mechanisms, incentive schemes and information management systems, and develop and retain talents.

INDUSTRY OVERVIEW

Financial leasing companies are normally established by banks or other financial institutions. Relying on their strong shareholder network and capital, financial leasing companies generally engage in the leasing business of large-scale equipment, including aircrafts and ships. Financial leasing business emerged in China in the 80s, and has experienced fast and promising growth in the past years. According to China Leasing Alliance, the total number of Chinese financial leasing companies increased from 80 in 2006 to 8,218 as of 30 June 2017 with a CAGR of 57%. According to China Leasing Union and Tianjin Binhai Institute of Financial Leasing, the total balance of financial leasing contracts in China exceeded RMB5,300 billion, a 20.5% increase since last year. From the perspective of penetration rate, the penetration rate of China's financial leasing industry reached around 4.0% by 2015, while the penetration rates of Canada, United Kingdom and United States were 32.0%, 31.1% and 22.0% according to China Leasing Alliance, leaving huge room for development in the future. Financial leasing business supports the development of real economy and key infrastructure in China, while providing capital to high-end equipment manufacture business to explore market overseas.

BUSINESS MODEL

The Company builds its core businesses around financial leasing, leasing, purchasing leasing properties at home and abroad, repair and maintenance of leasing properties, advising on and providing guarantee to leasing, and also operates in other related areas, such as factoring business. The Company generates profits and becomes a large-scale leasing company well-known at home and abroad. It is employed as a propeller of the Group's strategy of combining industry and financing experience so to develop the Group's leasing business and investment (M&A) business.

Profit-making Model

The Company relies on its experience financing services team, relatively wide financing channels and sufficient private capital to provide tailored financing plans for its clients, mainly in four industry segments: general aviation, shipping, clean energy and high-end equipment. The Company also generates financial leasing rentals and entrusted loan interests according various business models.

Financing sources

In November 2015, the Company issued its first leasing asset-backed securities with an aggregate amount of RMB1,200 million.

In 2016, the Company was rated AA+ by China Cheng Xin International Credit Rating Co. Ltd. The Company issued its second leasing asset-backed securities with an aggregate amount of RMB850 million in May 2016 and its third leasing asset-backed securities with an aggregate amount of RMB1,600 million in December 2016. Together with the issuance of the first tranche and the second tranche of corporate bonds of RMB5 billion in total, the total aggregate amount of bond raised in 2016 was RMB7.45 billion.

In May 2017, the Company issued its first tranche of private placement bonds with an aggregate amount of USD100 million.

In June 2017, the Company issued its first asset-backed notes with an aggregate amount of RMB1.08 billion.

Financial leasing rentals

Financial leasing business is a means of financing to be provided to lessees based on the underlying property, under which property such as equipment is essential. This business model run by the Company, on the one hand, helps lessees obtain financing while not creating burden to their daily use of the underlying property; and on the other hand allows the Company to become the owner of the underlying property.

To generate financial leasing rentals, the Company provides financial leasing services to financial lessees by way of sale-leaseback and direct leasing, and the Company receives the rentals from the financial lessees in accordance with the financial leasing agreements. Meanwhile, the Company provides financing-related training and financing instrument recommendation and planning so as to generate advisory fees. The Company also collects asset management fees by providing asset management services to its clients.

In relation to sale-leaseback, lessees sell self-owned equipment to the Company and at the same time enter into financial leasing agreements with the Company and pay to the Company financial advisory fees and rentals by instalments. Sale-leaseback is a suitable financing method for enterprises with a large number of equipments. Sale-leaseback currently constitutes a majority of the Company's business. As of 30 June 2017, the sale-leaseback business took up 75.6% of the entire business of the Company.

In terms of direct leasing, the Company, upon the instructions from its lessees, purchases leased property from the supplier appointed by such lessees and then leases such property to lessees with the income of fixed-term interests. Direct leasing mainly helps enterprises with their demand for investments on fixed assets and is suitable for enterprises which need to purchase fixed assets as well as large-scale equipment, upgrade their technology and equipment. As of 30 June 2017, the direct leasing business took up 17.22% of the entire business of the Company.

Other business models

Other business models mainly include entrusted loan business and factoring business in relation to other major businesses, as well as some equity investment projects. To generate entrusted loan interests, the Company employs its capital as principal and entrusts banks to issue loans to relevant borrowers with fixed use, amount, interest rate and the banks involved assist in collecting interests for the Company. Factoring business targets financial leasing clients as the Company further helps them to raise more funds and develop deep cooperation with the clients. As of 30 June 2017, other business models took up 7.18% of the entire business of the Company.

In November 2016, the Company acquired 100% equity interest in Golden Sail Leasing Co. Ltd., at a consideration of approximately USD50 million ("**Jinfan Project**"). The main assets of Golden Sail Leasing Co. Ltd. are three high-quality container ships. In 2017, Jinfan Project was in good condition and the return on equity was about 20%.

In December 2016, the Company secured approximately USD50 million in Series D+ equity financing of Sinolending Ltd ("**Dianrong.com**"). Dianrong.com is a leading Internet finance company in China. As of the date of this Offering Circular, Dianrong.com had successfully served over 4.2 million investment users by matching them with over RMB43 billion of loans.

BUSINESS NETWORK

As of 30 June 2017, the Company's business network included its head office in Beijing and Shanghai, and subsidiaries registered in Tianjin and Hong Kong. These subsidiaries primarily engage in financial leasing and leasing business. They purchase leasing properties abroad, repair and maintain the leasing properties and provide consultation services on leasing transactions. Among these subsidiaries, 10 of them have been in operation. The recorded assets, liabilities and shareholder equity of the subsidiaries as of 30 June 2017 and the recorded revenue and net profits of the subsidiaries (other than CM Leasing HK and the issuer) for the six months ended 30 June 2017 are listed as follows:

Subsidiary	As of 30 June 2017			For the six months ended 30 June 2017	
	Assets (RMB)	Liabilities (RMB)	Shareholder Equity (RMB)	Revenue (RMB)	Net Profit (RMB)
Zhongmin Shenying No. 1	55,745,478.00	52,404,567.00	3,340,910.00	1,288,443.00	938,302.00
Zhongmin Shenying No. 2	38,194,553.72	37,018,441.00	1,176,112.00	1,165,101.00	842,186.00
Zhongmin Shenying No. 3	171,802,121.00	159,389,024.00	12,413,096.00	5,412,534.00	2,545,257.00
Zhongmin Shenying No. 5	14,738,122.27	13,250,760.66	1,487,361.61	57,454.09	44,108.51
Zhongmin Shenying No. 6	42,266,027.86	40,462,693.23	1,803,334.63	2,357,135.67	2,116,248.69
Zhongmin Shenying No. 7	41,866,896.07	40,739,325.04	1,127,571.03	184,180.98	166,202.71
Zhongmin Shenying No. 8	29,633,540.47	29,179,843.54	453,696.93	82,633.94	23,381.67
Zhongmin Shenying No. 9	30,895,078.23	28,779,661.20	2,115,417.03	1,318,695.91	981,993.07
Zhongmin Shenying No. 10	8,095,512.75	7,114,569.77	980,942.98	36,868.92	(16,486.01)
Zhongmin Shenying No. 11	40,305,476.84	39,430,773.64	874,703.20	137,023.97	79,093.33
Zhongmin Shenying No. 12	100,016.67	54.17	99,962.50	—	(37.50)
Zhongmin Shenying No. 13	100,016.67	54.17	99,962.50	—	(37.50)
Zhongmin Shenying No. 15	100,016.67	54.17	99,962.50	—	(37.50)
Zhongmin Shenying No. 16	100,016.67	54.17	99,962.50	—	(37.50)
Zhongmin Shenying No. 17	100,016.67	54.17	99,962.50	—	(37.50)
Zhongmin Shenying No. 18	100,016.67	54.17	99,962.50	—	(37.50)
Zhongmin Shenying No. 19	100,016.67	54.17	99,962.50	—	(37.50)
Zhongmin Shenying No. 20	100,016.67	54.17	99,962.50	—	(37.50)

BUSINESS OVERVIEW

The Company's leasing business is organised around four major segments: (i) general aviation; (ii) shipping; (iii) clean energy; and (iv) high-end equipment. The Company's development has been supported by favourable government policies and initiatives. The PRC government has promoted the use of financial leasing and introduced new regulations and tax breaks for financial leasing companies. See the section with the heading "*PRC Regulations — Financial Leasing Regulatory Regime*". With two and a half years of rapid business development, the Company has grown into one of the PRC's leading leasing players with strong asset base and the high profitability.

The Company provides a diversified product and service portfolio consisting of leasing services and industry-related services to meet the needs of different clients. The Company's leasing products and services include financial leasing of newly purchased equipment, operating leasing, and financing sale and leaseback. The Company also provides industry-related services including equipment and asset trading, equipment and asset management and equipment investment consulting services.

The Company dedicates its resources to customised leasing products and value-added services for key clients in target industries, and anticipates and adapts to shifting market conditions. By concentrating on big-ticket leasing, which is influential for the relevant industries, the Company is able to achieve economies of scale and maintain its market-leading position.

General Aviation

The general aviation business has been a key strategic area since the establishment of the Company. According to *Guiding Opinions of the General Office of the State Council on Promoting the Development of General Aviation Industry,* the number of general aviation aircrafts will reach 5,000 and the industrial size will reach RMB1 trillion by 2020, and the industry has great potential compared to developed markets. Based on traditional direct leasing and leaseback businesses, the Company actively develops its innovative business model focusing on helicopter operation and leasing. The Company provides tailored financial services to large-scale airlines, airports, and hospital, and has the capacity to design and offer customised leasing schemes to meet the different business needs of its clients.

The products of the Company's leasing business currently cover various types of helicopters, and the Company targets to expand its product coverage in the future to include large passenger aircrafts, commercial aircrafts and airports. The Company is by far the largest and most influential player in the helicopter leasing industry. As the Company expands its core business of helicopter operation, custody and maintenance step by step, it offers comprehensive financial solutions to the whole industry. Meanwhile, the Company actively extends its business of large passenger aircraft leasing, focusing on co-development of both commercial aircrafts and general aviation aircrafts. The Company also seeks upstream and downstream integration of industry chain and has numerous explorations and activities in the investments of fleets, general aviation companies, and other emerging areas.

On 9 September 2015, the Company and Airbus Helicopters signed a strategic cooperation agreement to purchase 100 helicopters. The deal marks the Company as China's first leasing company with a bulk purchase of helicopter assets, and also China's largest leasing company in helicopter operation and leasing business.

In May 2016, the Company published its "5300 Plan". According to the plan, the Company aims to build 100 standard airports for general aviation, with 100 imported helicopters equipped with professional devices, and to invest in 100 hospitals capable of providing emergent medical aids in the air. The Company aspires to quickly improve the general aviation industry to address the increasing demands for emergent medical aid in China.

On 25 August 2016, the Company signed a strategic cooperation agreement with the China Civil Aviation Emergency Rescue Alliance (中國民用航空應急救援聯盟) ("**CCAERA**") and Beijing Red Cross 999 Emergency Rescue Centre (北京紅十字會999緊急救援中心). The parties agreed to invest approximately RMB10 billion across China over the next five years in medical rescue aircrafts, support system facilities, aviation emergency rescue hospitals, and other emergency rescue-related projects, with the aim of building a national emergency aviation rescue platform and promoting industry upgrades. In addition, the Company signed a strategic cooperation agreement with CCAERA, Ping An Insurance, Sichuan Branch (平安保險四川分公司) and Xilin Fengteng General Aviation Co. Ltd (西林風騰通航空有限公司) on 3 November 2016, pursuant to which parties will cooperate to develop a civil aviation emergency medical rescue system in western China.

The success of these transactions and positive outlook of these plans were a direct result of the favourable regulatory environment and support from the government, as well as product innovation by the Company. In addition, they represent the Company's ability to effectively compete against domestic as well as foreign competitors in the leasing industry.

Shipping

The shipping leasing business is another core business of the Company, which is one of the first companies to provide financial leasing services to the shipping industry in the PRC, and the Parent's only platform for investment, financing, operation and management of shipping assets. The shipping leasing business covers each aspect of high-end vessels, maritime projects, containers and port logistics and focuses on the business of specialized vessels with advanced technology and high entry barriers. The Company believes it has achieved a leading position in terms of market analysis, development and design of leasing products for the shipping industry. Since its establishment, the Company has been providing innovative and customised financial solutions, such as financial leasing, operating leasing, investment, management, disposal, freight trading and shipping consultation of shipping assets. Through such services, the Company has been receiving a continuous and stable asset trading income from diversified sources.

The Company has taken a counter-cycle investment strategy by purchasing quality assets at low costs, holding them for long periods of time or exiting the business strategically, and aims to achieve income from prominent capital appreciation. To mitigate risks, the Company focuses on large container liner companies with specific attention to leaders in the specialized-vessel industry, the company cautiously selects well-designed, market-adopted, highly-developed and liquidated shipping assets.

On 8 October 2015, the Company and Pacific International Lines (PTE) Ltd. signed the Strategic Cooperation Agreement & Memorandum of Understanding on Large Container Vessel (MOU) in Beijing.

In May 2017, the Company was awarded "Emerging Shipping Financial Company" at the 3rd China Maritime Finance (DFTP) Summit. The award recognises the Company's rapid development in the two and a half years since its establishment. With an increasing shipping asset size over RMB10 billion, the Company has developed close cooperation with CMA CGM, MSC, PIL, Antong Holdings, Zhonggu Shipping and other world's leading liners.

Rooted in China with a promising starting point and with a global vision, the Company endeavours to build an influential global brand and aims to establish the best quality, the most international and the most professional shipping and maritime leasing platform. With the support of the "the Belt and Road" strategy, simplified approval process for registration of financial leasing shipping equipment and export and import activities, and enjoying the same treating methodology as self-purchased equipment from an operating perspective, it strives to become a high-quality, international and professional operator of shipping assets.

Clean Energy

The Company's clean energy business covers (i) clean power, including photovoltaic, hydropower, biomass and natural gas; (ii) environmental protection, including industrial energy saving, garbage and sewage treatment, heating and new energy vehicles; and (iii) energy service, including energy storage, charging pile, distributed energy and energy internet. The Company strives to become the highest quality leasing service provider as well as the most professional investment and financing institution in the new energy field and is currently the largest biomass power generation equipment leasing company and a leading photovoltaic power generation equipment leasing company in China. The Company perfects and improves the technology in related industries both upstream and downstream the industrial chain to facilitate the Company's transformation and upgrade.

The Company commits itself to the efficient development of clean energy industry by offering economical, environmental friendly and high quality clean energy products and services. The Company has been developing new energy market both at home and abroad, safeguarding the sustainable and healthy development of the entire industrial chain.

In addition, relying on its capital operation capability and the strategy of industry-finance integration, the Company bases in fields including big data, smart city and intelligent industry, echoing the national strategy and industrial trend of "the Belt and Road" and "Internet+". The Company is committed to assisting customers in the information equipment industrial chain to fulfil their development goals of sustainability and globalisation by resorting to financial solutions like industrial investment funds, financing and leasing and supply-chain financing. The Company endeavours to grow into a comprehensive financial service platform of the Parent Group with a special focus on segmented industrial chain and high quality information assets.

High-end Equipment

The Company also focuses on high-end equipment leasing business, including in segmented industries such as the logistics industry, health service industry and information industry in which the Company offers professional investment and financing solutions. In logistics segment, the Company is actively involved in several sub-sectors, including infrastructure, urban logistics hubs, logistics parks and transportation and distribution systems. In health service segment, the Company focuses on the service to hospitals, medical instrument enterprises, pharmaceutical companies, service for the aged and physical examination. With the development of information technology, the Company also endeavours to deliver service to Internet Data Centres, telecom operators, smart cities, big data, and Internet of Things. To take the advantage of new drivers of economic growth, the Company engages in high-end manufacturing by offering service to enterprises which produce automobiles, rail transportation equipment and intelligent equipment. In response to the "The Belt and Road Initiatives" Policy and "Made in China 2025" Strategy, the Company leverages the license advantage and the domestic and foreign shareholders' platforms in both onshore and offshore markets to proactively develop the equipment leasing business for high-end manufacturing. The Company has been serving numerous organisations across a diverse array of sectors like finance, telecommunications, industry and government, including listed companies, large state-owned enterprise, large private enterprises and the government platforms. The Company formulates the business structure with leasing as the majority supplemented by equity investment.

Operating income

The recorded operating income of the Group as generated from various industry sectors during the years of 2015 and 2016 and for the six months ended 30 June 2017 is listed as follows:

Sector	Six months ended 30 June 2017		Year ended 31 December 2016		Year ended 31 December 2015	
	Amount (RMB)	Percentage (%)	Amount (RMB)	Percentage (%)	Amount (RMB)	Percentage (%)
General Aviation	90,793,849	8.25	68,095,785	5.40	37,685,383	11.50
Shipping	375,880,648	34.16	404,126,055	32.07	123,643,336	37.74
Clean Energy	343,303,432	31.20	586,320,530	46.53	166,329,018	50.76
High-end Equipment	261,648,033	23.78	193,993,326	15.40	—	—
Others	28,867,563	2.62	7,498,690	0.60	—	—
Total	**1,100,493,525**	**100**	**1,260,034,386**	**100**	**327,657,738**	**100**

For the years ended 31 December 2015 and 2016 and six months ended 30 June 2016 and 30 June 2017, the Group recorded operating income of RMB327.66 million, RMB1,260.03 million, RMB406.07 million and RMB1,100.49 million, respectively, mainly from clean energy, shipping and high-end equipment sectors. As to the clean energy segment, the Company recorded operating income of RMB166,329,018, RMB586,320,530 and RMB343,303,432 for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, respectively, each accounting for 50.76%, 46.53% and 31.20% of the total operating income for the corresponding periods. In terms of shipping segment, the operating income were RMB123,643,336, RMB404,126,055 and RMB375,880,648, each taking up 37.74%, 32.07% and 34.16% of the total operating income for the corresponding periods; As far as high-end equipment sector is concerned, the Company recorded operating income of nil, RMB193,993,326 and RMB261,648,033, respectively, each taking up nil, 15.40% and 23.78% of the total operating income for the corresponding periods.

Since 16 April 2015 (date of incorporation) to 30 June 2017, the Company executed 209 leasing agreements, with default rate at 0%. As mentioned above, the main sectors in which the Company operates its leasing business are clean energy, shipping, high-end equipment and general aviation. As of 30 June 2017, the Company's leased property fell into the sectors as listed below:

Type of contract	Number	Percentage
General Aviation	33	15.79%
Shipping	41	19.62%
Clean Energy	86	41.15%
High-end Equipment	49	23.44%
Total	**209**	**100%**

In relation to geographical allocation of the leasing business of the Company, it does not concentrate on certain regions but more scattered across China. The Company, however, has more leasing projects in East China and Central China. As of 30 June 2017, the Company's leasing business is generally located in the areas as listed below:

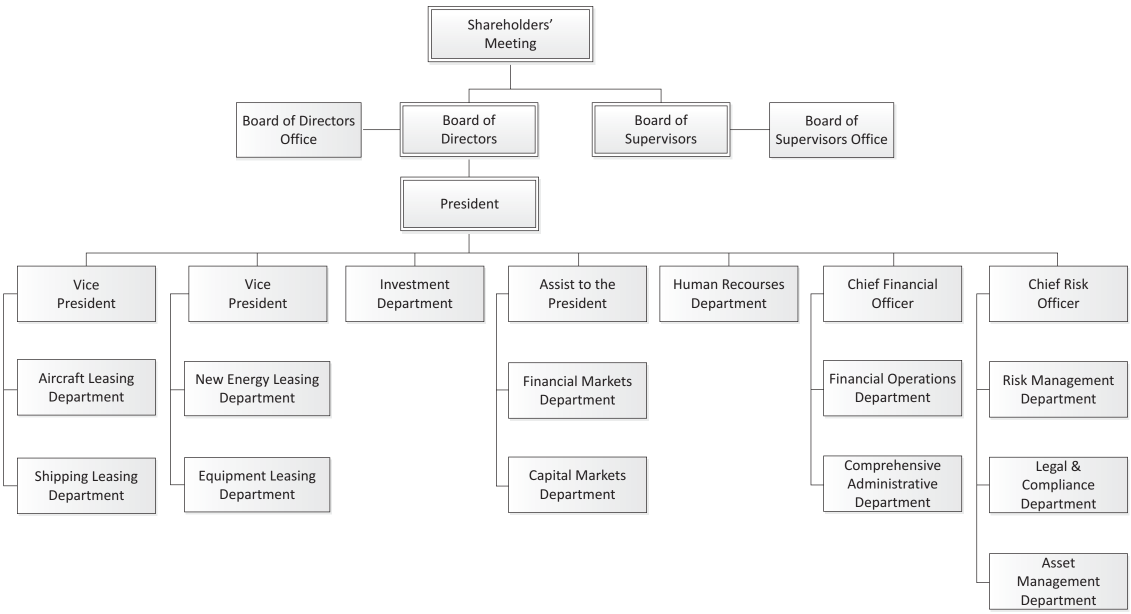
Region	Number	Percentage
Northern China	22	10.53%
Central China	38	18.18%
Eastern China	79	37.80%
Southwestern China	29	13.88%
Northeastern China	6	2.87%
Northwestern China	16	7.66%
Southern China	15	7.18%
Overseas	4	1.91%
Total	**209**	**100%**

As described above, based on the type of leasing agreements, most of the Company's leasing business is sale-leaseback business, with a small number of transactions conducted by way of direct leasing and entrusted loan. As of 30 June 2017, the information of model of the Company's financial leasing business is presented as follows:

Model	Number	Percentage
Direct leasing	36	17.22%
Sale-leaseback	158	75.6%
Others	15	7.18%
Total	**209**	**100%**

MANAGEMENT STRUCTURE OF THE COMPANY

The chart below sets out the management structure of the Company.



FINANCIAL LEASING BUSINESS DECISION MAKING

The financial leasing business decision making process of the Company is depicted as follows:

Work Stream	Key Steps	Decision Making/ Responsible Departments	Related Departments
Project Establishment	Business Department obtaining investment opportunities approval of establishment of projects	preliminary approval of projects by business management	Business, Risk Management, Legal & Compliance and

Work Stream	Key Steps	Decision Making/ Responsible Departments	Related Departments
		joint approval among management of Business, Risk Management, Legal & Compliance and Financial Markets Departments	Financial Markets Departments
Formal Due Diligence	joint on-site due diligence by two business managers and drafting of credit research report by Business Department on-site due diligence and independent opinion by Risk Management Department on-site due diligence and independent opinion by Legal & Compliance Department	Risk Management Department (to review reports submitted by Business Department)	Business, Risk Management, Legal & Compliance Department s
Project Review and Approval	reporting documentation sent by Business Department to Risk Management Department Chief Risk Officer submits certain projects to assessment committee for review Chief Risk Officer makes final approval	Chief Risk Officer	Business and Risk Management Departments Chief Risk Officer
Financing and Drawing-down	upon the approval of the project, business manager reports to Financial Markets and Asset Management Departments upon confirming of financing, relevant online banking information recorded Accounting Department release the funds	Asset Management Department	Business, Financial Markets, Asset Management and Accounting Departments
Rentals and Asset Management	asset management department instructs business department's client managers to collect rentals client managers monitor and review the rentals collection progress and report to Chief Risk	Asset Management Department Chief Risk Officer	Business Department

Work Stream	Key Steps	Decision Making/ Responsible Departments	Related Departments
	Officer to ensure appropriate risk management		
Project Completion and Documentation Archiving	Asset Management Department responsible for clearing of receivables and payables	Asset Management Department	Asset Management, Risk Management, Legal & Compliance and Financial Markets Departments

COMPETITION

The Company faces competitions in its main businesses from other financial leasing companies, including bank financial leasing companies and other non-bank financial institutions in China. We compete with other financial leasing companies primarily in product and service offerings, service quality, pricing, operational network and scope, investment management capabilities, financial strength, information technology system, team capability and brand recognition. We believe our strengths lie in our sino-foreign background and strong shareholder base, with support from our Parent, China's largest private company, and from Korean Hana Bank, the largest bank in Korea. In such a competitive climate, we intend to continue optimising our business structure and implementing strategic initiatives to distinguish ourselves and effectively address competition in the PRC financial leasing industry.

RISK MANAGEMENT

As a leasing business-related group which is capital intensive, the Group is aware that risk management is a key aspect that requires attention. The Group has general risk management policies as well as specific policies and operational guides for handling specific types of risks, including connected transactions, conflicts of interests and risks mitigation. The Group regularly conducts risk analysis and builds up corresponding risk management systems. The Group also requires its staff to deliver risk reports on a regular basis.

The Group strictly follows the regulatory requirements of the PRC Ministry of Commerce on financial leasing industry to establish a sound internal risk control system by full reference to the risk management mechanism of commercial banks and other financial institutions. In addition, the Group has strengthened its risk culture building to establish its risk value concept by: (i) pursuing the "substance over form" principle to establish the "partner" concept featuring the risk/return tradeoff, and (ii) gradually absorbing the advantages of leasing and investment banking to emphasise an integration of financial, legal, business and other due diligences and a combination of team-based business negotiation and risk management creating value for the Group.

General guidance on risk policy

Firstly, the Group focuses on "three-class allocation" of high-grade assets: (i) allocation of quality financial leasing debt assets of high turnover in key industries; (ii) allocation of premium leased physical assets in key industries, and (iii) allocation of such contingent income assets as alternative equity premiums, dividends, etc;

Secondly, the Group has gradually established a strategic partnership with customers. A close strategic partnership should be gradually entered into with customers through diverse forms of asset combination by establishing a business model that enables a close connection between its core business and leasing services and continuously improving customers' attachment to its business.

Thirdly, the Group highlights the liquidity risk management. On the one hand, it should rationalise the fund pool establishment by using multi-channel to expand the sources of funding and continuing to improve the stability of liabilities; on the other hand, it should encourage balance of funds of individual leased-asset projects and outright sale. In addition, the Group should use multi-channel to access sources of funding, including foreign capital, joint leasing (as lead tenant), etc.

The Group emphasises the innovation of risk management model by leveraging the advantages of leasing products and lease-equity combination to strike a balance among "right to information", "right to participate" and "right to control"; in addition, the Company has practical and reliable exit measures and control measures by basing the leasing on the reliability of real cash flow of the project to control legal compliance and operational risks and by establishing strong product design and negotiation teams; the Group performs joint risk management in active collaboration with its shareholders and equity-participated companies and joint ventures.

Finally, the Group focuses on the rational use of highly-leveraged financing during the current economic adjustment period by: (i) fully managing the risks in the highly-leveraged financing areas, especially the outlook of cyclical development of macroeconomics and industry prospects; and (ii) attending to the financial implications of industry fluctuations on the highly-leveraged financing.

Credit Facilities Strategies in Key Industries

Industry-related credit facilities strategy

Targeting business opportunities in the aircraft, airport, shipping, new energy, information system, cold chain and other industries, the Group focuses on growing a customer base with certain advantages in terms of geographical distribution, market, product, technology, economies of scale and sales prospects by: (i) increasing its support efforts to the customers having a relative monopolous position in the industry; (ii) giving priority to major state-owned enterprise groups and mainboard-listed companies with well-established corporate structure; (iii) highlighting project feasibility analysis; and (iv) participating in large financing projects through syndicated quasi-loan or other arrangement.

Credit portfolio management strategy

The Group has established a regular portfolio-related communication mechanism for risk teams and business lines to discuss related business and analyse the conditions of leased assets, risk management implementation, potential issues and direction of adjustment on a regular basis. The Group implements and improves a multi-dimensional portfolio limit management policy by: (i) setting portfolio limits mainly from five dimensions, i.e., industry, credit conditions, key risk areas, duration of the security, form of security, under each of which the credit facilities are subject to credit growth rate or outstanding credit line as portfolio limit management indicators, and (ii) creating credit concentration trigger point index.

Key risk management

Concentration risk management

On the one hand, the Group needs to continuously strength management of credit line concentration and other aspects of group customers and individual customers by using a combination of portfolio analysis and portfolio reports to have continuous monitoring and risk control of the industry, geographical distribution, variety, customer, structural indicators in relation to the credit portfolio; on the other hand, the Group should use leased assets restructuring, transfer, securitisation and other credit risk management tools to appropriately disperse credit risk.

Country risk management

For projects involving foreign entities that may subject the Group to significant risk exposure as a result of the inability or refusal on the part of the lessor (either a project or a company) in a country or region due to an economic, political and social change or event occurred in that country or region, the Group needs to properly perform up-front investigation and follow-up tracking in relation to country risks, especially, among others, political stability, policy stability, or exchange rate stability, by gradually: (i) establishing the risk monitoring, stress testing, currency hedging, provisioning and other country risk management processes and systems that accommodate business specifics, and (ii) optimising the promptness and accuracy of country risk measurement.

Operational risk management

Mainly targeting the process control exposure in project reporting, post-lending and other aspects, the Group minimises the operational risks by process optimisation and institutional development. These mainly include: (i) pre-loan investigation management by following the principle of "full investigation and true representation of conditions" to enable review and approval staff to have a rapid and comprehensive understanding of the conditions of borrowers and loans; (ii) comprehensive assessment of projects through site investigation, financial estimation and other approaches; (iii) pre-posting review management to complete contract, collateral procedures and other credit requirements before grant of loans; and (iv) post-leasing management through regular visits to improve risk warning capability and through establishment of mechanisms for rapid response to and rapid processing of major emergencies.

Liquidity risk management

By quantifying funding mismatch ratio, maturity mismatch level and having a provision system, etc., the Group gradually establishes a liquidity risk management system. With funds transfer pricing (FTP), the Group achieves effective guidance of liquidity policy to the business units.

INSURANCE

The Group protects itself by maintaining insurance coverage which the Group believes is consistent with customary practises in the PRC and international practises in areas where the Group operates. The Group maintains insurance coverage in amounts that the Group believes are consistent with its risk of loss and the customary practises in the relevant industries. However, the Group may not have sufficient coverage for some of the risks it faces, either because insurance is not available or because of the high premium costs. Losses and liabilities arising from uninsured or underinsured events could have a material impact on the Group's results of operations. See "*Risk Factors — The Group and the Parent Group may not maintain sufficient insurance coverage for the risks associated with the operations of the Group's and the Parent Group's business*."

EMPLOYEES

As at 30 June 2017, the Group had a total of 84 employees. The Group has a strong professional team with high-level professional qualifications including CFA, CPA, ACCA qualifications and lawyer licences, overseas education background and work experience. For example, among the staff recruited by the Group's headquarters, approximately 40 percent of them hold undergraduate degrees and approximately 60 per cent of them hold master degrees and doctorate degrees.

The Group adheres to, and complies with, the relevant labour laws of the PRC and other countries and areas in which the Group operates. The Group believes that its employees are critical to its success, and is committed to investing in the development of its employees through continuous education and training, and provision of career growth opportunities.

LEGAL PROCEEDINGS

The Group is from time to time involved in legal proceedings arising in the ordinary course of its business, both as plaintiff or defendant in litigation or arbitration proceedings. As at the date of this Offering Circular, there are no current litigation or arbitration proceedings against the Issuer and the Company or any member of the Group that could have a material adverse effect on the financial condition or results of operations or the ability of the Issuer and the Company to perform their respective obligations under the Notes.

DESCRIPTION OF THE PARENT

OVERVIEW

With a registered capital of RMB50 billion, the Parent Group is one of the largest private investment company in the PRC in terms of registered capital. It was established on 9 May 2014 by 65 well-known PRC private enterprises acting as shareholders, many of which are on the list of the Top 500 China Corporations. The size of total assets of the shareholders exceeds over RMB 1 trillion. The establishment the Parent Group was led by All-China Federation of Industry & Commerce ("**ACFIC**") (中華全國工商業聯合會). The Parent is highly supported by the PRC government as it is the only private enterprise approved by the State Council to use "China" in its name and it aspires to be the equivalent of China Investment Corporation (中國投資有限責任公司) in the private sector. The Parent undertakes the state mission by integrating over-capacity industries and focusing on strategic emerging industries and aims to build itself into a conglomerate with an advanced business model, comprehensive investment portfolio and robust investment capability.

The Parent Group operates primarily through its subsidiaries. It currently mainly engages in six business segments, namely (i) insurance; (ii) investment and asset management; (iii) real estate; (iv) business aviation management; (v) modern property management; (vi) new energy; (vii) general aviation; (viii) cross-border investment and financing; and (ix) financial leasing business.

The Parent Group showed a strong financial position for the three years of its operations. For the period from the Parent's date of incorporation on 9 May 2014 to 31 December 2014, the Parent Group recorded a net profit of RMB6,280.14 million and a revenue of RMB3,778.43 million. For the years ended 31 December 2015 and 2016 and six months ended 30 June 2016 and 30 June 2017, the Parent Group recorded a net profit of RMB4,641.34 million, RMB3,676.50 million, RMB246.75 million and RMB4,702.97 million, and a revenue of RMB4,663.62 million, RMB19,514.82 million, RMB3,331.32 million and RMB13,195.92 million, respectively. As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Parent Group had total assets of RMB56.44 billion, RMB147.02 billion, RMB272.47 billion and RMB313.81 billion, respectively.

STRATEGIES

Active participation in the PRC's economic transformation and contribute to the PRC economy's healthy development

The Parent Group regards serving the national strategy as its mission. As the representative of Chinese private investment, the Parent Group aims to harness the "Go Global" opportunities presented by the development potential of countries along the "One Belt, One Road" routes to expand its outbound investments. Leveraging on the Parent Group's experience in the financial sector, industrial strength, ability to utilise capital and create a globalised industrial network, the Parent Group aspires to fully utilise the advantages of its technical skills, branding and resources in developed countries. The Parent Group will continue to guide Chinese private enterprises to jointly invest overseas and push forward industrial upgrade and economic transformation.

Fulfil corporate-social responsibility by participating in poverty alleviation projects

The Parent Group strives to balance its business interests with the interest of the society. It aims to create economic value, social value and bring positive energy into the PRC local communities. The Parent Group adheres to the principle of investing in healthcare and property management to building a convenient and harmonious society in cities; it aims to help alleviate poverty by participating in rural area projects.

Adhere to the virtues of "empathy" and "honesty" and be a law-abiding body corporate

In order to embrace the national policy, the Parent Group will engage in active and open discussions with the PRC government to reflect the difficulties and challenges of the domestic private enterprises, and support the PRC government policies and regulation. The Parent Group is committed to avoid dishonest and unethical conduct, for example, bribing government officials. Instead, it focuses on properly utilising its resources and time to concentrate on enterprise development, research and improvisation of its internal policies. The Parent Group is willing to accept supervision from its employees, its shareholders and the wider community, and will continue to be a law-abiding body corporate.

Continuous integration of target industries

The Parent Group possesses in-depth understanding and expertise of the commercial and political environment both in China and overseas and enjoys a unique and globalised financial perspective. Focusing on its comprehensive strengths, including national brand recognition, resource integration, capital strength and business integration, the Parent Group will continue to select target industries in line with the PRC government's development plans for strategic integration, create a sustainable strategic business model and formulate sophisticated exit mechanisms. By amassing the value created by the PRC private enterprises and their capital contribution, the Parent Group plans to guide private investments in facilitating the transformation and development of the PRC economy.

Strategic positioning of industry-finance integration

The Parent Group aims to become a full-service financial holding group in five to seven years, and create an international full-licenced financial service platform with licences in insurance, securities, funds, asset management, leasing and other financial services. The Parent Group aims to develop its strategy surrounding its full-licenced financial service platform and industry-finance integration to construct its commercial pillars and key business segments. The Parent Group intends to push forward the development of its advantageous industries by transferring traditional underutilised production capacity to advantageous industries through industrial integration, strategic industrial investment, mixed investment and overseas market expansion.

Implementing its strategic business model as a pure financial holding company, and among others, combining its current development of direct and internet banking business, the Parent Group aims to lead in the growth of the "new finance" concept by offering innovative financial products and services, such as "investment-credit linkage" ("投貸聯動") where equity investment will be combined with credit financing, "stock-debt union" ("股債聯合") where both equity investments and debt investments are included in its portfolio management, intermediary services, disposal of non-performing assets, asset management and other business models. The Parent Group also strives to build its capital markets and equity investment fund business segments with the aim of becoming a leader in the private capital investment industry in the PRC.

Strives to be China's largest value-added service provider for communities by offering comprehensive community services through property management

The Parent Group is committed to establishing an O2O platform based on community property management. It strives to be PRC's largest value-added service provider for communities by offering comprehensive community services through property management. Through China Minsheng Property Limited (中民物業有限責任公司), the Parent Group aims to establish a community-based open platform to meet consumers' needs and offers one-stop services that bridge the gap between online and offline resources, covering sectors such as property management, social life, commodity services, wealth management, health care, home care, and education. The Parent Group believes that by combining property management services with the community O2O platform, it can create a quality community services ecosystem.

Enhance its ability to provide business support and management improvement to different subsidiaries

The Parent Group plans to further improve the supervisory and control system through systematically enhancing its management system by adopting strategic planning, overall budgeting and annual planning, performance appraisal and incentive schemes. It will also strive to explore the revenue and cost synergies of the Parent Group companies to enhance the profitability of its investee companies. The Parent Group also plans to proactively integrate and utilise global resources to expand the operations of its portfolio companies in China.

To successfully implement these strategies, the Parent Group will strive to optimise its corporate governance structure and internal control mechanisms, incentive schemes and information management systems, and develop and retain talents.

INSURANCE

The Parent Group's insurance business mainly operates though its newly acquired wholly-owned subsidiary Sirius International Insurance Group, Ltd. ("**Sirius Group**"). On 18 April 2016, the Parent acquired all the issued share capital of Sirius Group, which marks the Parent's entry into the field of global insurance investment. Sirius Group, founded in 2004 and dated back to 1945, is a global reinsurance group with over 70 years of operating history. Sirius Group provides property insurance, accident and health insurance, aviation and aerospace insurance, trade credit insurance, marine insurance, agriculture insurance and other reinsurance and insurance services worldwide. Its business network spans across the world's major regions, with 12 branch offices in Toronto, New York, Bermuda, London, Stockholm, Hamburg, Singapore and other cities, servicing approximately 1,700 customers across 145 countries.

Property

Sirius Group is a leader in the broker market for property reinsurance treaties written on a proportional and excess of loss basis. For its international business, the book consists of treaty, written on both a proportional and excess of loss basis, facultative, and direct business, primarily in Europe, Asia and Latin America. In the United States, the book predominantly centres on significant participations on proportional and excess of loss treaties for carefully chosen partners in the excess and surplus lines segment of the market.

Accident and Health

Sirius Group is a leader in accident and health reinsurance and insurance. Sirius Group is a direct insurer of accident and health insurance business in the United States, either on an admitted or surplus lines basis, as well as international business. Sirius Group also writes proportional and excess treaties covering employer medical stop loss for per person (specific) and per employer (aggregate) exposures. In addition, Sirius Group writes some medical, health and personal accident coverages written on a treaty, facultative and direct basis.

Aviation and Aerospace

Aviation insurance covers loss of or damage to an aircraft and the aircraft operations' liability to passengers, cargo and hull as well as to third parties. Additionally, liability arising out of non-aircraft operations such as hangars, airports and aircraft products can be covered. Space insurance primarily covers loss of or damage to a satellite during launch and in orbit. The book consists of treaty, written on both a proportional and excess of loss basis, facultative, and direct business.

Trade Credit

Sirius Group writes credit and bond reinsurance, mostly on companies with worldwide operations. Debtors are primarily based in Europe and Asia (including the PRC), with Europe representing approximately 49% of Sirius Group's net exposure. The bulk of the business is traditional short-term commercial credit insurance, covering pre-agreed domestic and export sales of goods and services with typical coverage periods of 60 to 120 days. Losses under these policies are correlated to adverse changes in a respective country's gross national product.

Marine

Sirius Group provides marine reinsurance, primarily written on an excess of loss and proportional basis. Coverage offered includes damage to ships and goods in transit, marine liability lines, and offshore energy industry insurance. Sirius Group also writes yacht business, both on a reinsurance and a direct basis. The marine portfolio is diversified across many countries and regions.

Agriculture

Sirius Group provides pro rata and stop loss reinsurance coverage to companies writing United States government-sponsored multiple peril crop insurance ("**MPCI**") business. Sirius Group's participation is net of the government's stop loss reinsurance protection. Sirius Group also provides coverage for crop hail and certain named perils when bundled with MPCI business. Sirius Group also writes agriculture business outside of the United States.

For the six months ended 30 June 2017, the Parent Group recorded a loss before tax of RMB178.54 million and a revenue of RMB3,366.30 million in its insurance business while for the six months ended 30 June 2016, the Parent Group recorded a profit before tax of RMB130.44 million and a revenue of RMB1,157.57 million. As at 30 June 2017, the Parent Group's insurance business had total assets of RMB53.63 billion and total liabilities of RMB38.43 billion.

INVESTMENT AND ASSET MANAGEMENT

The Parent Group operates its asset management business mainly through its subsidiaries, including China Minsheng Capital Management Limited (中民投資本管理有限公司) ("**CM Capital Management**") for its domestic investment business, and CM International Capital Limited (中民國際資本有限公司) ("**CMI Capital**") and CM International Holding Pte. Ltd. (中民國際控股有限公司) ("**CMI Holding**") for its overseas investment business.

CM Capital Management was established on 18 July 2014 with a registered capital of RMB10 billion. As at 31 December 2015, CMI Capital is a wholly-owned subsidiary of the Parent with a paid-up capital of RMB10.0 billion. As the Parent's financial investment platform, CMI Capital Management acquires various financial enterprises, including insurance, securities, trusts and funds, through financial and strategic investment, and has become a world-class, fully-licenced financial holding group across the entire chain of major financial industries. The key projects undertaken by CM Capital Management include strategic financing projects, private placements by listed companies, initial public offerings of companies, merger and acquisition and fund projects.

Meanwhile, with a surge in merger and acquisition activities and increasing recognition of a promising future of cross-border merger and acquisition activities for PRC private enterprises, a series of national policies, including the Thirteenth Five-Year Plan, have been enacted by the PRC government to promote the role of private equity in driving private sector merger and acquisition activities. To cater to such market, the Parent's subsidiaries, CMI Capital and CMI Holding, focus on cross-border investment and financings, and serve as the Parent's major platform for overseas investment.

For the six months ended 30 June 2017, the Parent Group recorded a profit before tax of RMB4,820.89 million and a revenue of RMB821.93 million in its investment and asset management business, representing an increase amount of RMB5,095.16 million and RMB294.76 million respectively, since the end of 30 June 2016. As at 30 June 2017, the Parent Group's investment and asset management business had total assets of RMB112.48 billion and total liabilities of RMB105.80 billion.

REAL ESTATE

The Parent Group's diverse property investment business is mainly conducted through its subsidiary, China Minsheng Jiaye Investment Co., Ltd. (中民嘉業投資有限公司) ("**Jiaye**"), established on 16 July 2014 with a registered capital of RMB10 billion. Jiaye distinguishes itself from traditional property developers by selecting investment opportunities with high threshold and high yield, including high quality properties in tier one cities, industrial parks, city buildings, retirement and aged-care real estate and tourism related properties.

The Parent has successfully entered into commercial real estate business, construction industrialisation and healthcare industry. In developing its real estate business, the Company has taken a four-step strategy: first, it focuses on selected high-quality projects in commercial real estate, construction industrialisation and healthcare industry; second, it sets up an outstanding management team experienced in the relevant industry to build an industrial network through acquisition and new construction; third, it optimises its strategies, improves management, establishes effective incentive mechanisms and provides diverse financial support to upgrade the value to be gained from the platform; fourth, it resorts to capital operation, such as access to capital market and other exit strategies, to achieve the return of industrial investment.

BUSINESS AVIATION MANAGEMENT

The Parent Group has its own business aviation management business, conducted mainly through its wholly-owned subsidiary, Zhongmin International Jet Co., Limited (中民國際通用航空有限責任公司) ("**Zhongmin Jet**") and Asia United Business Aviation Limited (亞聯公務機公司) ("**Asia United**"). Zhongmin Jet was established on 6 November 2003 and approved by the National Industrial and Commercial Bureau of China with a registered capital of RMB1.5 billion, while Asia United was established on 9 April 2007 and obtained a general aviation licence from the civil aviation authority on 28 April 2007. Zhongmin Jet is a leading national PRC jet operator and one of the largest business jet operators in Asia. Zhongmin Jet is primarily focused on jet custody arrangements for high-end private clients, and Asia United became a member of the Parent Group after being wholly acquired by Zhongmin Jet. Zhongmin Jet and Asia United operate jointly and together provide a comprehensive range of customised business aviation services for customers worldwide, which include, but are not limited to, aircraft management, aircraft charter, ground handling, maintenance and repair, aircraft purchasing consultation services and aircraft asset management.

MODERN PROPERTY MANAGEMENT

The Parent Group's modern property management business is mainly conducted through its subsidiary, China Minsheng Property Limited (中民物業有限責任公司) ("**Minsheng Property**"). Minsheng Property focuses on areas in first tier and second tier cities and is committed to becoming an "upgraded version of community Alibaba", creating a community online-to-offline ("**O2O**") platform with the aim to becoming a "consolidator of smart community" and "guardian of family wealth" for community residents by providing integrated property management services, wealth management expertise and services and other business services in travel, retail, medical care, education and retirement together with its core property and wealth management businesses.

NEW ENERGY

The Parent Group is focused on investing in its new energy business, with a particular focus on photovoltaic ("**PV**") energy, as well as other clean energy sources, such as hydro-power and wind power. Its main business activities under this segment include project development, investment, construction, operation and maintenance of PV power plants. The Parent Group targets to increase its portfolio of PV power plants through construction and acquisition of PV power plants. The Parent Group has entered into strategic cooperation arrangements with local governments including the local governments of inner Mongolia, Xinjiang, Hunan and Ningxia. The Parent Group's new energy business is mainly conducted through its subsidiary, China Minsheng New Energy Investment Co., Limited (中民新能投資有限公司) ("**Minsheng New Energy**"). Minsheng New Energy was established on 29 October 2014 with a registered capital of RMB8 billion. As at the date of this Offering Circular, Minsheng New Energy is a wholly-owned subsidiary of the Company with a paid-up capital of RMB5.31 billion.

In December 2014, a PV power generation project in Tongxin County of Ningxia (the "**Tongxin PV Project**"), in which Minsheng New Energy invested in, had its cornerstone laying ceremony. The Tongxin PV Project has an installed capacity of 200MW and commenced operations in October 2015. The total investment of the Tongxin PV Project is expected to be approximately RMB1.5 billion and this project covers an area of 7,648 mu of land (equivalent to approximately 510 hectares).

In April 2015, CMI (Yanchi) State New Energy Comprehensive Demonstration (中民投鹽池國家新能源示範項目) had its cornerstone laying ceremony in Yanchi, Ningxia (the "**Yanchi PV Project**"). The Yanchi PV Project is expected to generate 2GW PV power with total investment of RMB38.4 billion. Phase I of the Yanchi PV Project has a total investment amount of RMB3 billion and a power generation capacity of 380MV by the end of June 2016. In 2017, Minsheng New Energy has built a power generation capacity of 234MV as well as invested some other projects related to agricultural businesses in Yanchi, with total investment amount estimated to exceed RMB2 billion. The Yanchi PV Project, upon completion, is expected to be the largest single PV power generation project in the world. The Yanchi PV Project is another milestone under the Ningxia Agreement (as defined below) after the Tongxin PV Project.

In March 2015, Minsheng New Energy entered into a cooperation agreement with Hancheng Municipal Government to establish together a PV industrial demonstration park in Hancheng City, Shaanxi Province.

In May 2015, Minsheng New Energy entered into a strategic cooperation agreement with JinkoSolar Holding Co., Ltd. (NYSE: JKS) ("**JinkoSolar**"), a global leader in the PV industry, for the supply of 1 GW of solar PV modules. According to the terms of such agreement, Minsheng New Energy will purchase a minimum of 1GW of solar PV modules.

Minsheng New Energy also entered into a strategic cooperation agreement with Alxa League of Inner Mongolia in relation to Alxa League's 200MW energy development project; it has new energy development projects covering 24 cities and provinces at the start of 2015.

As at 30 June 2017, the Parent Group had 26 power generation projects covering 12 provinces and cities, and the power generated capacity of the Parent Group reached 1.3GW, of which 1.2GW was generated in the grid-connected PV power system. It has completed various PV power generation projects in Anhui, Jiangxi, Shandong, Dezhou and Henan with a total of 360MW power generation capacity.

For the six months ended 30 June 2017, the Parent Group recorded a profit before tax of RMB157.19 million and a revenue of RMB476.20 million in its new energy business, while for the six months ended 30 June 2016, the Parent Group recorded a profit before tax of RMB72.84 million and a revenue of RMB156.24 million. As at 30 June 2017, the Parent Group's new energy business had total assets of RMB16.33 billion and total liabilities of RMB8.10 billion.

GENERAL AVIATION

In the Thirteenth Five-year Plan endorsed by the National People's Congress in March 2016, the PRC government has indicated it aims to accelerate the opening-up of civil aviation industries. To align with the PRC government's policy direction, the Parent Group has its own general aviation business, conducted mainly through its subsidiary, Zhongmin International Jet Co., Limited (中民國際通用航空有限責任公司). Zhongmin Jet is a leading national PRC jet operator and one of the largest business jet operators in Asia. Zhongmin Jet is primarily focused on jet custody arrangements for high-end private clients.

CROSS-BORDER INVESTMENT AND FINANCING

With a corresponding surge in merger and acquisition activities on the one hand, and the increasing recognition that cross-border merger and acquisition activities would open up a vast future market for PRC private enterprises on the other, a series of national policies, including the Thirteenth Five-Year Plan, have been enacted by the PRC government to promote the role of private equity in driving private sector merger and acquisition activities. To cater to such market, the Parent Group has opened an arm specifically focusing on international investments. The Parent Group's international investment business is conducted both through CMI Capital and CMI Holding.

FINANCIAL LEASING

As one of the primary means of financing for modern enterprises, financial leasing is the combination of "finance, funds and assets." Financial leasing is the means in which the Parent Group will drive effective investment demand, boost the PRC manufacturing industry's international expansion, and support the "One Belt, One Road" national strategy. Sino-foreign joint venture companies have unique advantages in areas, such as cross-border financing, integration of market resources both domestically and abroad, and expansion of emerging markets, just to name a few. The advantages of the Company are similar being that it is a world-class platform for cross-border investment, cross-border financing, and cross-border value-added positioning services. The Parent Group conducts its financial leasing business mainly through the Company. See "*Description of the Company*" for more details.

LEGAL PROCEEDINGS

The Parent Group is from time to time involved in legal proceedings arising in the ordinary course of its business, both as plaintiff or defendant in litigation or arbitration proceedings. As at the date of this Offering Circular, there are no current litigation or arbitration proceedings against any member of the Parent Group that could have a material adverse effect on the financial condition or results of operations or the ability of the Parent to perform their respective obligations under the Notes.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

The Board is responsible for and has general powers for the management and conduct of the Group's business. As at the date of the Offering Circular, the Company has five Directors, three Supervisors and seven senior management members and their information is as follows:

Name	Position
Directors	
Ms. Wang Rong (王蓉)	Chairman of the Board
Mr. Zhao Zhanghang (趙章行)	Vice Chairman of the Board
Mr. Shi Yuwei (史玉偉)	Director
Mr. Tang Min (湯敏)	Director
Ms. Xie Junrong (謝軍蓉)	Independent Director
Supervisors	
Mr. Zhao Shangheng (趙尚恒)	Chairman of the Board of Supervisors
Ms. Bai Hongmin (白紅敏)	Vice Chairman of the Board of Supervisors
Mr. Cheng Chang (程暢)	Employee Representative Supervisor
Senior Management	
Mr. Tang Min (湯敏)	President
Mr. Wang Hai (汪海)	Vice President
Ms. Liu Chang (劉暢)	Secretary of the Board
Mr. Wei Taoli (魏桃李)	Vice President
Mr. Ke Feiyong (柯飛勇)	Chief Financial Officer
Mr. An Guodong (安國棟)	Chief Risk Officer
Mr. Chang Ying (常纓)	Assistant to the President

Directors

Ms. Wang Rong (王蓉) is the Chairman of the Board. Ms. Wang is a member of expert guiding committee of China Financial Leasing Academe (中國融資租賃研究院) and vice chairman of China CFO Forum (中國CFO論壇). Ms. Wang held various positions in Minsheng Financial Leasing Co., Ltd (民生金融租賃股份有限公司) ("**Minsheng Financial Leasing**") including an executive vice president, chief financial officer, the secretary of the Party Committee and the secretary of the Discipline Committee. Ms. Wang received awards such as Person of the Year 2015 China Financial Leasing (2015 年中國融資租賃年度人物), Person of the Year 2013 China CFO (2013 年度中國CFO年度人物) and 2012 Top 100 Excellent Builder of Tianjin Konggang Economic Committee (2012 年天津市空港市經濟委員會百名優秀建設者). Ms. Wang obtained an EMBA degree from Southwestern University of Finance and Economics.

Mr. Zhao Zhanghang (趙章行) is the Vice Chairman of the Board. Mr. Zhao held various positions in KEB Hana Bank (KEB 韓亞銀行), serving as the head of the Global Business Department (環球事業部) and the head of KEB Hana Bank Sinsa branch. He also served as the head of Hana Bank (China) Company Limited (韓亞銀行(中國)有限公司) Qingdao branch and Shanghai Branch. Mr. Zhao worked in the Beijing Representative Office at the International Finance Centre and was corporate finance responsible officer of KEB Hana Bank SK center branch. Mr. Zhao obtained a bachelor's degree in economics and a master's degree from Korea University.

Mr. Shi Yuwei (史玉偉) is a Director. He is currently serving as a director of the Treasury Department of China Minsheng Investment Group Corp., Ltd. (中國民生投資股份有限公司). Mr. Shi previously worked as a researcher at the research centre of Minsheng Securities Co., Ltd (民生證券股份有限公司研究所). He served as the head of the Internal Control Management Department (內控管理處) and the Management and Evaluation Department (治理考評處) of the Board office of CMB. Mr. Shi obtained a doctorate degree in management from Zhejiang University and post-doctoral degree in finance from Peking University.

Mr. Tang Min (湯敏) is a Director and President of the Company. Mr. Tang previously worked as executive vice president and chief financial officer of the Company. He also served as the general manager of the Financial Markets Department and the Financial Planning Department of Minsheng Financial Leasing. He worked as the vice general manager of the Financial Department of Deutsche Leasing (China) Co., Ltd. (德益齊租賃中國有限公司財務部) and the general manager of the Financial Department of Genertec Europe Temax GmbH (德瑪斯歐洲有限責任公司財務部). Mr. Tang obtained a master's degree in finance from Renmin University of China and a master's degree in business administration from the Kellogg School of Management of Northwestern University.

Ms. Xie Junrong (謝軍蓉) is an independent Director. Ms. Xie is also an associate professor of the National Accounting Institute (北京國家會計學院), engaging in teaching and research work. She previously was engaged in teaching and research work at the School of Accountancy of Central University of Finance and Economics (中央財經大學會計學院). Ms. Xie has wide knowledge in financial management and accounting areas. She was the editor for several textbooks and the authors for more than 20 papers.

Supervisors

Mr. Zhao Shangheng (趙尚恒) is the Chairman of the Board of Supervisors. Mr. Zhao is a senior economist. He previously worked as the chairman of the board of supervisors at Minsheng Real Estate Co., Ltd. (民生置業股份有限公司) and Minsheng Royal Fund Management Co, Ltd. (民生加銀基金管理有限公司). Mr. Zhao served as the vice general manager of the E-banking Department (電子銀行部) of CMB. He also worked as the vice general manager of China Pacific Insurance Hunan branch (太平洋保險公司湖南省分公司). Mr. Zhao was the president of Bank of Communications Zhengzhou branch (交通銀行鄭州分行).

Ms. Bai Hongmin (白紅敏) is the Vice Chairman of the Board of Supervisors. Ms. Bai is people's representative of Hebei province. She also has several positions in China Democratic National Construction Association (the "**CDNCA**"), such as a member of Hebei CDNCA, a member of Baoding CDNCA, a director of Nanshan District of Baoding CDNCA and the director of enterprise committee She is a member of Baoding Federation of Industry and Commerce (保定市工商業聯合會) and Executive Committee of Baoding General Chamber of Commerce (總商會執行委員會) and a standing committee member of Hebei Baoding Overseas Friendship Conference (河北省保定市海外聯誼會). Ms. Bai obtained a master degree from Peking University Guanghua School of Management.

Mr. Cheng Chang (程暢) is an employee representative Supervisor. Mr. Cheng currently serves as the responsible officer of the Legal and Compliance Department of the Company. He previously served as the deputy head of the Legal and Compliance Department and the Investment Banking Department of ABC International Holdings Limited (農銀國際控股有限公司) and the deputy director of Legal and Compliance Department of Agricultural Bank of China (中國農業銀行). Mr. Cheng obtained a master's degree in law from Harvard University.

Senior Management

Mr. Wang Hai (汪海) is Vice President of the Company. Mr. Wang previously served as the Chief Risk Officer of the Company, the general manager of the Review Department of CMB provincial branch, the chief risk officer of Minsheng Financial Leasing, the reviewer of the Review Department of CMB. He also serviced as the head of Loan Department and secretary general of Review Committee of CMB provincial branch and loan officer of China Agriculture Bank. Mr. Wang obtained a master's degree in accounting from Renmin University of China.

Ms. Liu Chang (劉暢) is the secretary of the Board. Ms. Liu previously worked in the Financing Plan Department, Human Resource Department and General Management Department of Minsheng Financial Leasing. She also worked in the Financing Plan Department of Beijing Management Department of CMB. She has years of experience on enterprise operation and management. Ms. Liu obtained a bachelor degree in economics from China Renmin University.

Mr. Wei Taoli (魏桃李) is the Vice President of the Company. Mr. Wei previously worked as the marketing director of the Ship Chartering Department of Minsheng Financial Leasing and the senior manager of China Communications Import & Export Service Corporation. He has over 14 years' experience in ship industry and finance leasing area. He obtained a master degree in marine engineering from Dalian Maritime University and is studying in a doctor programme in finance in Finance School of Chinese Academy of Social Sciences.

Mr. Ke Feiyong (柯飛勇) is the Chief Financial Officer of the Company. Mr. Ke previously worked as the general manager of the Financing Plan Department of CMB Dalian branch and secretary of the board of CMB. Mr. Ke is a senior accountant and also has legal profession qualification as well as the qualification of CPA. Mr. Ke obtained a master degree in business administration from Central University of Finance and Economics.

Mr. An Guodong (安國棟) is the Chief Risk Officer of the Company. Mr. An previously worked in Industrial and Commercial Bank of China and CMB and has over ten years' experience in banking industry. Mr. An obtained a master degree in economics from Institute of Economics of Nankai University.

Mr. Chang Ying (常纓) is the assistant to the President. Mr. Chang previously worked in China National Technology Import & Export Corporation and China General Technology (Group) Holding Co., Ltd. He has over 19 years' experience on financial management and financing. Mr. Chang is a senior accountant and obtained a master degree in business administration from Peking University.

This section contains a summary of certain laws and regulations currently relevant to the Parent Group's operations in the PRC.

The PRC Legal System

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws and laws resulting from international treaties entered into by the PRC government. In general, court judgements do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress (the "**NPC**") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil, criminal and other matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC and the Standing Committee of the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders. The People's Congresses or their standing committees of cities with subordinate districts may, in light of the specific local conditions and actual needs, formulate local regulations on urban and rural development and management, environmental protection, historical and cultural protection, etc., provided that they do not contradict the PRC Constitution, the national laws, the administrative regulations and the local regulations of their respective provinces or autonomous regions, and they shall submit the regulations to the standing committees of the people's congresses of the provinces or autonomous regions for approval before implementation.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local rules and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes or in order to enforce the law.

After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. The Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

Under the PRC Constitution and the Law of Organisation of the People's Courts, the PRC Judicial System is made up of the Supreme People's Court, the local courts, military courts and other special courts.

The local courts are comprised of the basic courts, the intermediate courts and the higher courts.

The basic courts are organised into civil, criminal, economic, administrative and other divisions. The intermediate courts are organised into divisions similar to those of the basic courts, and are further organised into other special divisions, such as the intellectual property division. The higher level courts supervise the basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgement or order of a local court to the court at the next higher level. Second judgements or orders given at the next higher level and the first judgements or orders given by the Supreme People's Court are final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgement which has been given by any court at a lower level, or the president of a court finds an error in a judgement which has been given in the court over which he presides, the case may then be retried in accordance with the judicial supervision procedures.

The Civil Procedure Law of the PRC, which was adopted on 9 April 1991, firstly amended on 28 October 2007 and secondly amended on 31 August 2012, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgement or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgement or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgement, order or award. The time limit imposed on the right to apply for such enforcement is two and a half years. If a person fails to satisfy a judgement made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgement.

A party seeking to enforce a judgement or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgement or order. A foreign judgement or ruling may also be recognised and enforced by a court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgement or ruling satisfies the court's examination in accordance with the principal of reciprocity, unless the court finds that the recognition or enforcement of such judgement or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

Financial Leasing Regulatory Regime

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

History and Development of the Regulatory Framework

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

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

Major Regulatory Authorities

The CBRC

Functions and Power

The CBRC is the regulatory authority of the banking sector directly under the State Council. Pursuant to the Provisions on the Main Functions, Interior Institutions and Staffing of the China Banking Regulatory Commission (Guo Ban Fa [2003] No.30) (《中國銀行業監督管理委員會主要職責內設機構和人員編製規定》(國辦發[2003]30號)) issued by the General Office of the State Council and effective from 25 April 2003 and the Resolution on the Assumption of the Regulatory Functions of the People's Bank of China by the China Banking Regulatory Commission (《關於中國銀行業監督管理委員會履行原由中國人民銀行監督管理職責的決定》) adopted by the Standing Committee of the National People's Congress and effective from 26 April 2003, the CBRC is authorised to centrally supervise and regulate financial leasing companies, banks, financial asset management companies and other financial institutions established in the PRC ("**banking financial institutions**") and ensure the lawful and healthy operation of the banking financial institutions and undertake aforesaid responsibilities previously performed by the PBOC.

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

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

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

Inspection and Supervision

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

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

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

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

- issuing and implementing orders and regulations related to its duties;
- formulating and implementing monetary policies in accordance with the law;
- issuing the Renminbi and administering the circulation of the Renminbi;
- regulating the interbank currency market and the interbank bond market;
- implementing foreign exchange control and regulating the interbank foreign exchange market;
- regulating the gold market;
- holding, administering and operating state foreign exchange reserves and gold reserves;
- managing the national treasury;
- safeguarding the normal operation of payment and clearing system;
- guiding and leading anti-money laundering measures in the financial industry and monitoring the fund flows related to anti-money laundering;
- taking responsibilities for the statistics, surveys, analysis and forecasts of the financial
- industry; and
- engaging in international financial activities as the central bank of China.

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

The MOF

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

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

Other Regulatory Authorities

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

Licencing Requirements

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

Significant Changes

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

- change of company's name;
- change of business scope;
- change of registered capital;
- alternation of directors and senior management;
- change of company domicile or place of business;

- alternation of equity interest or adjustment on shareholding structure;
- merger or spin-off;
- change of the articles of association;
- change of name, change of registered capital, alternation of equity interest or adjustment on shareholding structure of a specialised subsidiary and change of the articles of association of a domestic specialised subsidiary;
- dissolution and bankruptcy; and
- dissolution and bankruptcy of a specialised subsidiary.

Restriction on Shareholding by Foreign Investor

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

Restrictions on the Pledge of the Shares

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

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

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

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

Our Articles of Association has been reviewed and approved by the Shenzhen CBRC. As advised by our PRC legal advisor, the Shenzhen CBRC is the competent authority to monitor our compliance with, amongst others, the Guidelines and the Notice. According to our Articles of Association, we shall not accept our Shares as collateral and where our promoter pledges our Shares for its own or others' benefits, the promoter shall strictly comply with the laws and regulations and the requirements of regulatory authorities and give prior notice to the Board.

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

Restrictions on Holding of Outstanding Shares of Listed Financial Leasing Companies

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

Business Scope

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

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

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

Major Business Qualification

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

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

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

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

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

Supervision on Business with Specific Industries and Clients

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

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

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

- The Notice of the CBRC and the NDRC on Circulating the Guidance on Energy Efficiency Loans (Yin Jian Fa [2015] No.2) (《中國銀監會、國家發展和改革委員會關於印發能效信貸指引的通知》(銀監發[2015]2號)) promulgated and implemented by the CBRC and the NDRC on 13 January 2015 encourages banking financial institutions to provide credit financing to energy consumption entities to support energy consumption entities to improve energy utilisation efficiency and reduce energy consumption. According to the Notice, banking financial institutions can extend credit to energy efficiency projects invested by energy consumption entities or energy performance contracting projects established by energy-saving companies. Banking financial institutions shall further improve their risk management capability for energy efficiency credit through multiple approaches, including (i) setting access requirements for energy efficiency projects, energy consumption entities and energy- saving service companies; (ii) reinforcing due diligence on energy efficiency credit extension and obtaining overall understanding and review on the information and risk point of energy consumption entities, energy-saving service companies, energy efficiency projects and energy-saving service contract; (iii) strengthening management of energy efficiency credit extension contract and post-loan management of energy efficiency credit; and (iv) establishing credit supervision and risk warning mechanism.

- Pursuant to the Opinions of the CBRC on Deepening Financial Services to Small and Micro Enterprises (《中國銀監會關於深化小微企業金融服務的意見》(銀監發[2013]7 號)), the Guidelines of the General Office of the State Council on Providing Financial Services to Support Economic Structure Adjustment, Transformation and Upgrading (Guo Ban Fa [2013] No.67) (《國務院辦公廳關於金融支持經濟結構調整和轉型升級的指導意見》(國辦發[2013]67號)), the Implementation Opinions of the General Office of the State Council on Providing Financial Services to Support the Development of Small and Micro Enterprises (Guo Ban Fa [2013] No.87) (《國務院辦公廳關於金融支持小微企業發展的實施意見》(國辦發[2013]87號)), and the Guidelines of the CBRC on Further Improving Financial Service to Small and Micro Enterprises (Yin Jian Fa [2013] No. 37) (《中國銀監會關於進一步做好小微企業金融服務工作的指導意見》(銀監發[2013]37號)), banking financial institutions shall, strictly in the principles of business sustainability, focus on supporting the financing needs from small and micro enterprises which meet the national industrial and environmental policies, can promote the expansion of employment, and are willing to repay debt with good solvency. Banking financial institutions shall, under the premise of business sustainability and risk manageability, actively adjust credit structure and separately prepare annual plan for credit extension to small and micro enterprises.

- Pursuant to the provisions of Notice of the State Council on Related Issues in Reinforcing the Management of Local Government Financing Vehicles (Guo Fa [2010] No.19) (《國務院關於加強地方政府融資平臺公司管理有關問題的通知》(國發[2010] 19號)), the Guidelines of the CBRC on Enhancing Risk Management of Loans to Financing Vehicles (Yin Jian Fa [2010] No. 110) (《中國銀監會關於加強融資平臺貸款風險管理的指導意見》(銀監發[2010]110號)), the Notice on Earnestly Enhancing the Supervision of Risk Related to Loans to Local Government Financing Vehicles 2011 (Yin Jian Fa [2011] No. 34) (《關於切實做好2011年地方政府融資平臺貸款風險管理工作的通 知》(銀監發[2011]34號)), and the Guidelines of the CBRC on Enhancing the Supervision of Risks Related to Loans to Local Government Financing Vehicles in 2012 (Yin Jian Fa [2012] No. 12) (《中國銀監會關於加強2012年地方政府融資平臺貸款風險監管的指導意見》(銀監發[2012]12號)), the CBRC requires that banking financial institutions must strictly carry out pre-lending investigation, in-process and post-loan inspection for loans to local government financing vehicles, prudently extend loans to local government financing vehicles, adopt precise classification and make dynamic adjustment to the relevant loans, to accurately reflect and evaluate risks of relevant loans. Banking financial institutions shall also consider in a unified way the debt burdens of local governments and the potential risks and expected losses of the loan to local government financing vehicles, so as to reasonably appropriate impairment loss and calculate the risk weight of capital adequacy ratio in cases of full coverage, basic coverage, half coverage and no coverage of cash flow.

- Pursuant to the Guidelines of the CBRC on Enhancing the Supervision of Risks Related to Loans to Local Government Financing Vehicles in 2013 (Yin Jian Fa [2013] No. 10) (《中國銀監會關於加強2013年地方政府融資平臺貸款風險監管的指導意見》(銀監發[2013]10號)) issued and implemented by the CBRC on 9 April 2013, all banking financial institutions shall, by following the general principle of "control over the overall quantity, management by category, differentiated treatment, and gradual mitigation" and with a focus on controlling the overall quantity, optimising the structure, isolating risks and clarifying responsibilities, continue to control the risks associated with debt financing to local government financing vehicle companies. In addition, all banking financial institutions shall continue to classify local government financing vehicle companies into either the "category still subject to platform management" or the "the exiting category," and strengthen the uniform monitoring and differentiated management of these two categories. The exiting category refers to the financing vehicle companies that, upon verification, assessment and rectification, have met conditions for financing through commercial loans, possess their own adequate and stable operating cash flows, and are able to repay the loan principal and interest in full. All financing vehicle companies that do not meet the foregoing conditions or have not finished the exiting process shall still be subject to platform management.

- Pursuant to the Opinions of the State Council on Enhancing Local Government Debt Management (Guo Fa [2014] No. 43) (《國務院關於加強地方政府性債務管理的意見》(國發[2014]43號)) issued and adopted by the State Council on 21 September 2014, financial institutions shall not illegally provide financing to local governments or require local governments to illegally provide guarantees. Financial institutions shall comply with regulatory requirements when buying local government bonds, strictly standardise credit management when providing financing to corporate legal persons belong to the government or qualified for borrowing contingent debts, and earnestly enhance risk identification and management.

- Pursuant to the Opinion on Properly Handle Subsequent Financing Problems for Projects under Construction by the Financing Vehicle Companies in Local Government(《關於妥善解決地方政府融資平臺公司在建項目後續融資問題的意見》) (Guo Ban Fa [2015] No. 40) issued by the MOF, the PBOC and the CBRC on May 11, 2015, implemented as of the same day, banking financial institutions shall properly handle subsequent financing problems for projects under construction by the financing vehicle companies, distinguish existing loans and new loans and exercise management by category, and raise funds according to law, to earnestly satisfy the need for promoting economic development and preventing financial risks. They shall, in the principles of total quantity control and differentiated treatment, support the existing financing need for projects under construction by financing vehicle companies, and ensure the orderly progress of projects under construction. They shall promote development while preventing risks, strictly standardise credit management, and earnestly reinforce risk identification and risk management; for loans to ongoing projects of financing vehicles, banking financial institutions shall make their own decisions, take their own risk and optimise follow-up financing management based on prudent estimation of the repayment ability of financing vehicles, revenue from ongoing projects of financing vehicles and the repayment ability of the local government. Banking financial institutions shall be cautious when reviewing loans and place their focus on supporting irrigation and water conservation facilities, affordable housing projects, urban rail transit and other areas of ongoing projects of financing vehicles to ensure that the loans are in line with industrial development needs and industrial park development plans.

- Pursuant to the Guidelines on Further Improving Financial Services to Support Revitalization of Key Industries and Restrain the Overcapacity of Some Industries (《關於進一步做好金融服務支持重點產業調整振興和抑制部分行業產能過剩的指導意見》) (Yin Fa [2009] No.386) promulgated by the PBOC, the CBRC, the CSRC and the CIRC, banking financial institutions must actively collaborate with the State's industrial policies and financial control requirements, and the extended credit should indicated the principal of "differential treatment and maintaining pressure," the consolidated management of asset and liabilities should better serve the promotion of scientific development of economy, by following the requirements of the Notice of the State Council on Approving and Forwarding Some Opinions of the NDRC and Other Departments on Guiding the Healthy Industrial Development by Restraining the Overcapacity and Repeated Construction of Some Industries (Guo Fa [2009] No.38) (《國務院批轉發展改革委等部門關於抑制部分行業產能過剩和重複建設引導產業健康發展若干意見的通知》). Credit shall be extended timely and efficiently to enterprises and projects that meet the requirements of restructuring and rejuvenation programme in key industries, satisfy the market access and comply with credit principles of the banks. No credit shall be extended to projects that fail to meet industrial policies, market access, technical criteria and lack of funds. Credit can be extended to projects in industries with overcapacity only after rigorous review and approval.

SUPERVISION OVER CAPITAL ADEQUACY

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

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

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

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

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

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

The new capital adequacy ratio is calculated as follows:

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

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

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

In the formula mentioned above:

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

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

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

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

Regulatory Requirements on Capital Adequacy Ratio

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

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

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

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

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

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

Time Limit for Meeting the Requirements

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

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

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

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

CBRC Supervision over Capital Adequacy Level

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

Type	Capital adequacy situation	Measures of the CBRC
Type one	Capital adequacy ratio, tier-1 capital adequacy ratio and core tier-1 capital adequacy ratio all meet the capital requirements at all levels	• To require commercial banks to enhance analysis and forecast of the reasons for the decline in the level of capital adequacy ratio; • To require commercial banks to develop practical management plan for capital adequacy ratio; and • To require commercial banks to improve their abilities of risk control
Type two	Capital adequacy ratio, tier-1 capital adequacy ratio and core tier-1 capital adequacy ratio do not meet capital requirements of the second pillar, but not less than other capital requirements at all levels	• Regulatory measures taken by the first type of commercial banks; • To carry out prudent discussion with the commercial banks' board of directors and senior management; • To issue a regulatory opinion, with the content including: the existing problems of the capital management of commercial banks, the corrective measures to be taken and the advice on deadline for meeting the standards; • To require commercial banks to develop practical plans for capital replenishment and the plan of deadline meeting the compliance; • To increase the frequency of supervision and inspection over the capital adequacy of commercial banks; and

Type	Capital adequacy situation	Measures of the CBRC
		• To require commercial banks to take risk mitigation measures with respect to specific risks.
Type three	Capital adequacy ratio, tier-1 capital adequacy ratio and core tier-1 capital adequacy ratio are all not less than the minimum capital requirement, but do not meet capital requirements at other levels	• Regulatory measures for type one and type two commercial banks; • To restrict commercial banks from distributing dividends and other income; • To restrict commercial banks to award any form of incentives to director and senior management; • To restrict commercial banks to invest in stocks or repurchase capital tools; • To limit important capital expenditure of commercial banks; and • To require commercial banks to control the growth of risk assets.
Type four	Any of capital adequacy ratio, tier-1 capital adequacy ratio and core tier-1 capital adequacy ratio doesn't reach the minimum capital requirement	• Regulatory measures for type one, type two and type three commercial banks; • To require commercial banks to significantly reduce the scale of the risk assets; • To instruct commercial banks to stop conducting all high-risk asset business; • To limit or prohibit the development of new institutions and new businesses; • To require commercial banks to write down tier-2 capital tools or convert to ordinary shares; • To instruct commercial banks to adjust the directors, senior management or restrict their rights;

Type	Capital adequacy situation	Measures of the CBRC
		• To lawfully take over or facilitate the reorganisation of commercial banks, until such measures are revoked; and • To comprehensively consider external factors and take other necessary measures.

Introduction of New Leverage Requirements

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

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

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

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

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

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

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

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

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

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

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

Basel Accords

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

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

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

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

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

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

LOAN CLASSIFICATION, ALLOWANCE AND WRITE-OFFS

Loan Classification

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

Loan Loss Provision

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

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

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

Supervision of the CBRC over Loan Classification and Loan Loss Provision

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

Loan Write-offs

Pursuant to the Guidelines on the Provision for Loan Losses of People's Bank of China (《中國人民銀行關於貸款損失準備計提指引》) and the Guidelines regarding the Loan Loss Provisions of Banks (《銀行貸款損失

準備計提指引》), financial leasing companies should establish strict loan loss write-off audit and approval system. Loans that fail to meet the standards stipulated by the MOF are not allowed to be written-off. The loss from the loan write-offs are tax deductible, but it must be reviewed and approved by the tax authorities, so as to determine whether the loan write-offs are in compliance with the standards set by the MOF.

Bulk Transfer of Non-performing Assets

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

Reserves for Impairment Loss and Statutory General Reserve

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

Special Regulatory Indicators of the Financial Leasing Company

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

(i) Capital adequacy ratio. The ratio of the net capital of a financial leasing company to its risk-weighted assets shall not be lower than the minimum regulatory requirements of the CBRC;

(ii) Degree of concentration of single client financing. The balance of all financing leasing transactions provided by a financial leasing company for a single lessee shall not exceed 30% of its net capital;

(iii) Degree of concentration of single group client financing. The balance of all financing leasing transactions provided by a financial leasing company for a single group shall not exceed 50% of its net capital;

(iv) Ratio of a single related client. The balance of all financing leasing transactions provided by a financial leasing company for a single related party shall not exceed 30% of its net capital;

(v) Ratio of all related parties. The balance of all financing leasing transactions provided by a financial leasing company for all related parties shall not exceed 50% of its net capital;

(vi) Ratio of a single shareholder and its related parties. The balance of financing extended by a financial leasing company to a single shareholder and all its related parties shall not exceed the amount of contribution made by the shareholder to the financial leasing company, and shall also meet the requirements of these Measures on the ratio of a single related client;

(vii) Ratio of interbank lending. The balance of interbank funds borrowed by a financial leasing company shall not exceed 100% of its net capital; and

(viii) Fixed-income debt securities shall not exceed 20% of its net capital.

Regulations on project companies and specialised subsidiaries

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

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

CORPORATE GOVERNANCE

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

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

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

INTERNAL CONTROL AND RISK MANAGEMENT

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

Internal Control

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

Compliance Risk Management

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

Operational Risk Management

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

Market Risk Management

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

Information Technology Risk Management

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

Anti-money Laundering

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

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

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

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

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

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

Special Foreign Exchange Policies

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

Special Fiscal and Tax Policies

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

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

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

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

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

Pursuant to the Notice of the Ministry of Finance, the General Administration of Customs, and the SAT on Implementing Nationwide the Pilot Programme of Export Tax Refund Policies for Goods under Financial Leasing (Cai Shui [2014] No. 62) (《財政部、海關總署、國家稅務總局關於在全國開展融資租賃貨物出口退稅政策試點的通知》(財稅[2014]62號)), the trial implementation of tax refund policies shall be conducted on exported goods under financial leasing. The trial implementation of tax refund policies shall be conducted on maritime engineering structures under financial leasing. Where the maritime engineering structures that are purchased by the lessor under financial leasing are leased to a domestic offshore petroleum and natural gas exploitation enterprise by means under financial leasing for a lease term of five years or longer, such maritime engineering structures shall be deemed as being exported, and the trial implementation of export tax refund policies on VAT and consumption tax shall be conducted.

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

Regulation and Shareholders' Approval

We have obtained shareholders' approval in respect of the Listing, please see "General Information" below.

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

External Security Regime

Cross-Border Guarantee Laws

On 12 May 2014, the SAFE promulgated the Notice Provisions on Foreign Exchange Administration of Cross-Border Security (Hui Fa [2014] No. 29) (《跨境擔保外匯管理規定》(匯發[2014]29號)) and the relating implementation guidelines (collectively the "**SAFE Regulations**"). The SAFE Regulations, which come into force on 1 June 2014, replace twelve other regulations regarding cross-border security and introduce a number of significant changes, including: (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration for two specific types of cross-border security only; (iii) removing eligibility requirements for providers of cross-border security; (iv) the validity of any cross-border security agreement is no longer subject to SAFE approval, registration, filing, and any other SAFE administrative requirements; (v) removing SAFE verification requirement for performance of cross-border security. A cross-border guarantee is a form of security under the SAFE Regulations. The SAFE Regulations classify cross-border security into three types:

Nei Bao Wai Dai ("**NBWD**"): security/guarantee provided by an onshore security provider for a debt owing by an offshore debtor to an offshore creditor.

Wai Bao Nei Dai ("**WBND**"): security/guarantee provided by an offshore security provider for a debt owing by an onshore debtor to an onshore creditor.

Other Types of Cross-border Security: any cross-border security/guarantee other than NBWD and WBND.

In respect of NBWD, in the case where the onshore security provider is a non-bank institution, it shall conduct a registration of the relevant security/guarantee with SAFE within 15 working days after its execution (or 15 working days after the date of any change to the security). The onshore security provider can pay to the offshore creditor directly (by effecting remittance through an onshore bank) where the NBWD has been registered with SAFE. In addition, if any onshore security provider under a NBWD provides any security or guarantee for an offshore bond issuance, the offshore issuer's equity shares must be held directly or indirectly by the onshore security provider. Moreover, the proceeds from any such offshore bond issuance must be applied towards the offshore project(s), where an onshore entity holds equity interest, and in respect of which the related approval, registration, record, or confirmation have been obtained from or made with the competent authorities subject to PRC Laws.

Under the SAFE Regulations, the local SAFE will go through a procedural review (as opposed to a substantive approval process) of the application for registration. Upon completion of the review, the local SAFE will issue a registration notice or record to the Company as the Guarantor to confirm the completion of the registration.

In the event that the onshore security provider is required to perform its payment obligations under the NBWD, the onshore security provider shall submit the registration documents issued by SAFE to banks, which upon reviewing such registration documents shall process its remittance request directly.

Prior to 26 January 2017, SAFE Regulations forbids the funds borrowed under NBWD be repatriated to or used onshore by means of loans, equity investments or securities investments without SAFE approval. On 26 January 2017, the SAFE promulgated Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance, which allows funds borrowed under NBWD be directly or indirectly repatriated to or used onshore by loans grantings, equity investments or other means.

Remittance of Renminbi into and outside the PRC

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

Current Account Items

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. Since July 2009, the PRC has commenced a scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau and Association of Southeast Asian Nations (ASEAN). On 17 June 2010, 27 July 2011 and 3 February 2012 respectively, the PBOC and five other PRC authorities (the "**Six Authorities**") promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trade (關於擴大跨境貿易人民幣結算試點有關問題的通知), the Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement (關於擴大跨境貿易人民幣結算地區的通知) and the Notice on Matters Relevant to the Administration of Enterprises Engaged in Renminbi Settlement of Export Trade in Goods (關於出口貨物貿易人民幣結算企業管理有關問題的通知) (together as "**Circulars**"). Pursuant to these Circulars, (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover all provinces and cities in the PRC, (iii) the restriction on designated offshore districts has been lifted and (iv) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods without obtaining the approval as previously required, provided that the relevant provincial government has submitted to the Six Authorities a list of key enterprises subject to supervision and the Six Authorities have verified and signed off such list (the "**Supervision List**").

On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures (關於簡化跨境人民幣業務流程和完善有關政策的通知) (the "**2013 PBOC Circular**"), which, in particular, simplifies the procedures for cross border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for PRC enterprises (excluding those on the Supervision List) upon the PRC enterprises presenting the payment instruction. PRC banks may also allow PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank's verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross border remittance).

On 6 December 2013, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Issues Concerning Improving the Foreign Exchange Administration of Trade Financing Business of Banks (國家外匯管理局關於完善銀行貿易融資業務外匯管理有關問題的通知) ("**Circular 44**"), which aims to strengthen banks' review and examination of compliance in trade financing as well as the systematic management of foreign exchange receipts by enterprises.

As new regulations, the Circulars, the 2013 PBOC Circular and Circular 44 will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practises in applying the Circulars, the 2013 PBOC Circular and Circular 44 and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

Until recently, capital account items were generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities.

Foreign invested enterprises or any other relevant PRC parties are also generally required to make capital account payments including proceeds from liquidation, transfer of shares, reduction of capital and principal repayment under foreign debt to foreign investors in a foreign currency.

On 11 May 2013, SAFE promulgated the Provisions on the Foreign Exchange Administration of Domestic Direct Investment by Foreign Investors (外國投資者境內直接投資外匯管理規定) (the "**SAFE Provisions**"), which became effective on 13 May 2013. According to the SAFE Provisions, foreign investors can use cross-border Renminbi (including Renminbi inside and outside the PRC held in the capital accounts of non-PRC residents) to make a contribution to an onshore enterprise or make a payment for the transfer of an equity interest of an onshore enterprise by a PRC resident within the total investment amount approved by the competent authorities (for example, MOFCOM and/or its local counterparts as well as financial regulators). Capital account transactions in Renminbi must generally follow the current foreign exchange control regime applicable to foreign currencies. On 26 December 2014, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Involved in Overseas Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知), according to the latest provisions, proceeds of domestic companies from overseas listing can be either transferred back to China or deposited overseas and the usage of such proceeds shall be consistent with the offering circular. To transfer back to China the proceeds from the issue of corporate bonds convertible into shares, a Domestic Company shall transfer the same to its special domestic account for foreign debts and handle the relevant formalities in accordance with the provisions on foreign debt administration; to transfer back to China the proceeds from the issue of securities of other forms, a Domestic Company shall transfer the same to its Special Account for a Domestic Company Going Listing Overseas (foreign exchange) or Account for Exchange Settlement and Payment (RMB). On 3 December 2013, MOFCOM promulgated the Circular on Issues in relation to Cross border Renminbi Direct Investment (商務部關於跨境人民幣直接投資有關問題的公告) (the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify "**Renminbi Foreign Direct Investment**" and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

Under current rules promulgated by SAFE, foreign debts borrowed and the foreign security provided by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and foreign security regime. Furthermore, according to the 2013 PBOC Circular, upon enforcement of foreign security in Renminbi provided by onshore non-financial enterprises, PRC banks may provide Renminbi settlement services (i.e. remittance of enforcement proceeds) directly. However, SAFE has not amended its positions under the current applicable rules, nor has it issued any regulations to confirm the positions in the 2013 PBOC Circular. Therefore, there remain potential inconsistencies between the provisions of the SAFE rules and the provisions of the 2013 PBOC Circular and it is unclear how SAFE will deal with such inconsistencies in practises.

The SAFE Provisions, the MOFCOM Circular and the PBOC FDI Measures, which are new regulations, have been promulgated to control the remittance of Renminbi for payment of transactions categorised as capital account items and such new regulations will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

Regulations on General Aviation

General Aviation licence

Pursuant to the Civil Aviation Law of the People's Republic of China (中華人民共和國民用航空法) issued on 30 October 1995, revised on 24 April 2015 and 7 November 2016, the department in charge of civil aviation under the State Council (hereinafter referred to as civil aviation administration, or CAAC in short) exercises overall surveillance and administration over civil aviation activities throughout the country. Operators of general aviation should apply to CAAC for general aviation licences and perform the formalities for industrial and commercial registration pursuant to relevant laws and regulations. The competent industrial and commercial administration bureau shall not register the applicant without the licences concerned.

According to Provisions on the Administration of Business licencing for General Aviation (通用航空經營許可管理規定) promulgated on 2 December 2004 and revised on 14 February 2007 and 7 May 2016,, no entity or individual may illegally prepare for establishing a general aviation enterprise or purchase or lease civil aircrafts to undertake general aviation business activities without the approval of the CAAC or the regional civil aviation administrative bureau. The valid period of a general aviation licence shall be three years. A general aviation enterprise shall apply in written form to the regional administrative department of CAAC for recertification 30 days prior to the expiration of the valid period of its business licence.

A general aviation licence holder shall, before conducting any business activity within the jurisdiction of the regional administrative department of civil aviation that issued its business licence, submit the information on this business activity to the regional administrative department of CAAC for archival filing; and, before conducting any business activity involving two or more regions, submit the information on this business activity to the regional administrative bureau of CAAC of the place where it conducts such business activity for archival filing and be subject to the supervision and administration of the said regional administrative bureau of CAAC.

Administration of the Airworthiness of Civil Aircraft

According to Regulations of PRC for the Administration of the Airworthiness of Civil Aircraft (中華人民共和國民用航空器適航管理條例) which became effective on 1 June 1987, civil aircraft may engage in flight operations only when they have possessed an Airworthiness Certificate issued by the CAAC. The Airworthiness Certificate issued by the CAAC shall specify the type of activities the aircraft is good for, the period of validity of the Certificate, and other conditions and restrictions required for ensuring safety.

Pursuant to the Provisional Regulations in the Administration of Irregular Flight (民用航空運輸不定期飛行管理暫行規定) in Civil Air Transportation promulgated on 2 March 1989, any irregular flight undertaking can only be started after applying to CAAC and obtaining the approval thereof. The procedures for application and approval shall be formulated by CAAC.

Flight Airspace and Flight Plan

According to Regulation on the Control of General Aviation Flight (通用航空飛行管制條例) effective from 1 May 2003, an entity or individual undertaking general aviation flight activities shall, if using an airport flight airspace, air route or airline, file an application to the flight control department in accordance with the relevant provisions of the state, and shall not use it before approval. In addition, an entity or individual undertaking general aviation flight activities shall, before carrying out the flight, file an application of flight plan to the local flight control department, and shall not carry it out before it is approved according to the scope of power for approval.

Regulations on Taxation

EIT

Under the EIT Law effective from 1 January 2008 and was amended on 24 February 2017 and its Implementation Rules, domestic enterprises and foreign owned enterprises are subject to the same EIT rate of 25%.

Moreover, under the new EIT Law, enterprises organised under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered PRC resident enterprises and therefore subject to PRC EIT at the rate of 25% on their worldwide income. The Implementing Rules define the term "de facto management body" as the management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise.

Deed Tax

Under the PRC Provisional Regulations on Deed Tax (中華人民共和國契稅暫行條例) of 1997, a deed tax is chargeable to transferees of land use rights and/or ownership in real properties within the territory of China.

The deed tax rate is between 3% to 5% subject to determination by local governments at the provincial level in light of local conditions.

Business Tax and Value-Added Tax

Pursuant to the Interim Regulations on Business Tax of the People's Republic of China (中華人民共和國營業稅暫行條例) enacted by the State Council on 10 November 2008 and enforced on 1 January 2009 and its Detailed

Implementation Rules on the Provisional Regulations on Business Tax of the People's Republic of China (中華人民共和國營業稅暫行條例實施細則) issued by the MOF and State Administration of Taxation on 15 December 2008 and amended on 28 October 2011, the tax rate on transfer of immovable properties is 5%.

The MOF and the State Administration of Taxation promulgated the Pilot Proposals for Levying the Value-added Tax in Lieu of Business Tax (營業稅改增值稅試點方案) on 16 November 2011 pursuant to which, the pilot work of the value-added tax in lieu of business was carried out in some industries on a national scale since 1 January 2012. Pursuant to this pilot plan and relevant subsequent notices, from 1 January 2012, VAT gradually replaced business tax in the transport and post industry, telecom industry and some of the modern service industries in China. Under the pilot plan, a VAT rate of 6% applies to certain modern service industries. On 23 March 2016, the MOF and State Administration of Taxation promulgated the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-Added Tax to Replace Business Tax (Cai Shui [2016] No. 36) (關於全面推開營業稅改徵增值稅試點的通知) ("**Circular 36**"). Pursuant to Circular 36, starting from 1 May 2016, the VAT pilot programme covers the construction industry, real estate industry, finance industry and life service industry on a nation-wide basis.

Land Appreciation Tax

Under the Provisional Regulations of the PRC on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) of 1994 as amended in 2011 and its implementing rules of 1995, the land appreciation tax (the "**LAT**") applies to both domestic and foreign investors in real properties in mainland China, irrespective of whether they are corporate entities or individuals. The tax is payable by a taxpayer on the appreciation value derived from the transfer of land use rights, buildings or other facilities on such land, after deducting certain "deductible items" that include the following:

(i) payment made to acquire land use rights;

(ii) costs and charges incurred in connection with land development;

(iii) construction costs and charges in the case of newly constructed buildings and facilities;

(iv) assessed value in the case of old buildings and facilities;

(v) taxes paid or payable in connection with the transfer of land use rights, buildings or other facilities on such land; and

(vi) other items allowed by the MOF.

LAT shall be subject to a regime of four level progressive rates: 30% on the appreciation amount not exceeding 50% of the sum of deductible items; 40% on the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% on the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% on the appreciation amount exceeding 200% of the sum of deductible items.

On 28 December 2006, the State Bureau of Taxation promulgated the Notice of the State Administration of Taxation on the relevant Issues Concerning the Settlement Management of Land Appreciation Tax on Real Estate Enterprises (關於房地產開發企業土地增值稅清算管理有關問題的通知), effective beginning 1 February 2007. According to the Notice, the LAT assessment amount shall be derived from the entire value of the real estate development project if the project was approved by the relevant authority as a unit; and for a project developed in stages, the LAT assessment amount shall be derived from the value of each individual stage of the project.

A taxpayer should pay the LAT if one of the following circumstances occurs:

(i) a construction project has been completed and its commodity houses sold;

(ii) an uncompleted real estate development project is transferred; or

(iii) a direct transfer a land use right.

The tax authority may require the taxpayer to pay the LAT in one of the following circumstances:

(i) the floor area of the real estate sold is in excess of 85% of the saleable GFA of the entire project or, if the proportion is less than 85%, the residual saleable floor area has been leased out or is held for self-use;

(ii) the pre-sale permit has been held for three years, but the commodity houses of the project still have not been sold;

(iii) the taxpayer applies for cancellation of tax registration but has yet to carry out the procedures for the LAT settlement; or

(iv) others circumstances provided by tax authorities at the provincial level.

On 25 May 2010, the State Administration of Taxation promulgated the Notice on Strengthening the Levy and Administration of Land Appreciation Tax (關於加強土地增值稅徵管工作的通知) to impose further requirements on the collection of LAT. This notice provides that, except for social security housing, the minimum LAT prepayment rate shall be no less than 2% for properties in East China, no less than 1.5% for properties in Central or Northeast China and no less than 1% for properties in West China. The LAT prepayment rate shall be determined by the local authorities based on different property types in the locality.

Urban Land Use Tax

Pursuant to the Provisional Regulations of the PRC on Urban Land Use Tax (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council in September 1988, urban land use tax is levied according to the area of the urban land plot and the annual tax rate on urban land was set at between RMB0.2 and RMB10 per sq.m.. On 31 December 2006, the Provisional Regulations of the PRC on Urban Land Use Tax were amended by the State Council. As of 1 January 2007, on the basis of the amended regulations, the urban land use tax is charged at a rate three times higher than the previous rate and foreign invested enterprises are no longer exempt.

Building Tax

Under the Provisional Regulations of the PRC on Buildings Tax (中華人民共和國房產稅暫行條例) promulgated by the State Council in September 1986 and amended in January 2011, building tax applicable to domestic enterprises is 1.2% if it is calculated on the basis of the residual value of a building and 12% if it is calculated on the basis of the value of a rental lease.

Stamp Duty

Under the Provisional Regulations of the PRC on Stamp Duty (中華人民共和國印花稅暫行條例) promulgated by the State Council in August 1988 and amended in January 2011 applying to building property transfer instruments, including property ownership transfer instruments, the duty rate is 0.05% of the amount stated therein. For permits and certificates relating to rights, including Property Ownership Certificates and Land Use Rights Certificates, stamp duty is levied on an item-by-item basis at a rate of RMB5 per item.

Municipal Maintenance Tax

Under the Interim Regulations of the People's Republic of China on Municipal Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例) enacted by the State Council on 8 February 1985 and amended in January 2011, any taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

Education Surcharge

Under the Interim Provisions on Imposition of Education Surcharge (徵收教育費附加的暫行規定) enacted by the State Council on 28 April 1986 and revised on 7 June 1990 and 20 August 2005 and 8 January 2011, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (國務院關於籌措農村學校辦學經費的通知).

Regulations on Environment Protection

The laws and regulations governing the environmental requirements for real estate development in the PRC include the Environmental Protection Law (環境保護法), the Environmental Impact Assessment Law

(環境影響評價法), the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例) and the Administrative Regulations on Environmental Protection for Acceptance Examination Upon Completion of Buildings (建設項目竣工環境保護驗收管理辦法). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

Regulations on Employment Relationships

Labour Laws

Pursuant to the PRC Labour Law (中華人民共和國勞動法) promulgated on 5 July 1994 and amended on 27 August 2009 and the Labour Contract Law of the PRC (中華人民共和國勞動合同法) promulgated on 29 June 2007 and effective on 1 January 2008 and amended on 28 December 2012, if an employment relationship is established between an entity and its employees, written labour contracts shall be signed. The relevant laws stipulate the maximum number of working hours per day and per week, respectively. Furthermore, the relevant laws also set forth the minimum wages. The entities shall establish and develop systems for occupational safety and sanitation, implement the rules and standards of the State on occupational safety and sanitation, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards.

Social Security Laws

Under applicable PRC laws, rules and regulations, including the Interim Measures Concerning the Maternity Insurance of Enterprises Employees (企業職工生育保險試行辦法) which became effective on 1 January 1995, the Interim Regulations on the Collection and Payment of Social Security Funds (社會保險費徵繳暫行條例) promulgated and became effective on 22 January 1999, The Regulation on Work-Related Injury Insurance (工傷保險條例), which was promulgated on 1 January 2004 and amended on 20 December 2010, and the Regulations on the Administration of Housing Accumulation Funds (住房公積金管理條例) promulgated on 3 April 1999 and amended on 24 March 2002, employers are required to make contributions to the basic pension insurance fund, unemployment insurance, basic medical insurance fund, work-related injury insurance fund, maternity leave insurance fund and housing accumulation funds for their employees.

On 28 October 2010, the Social Security Law of the People's Republic of China (中華人民共和國社會保險法) (the "**Social Security Law**") was passed during the 11th session of the Standing Committee of the National People's Congress of China and took effect as of 1 July 2011. The Social Security Law is the first comprehensive law in China to address social securities and related administrative issues. In addition to consolidating various existing social security rules and regulations, the Social Security Law also introduces some new provisions and policies. Key provisions of the Social Security Law are as follows:

(i) The Social Security Law allows for an employee to transfer his or her pension, basic medical and unemployment insurance relationships with him or her when the individual decides to move to another city to take up new employment, which was not possible in the past.

(ii) If the employer fails to make social security registration and refuses to rectify within the ordered time limits, in addition to a standard penalty of anywhere between RMB500 to RMB3,000 imposed directly on the responsible persons which are directly in charge and involved, the employer will also be subject to a penalty which is calculated based on one to three times of the outstanding social security contributions.

NDRC Circular

On 14 September 2015, the NDRC published the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (the "**NDRC Circular**"), which came into effect on the same date. The NDRC Circular applies to the offshore bonds/ loans with a maturity of more than one year, regardless of whether they are denominated in RMB or a foreign currency, that are issued by an onshore entity or its controlled offshore branches and subsidiaries, including international bond issuances and mid- and long-term international commercial loans.

The NDRC Circular abolishes the approval requirement for offshore bond/loan issues, and replaced it with a pre-issuance/incurrence registration and post-issuance/incurrence registration system for "foreign debt", i.e. the issuer shall file with NDRC and obtain the "Enterprise Foreign Debt Filing Certificate" (企業發行外債備案登記證明) prior to the issuance of the offshore bond/loan, and report the issuance information to NDRC within 10 business days after the closing of the issuance.

On 18 December 2015, the NDRC published the Guideline on the Issuance of Foreign Debt by Corporates (企業境外發行債券指引) (the "**Guideline**"), which further clarifies certain issues in the NDRC Circular. According to the Guideline, the entities subject to the filing requirements in the NDRC Circular include onshore enterprises (including financial entities) and their controlled offshore enterprises or branches; and the "foreign debts" under the NDRC Circular include but are not limited to ordinary notes, senior notes, financial notes, perpetual notes, convertible notes, preferred shares and other offshore debt financing tools. In addition, the Guideline further requires the onshore entities which failed to complete the pre-issuance registration by the promulgation of the Guideline to complete the pre-issuance registration by the end of January 2016, and those onshore entities which failed to submit to the NDRC the relevant information in relation to the issuance of the offshore notes should complete the submission as soon as practicable. Furthermore, according to the Guideline the NDRC will set a "black list" and a credit information exchange platform on the credit information for those entities or intermediaries which have provided false information or failed to comply with the registration requirements of the NDRC, and will impose punishment with other government authorities on such entities.

As new regulations, the NDRC Circular and the Guideline will be subject to interpretation and application by the relevant PRC authorities, and it remains unclear what impact non-compliance will have on the legality, enforceability and validity of the Notes.

PBOC Cross Border Financing Circular

On 11 January 2017, the PBOC issued the Circular of the People's Bank of China on Macro-prudential Management on All-round Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) (the "**Cross Border Financing Circular**"), which came into effect on the same date. The Cross Border Financing Circular established a mechanism aimed at regulating cross border financing activities based on the capital or net asset of the borrowing entities using a prudent management principle on a macro nationwide scale. The Cross Border Financing Circular now applies to all outstanding cross-border financing transactions. Foreign-invested enterprises and foreign-invested financial institutions in the PRC are able to select to follow the new model under the Cross Border Financing Circular or the existing cross-border financing model in a one-year transitional period from the date of issue of the Cross Border Financing Circular. After the end of the transitional period, foreign-invested financial institutions will automatically be applied to the model under the Cross Border Financing Circular. The management model of cross-border financing for foreign-invested enterprises shall be determined by the PBOC and the SAFE according to the overall implementation of the Cross Border Financing Circular.

In accordance with the above and based on the confirmation by the SAFE, currently the Cross Border Financing Circular only applies to enterprises and financial institutions duly established in the PRC. Thus, the Cross Border Financing Circular is not applicable to the Issuer.

TAXATION

The following summary of certain British Virgin Islands, PRC and Hong Kong tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or any person acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes.

Persons considering the purchase of the Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Notes, including any possible consequences under the laws of their country of citizenship, residence of domicile.

THE BRITISH VIRGIN ISLANDS

Payments of interest on the Notes and other amounts paid by the Issuer to persons who are not resident in the British Virgin Islands and any capital gains realised with respect to the Notes, by persons who are not resident in the British Virgin Islands are exempt from all provisions of the Income Tax Act in the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Notes.

All instruments relating to transactions in respect of the Notes, of the Issuer are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Issuer does not hold an interest in real estate in the British Virgin Islands.

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to the Issuer or its members. However, the British Virgin Islands has implemented both the EC Council Directive 2003/48/EC and subsequently the Organisation for Economic Co-Operation and Development's Common Standard on Reporting and Due Diligence for Financial Account Information into the laws of the British Virgin Islands. As a result British Virgin Islands-based paying agent may be obliged under the applicable implementing legislation to disclose financial account information to the British Virgin Islands International Tax Authority on behalf of the Financial Secretary who will in turn comply with the information exchange policy under the applicable international obligations of the British Virgin Islands.

PRC

The following summary describes certain PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of the PRC for PRC tax purposes (except as described in the section titled "VAT" below). These beneficial owners are referred to as non-PRC Noteholders in this section. In considering whether to invest in the Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Income Tax

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management bodies" are within the territory of the PRC are PRC tax resident enterprises for the purpose of the EIT Law and they must pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside the PRC. The relevant PRC tax authorities may decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer (or CM Leasing HK) within the territory of the PRC and the Issuer (or CM Leasing HK) may be deemed to be a PRC tax resident enterprise for the purpose of the EIT Law. As confirmed by the Issuer, as at the date of this Offering Circular, neither the Issuer nor CM

Leasing HK has not been informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. On that basis, Noteholders will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of the holding of or transfer of the Notes or any repayment of principal and payment of interest made by the Issuer or CM Leasing HK thereon.

However, there is no assurance that the Issuer (or CM Leasing HK) will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or whose income has no actual connection to its establishment inside the PRC must pay enterprise income tax at the rate of 10 per cent. on the income sourced inside the PRC, unless a preferential rate is provided by tax treaties or arrangements entered into between the country or region where the non-resident is established and the PRC, and such income tax must be withheld at source payments of interest to non-resident individual holders of the Notes may be subject to withholding at source at a rate of 20% if the Issuer is deemed a PRC resident enterprise and payments of interest are considered to be from sources within the PRC. Moreover, because the Company is a PRC tax resident enterprises, it will withhold PRC tax on interest paid by it in respect of the Notes. However, the Issuer, CM Leasing HK and the Company (in the event that they provide the guarantee pursuant to the relevant pricing supplement) have agreed to pay additional amounts (subject to certain exceptions) to Noteholders so that Noteholders would receive the full amount of the scheduled payment, as further set out in the "Terms and Conditions of the Notes".

Non-PRC Noteholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Notes unless the Issuer is treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. In that case, any gain realised by the non-PRC enterprise Noteholders from the transfer of the Notes may be regarded as being derived from sources within the PRC and be subject to 10 per cent. of PRC tax unless decreased or exempted by an applicable tax treaty. Further, non-PRC individual Noteholders may be subject to individual income tax at the rate of 20 per cent. on the capital gains, which may be decreased or exempted by an applicable tax treaty.

VAT

On 23 March 2016, MOF and SAT promulgated the Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-Added Tax to Replace Business Tax (關於全面推開營業稅改徵增值稅試點的通知（財稅[2016]36號）) ("**Circular 36**") which confirms that since 1 May 2016, the income derived from the provision of financial services which were subject to business tax has been replaced by VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as provided within China where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. Under Circular 36 the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the PRC Noteholders may be treated as providing loans to the Issuer, which thus may be regarded as providing financial services subject to VAT. Thus, the PRC Noteholders may be subject to VAT under Circular 36 and related surcharges at a rate of 6.72% when receiving the interest payments under the Notes, Which tax may be required to be withheld at source.

Where a holder of the Notes who is an individual transfers the Notes, VAT may be exempted according to Circular 36 if the transfers is treated as resale of financial products. Where a holder of the Notes who is an entity located outside of the PRC resells the Notes to an entity or individual located outside of the PRC, since neither the service provider nor the service recipient is located in the PRC, Circular 36 should not apply. However, where a holder of the Notes who is an enterprise resells the Notes, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located inside the PRC.

Circular 36 has been issued recently, the above statement may change upon the issuance of clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Stamp Duty

No PRC stamp duty will be chargeable upon the issue or transfer (for so long as the register of Noteholders is maintained outside the PRC) of a Note.

HONG KONG

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal (including any premium payable on redemption of the Notes) or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(a) Interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(b) Interest on the Notes is derived from Hong Kong and is received by or accrues to a person other than a corporation (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business; or

(c) Interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap.112) of the laws of Hong Kong) by way of interest which arises through or from the carrying on by the financial institution of its business in Hong Kong.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax.

Gains or profits derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, from the carrying on of a trade, profession or business in Hong Kong and the sums are revenue in nature and have a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

Stamp duty

Stamp duty will not be payable on the issue of Bearer Notes **provided that** either:

(a) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(b) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) (the "**Stamp Duty Ordinance**").

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any sale and purchase, or change in beneficial ownership of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any sale and purchase, or change in beneficial ownership of Registered Notes **provided that** either:

(a) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(b) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance).

If stamp duty is payable in respect of the sale and purchase of Registered Notes, it will be payable at the rate of 0.1 per cent. by the seller and 0.1 per cent. by the buyer, by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the jurisdiction of the Issuer) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes in the future, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthrough payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date.

Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding is required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

PRC CURRENCY CONTROLS

The following is a general description of certain currency controls in the PRC and is based on the law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal advice. It does not purport to be a complete analysis of all applicable currency controls in the PRC relating to the Notes. Prospective holders of Notes who are in any doubt as to PRC currency controls are advised to consult their own professional advisers.

Current Account Items

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. In July 2009, the PRC commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau and Association of Southeast Asian Nations (ASEAN). On 17 June 2010, 27 July 2011 and 3 February 2012 respectively, the PRC government promulgated the *Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border* Trades (關於擴大跨境貿易人民幣結算試點有關問題的通知), the Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement (關於擴大跨境貿易人民幣結算地區的通知) and the Notice on Matters Relevant to the Administration of Enterprises Engaged in Renminbi Settlement of Export Trade in Goods (關於出口貨物貿易人民幣結算企業管理有關問題的通知) (together as "**Circulars**"). Pursuant to these Circulars, (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover all provinces and cities in the PRC, (iii) the restriction on designated offshore districts has been lifted and (iv) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods without obtaining the approval as previously required, provided that the relevant provincial government has submitted to PBOC and five other PRC authorities (the "**Six Authorities**") a list of key enterprises subject to supervision and the Six Authorities have verified and signed off such list (the "**Supervision List**").

On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving *Cross-border Renminbi Business Procedures* (關於簡化跨境人民幣業務流程和完善有關政策的通知) (the "**2013 PBOC Circular**"), which, in particular, simplifies the procedures for cross border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for PRC enterprises (excluding those on the Supervision List) upon the PRC enterprises presenting the payment instruction. PRC banks may also allow PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank's verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross border remittance).

On 6 December 2013, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Issues Concerning Improving the Foreign Exchange Administration of Trade Financing Business of Banks (國家外匯管理局關於完善銀行貿易融資業務外匯管理有關問題的通知) ("**Circular 44**"), which aims to strengthen banks' review and examination of compliance in trade financing as well as the systematic management of foreign exchange receipts by enterprises.

As new regulations, the Circulars, the 2013 PBOC Circular and the Circular 44 will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practises in applying the Circulars, the 2013 PBOC Circular and the Circular 44 and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filing with, the relevant PRC authorities.

Until recently, settlement for capital account items were generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties were also generally required to make capital account payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency.

On 10 May 2013, SAFE promulgated the *Provisions on the Foreign Exchange Administration of Domestic Direct Investment by Foreign Investors* (外國投資者境內直接投資外匯管理規定) (the "**SAFE Provisions**"), which became effective on 13 May 2013. According to the SAFE Provisions, foreign investors can use cross-border Renminbi (including Renminbi inside and outside the PRC held in the capital accounts of non-PRC residents) to make a contribution to an onshore enterprise or make a payment for the transfer of an equity interest of an onshore enterprise by a PRC resident within the total investment amount approved by the competent authorities (for example, MOFCOM and/or its local counterparts as well as financial regulators). Capital account transactions in Renminbi must generally follow the current foreign exchange control regime applicable to foreign currencies. On 26 December 2014, SAFE promulgated the *Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Involved in Overseas Listing* (國家外匯管理局關於境外上市外匯管理有關問題的通知), according to the latest provisions, proceeds of domestic companies from overseas listing can be either transferred back to China or deposited overseas and the usage of such proceeds shall be consistent with the offering circular. To transfer back to China the proceeds from the issue of corporate bonds convertible into shares, a domestic company shall transfer the same to its special domestic account for foreign debts and handle the relevant formalities in accordance with the provisions on foreign debt administration; to transfer back to China the proceeds from the issue of securities of other forms, a domestic company shall transfer the same to its Special Account for a Domestic Company Going Listing Overseas (foreign exchange) or Account for Exchange Settlement and Payment (RMB). On 3 December 2013, MOFCOM promulgated the *Circular on Issues in relation to Cross border Renminbi Foreign Direct Investment* (商務部關於跨境人民幣直接投資有關問題的公告) (the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify "**Renminbi Foreign Direct Investment**" and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

Under current rules promulgated by SAFE, foreign debts borrowed and the foreign security provided by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and foreign security regime. Furthermore, according to the 2013 PBOC Circular, upon enforcement of foreign security in Renminbi provided by onshore non-financial enterprises, PRC banks may provide Renminbi settlement services (i.e. remittance of enforcement proceeds) directly, which seems to indicate that SAFE approval for enforcement (which would be required in the case of the external guarantees in foreign currencies) is no longer required. However, SAFE has not amended its positions under the current applicable rules, nor has it issued any regulations to confirm the positions in the 2013 PBOC Circular. Therefore, there remain potential inconsistencies between the provisions of the SAFE rules and the provisions of the 2013 PBOC Circular and it is unclear how SAFE will deal with such inconsistencies in practise.

The SAFE Provisions, the MOFCOM Circular and the PBOC FDI Measures which are new regulations, have been promulgated to control the remittance of Renminbi for payment of transactions categorised as capital account items and such new regulations will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN PRC GAAP AND IFRS

The Parent Group's Audited Financial Statements have been prepared and presented in accordance with PRC GAAP. Certain differences exist between PRC GAAP and IFRS might be material to the Parent Group's Audited Financial Statements. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Parent Group. The Parent Group is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the financial information and related footnote disclosure between PRC GAAP and IFRS and no attempt has been made to quantify such differences. Had any such quantification or reconciliation been undertaken by the Parent Group, other potentially significant accounting and disclosure differences may have been required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future.

Accordingly, no assurance is **provided that** the following summary of differences between PRC GAAP and IFRS is complete. In making an investment decision, each investor must rely upon its own examination of the Parent Group, the terms of the offering and other disclosure contained herein. Each investor should consult its own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

Reversal of an Impairment Loss

Under PRC GAAP, once an impairment loss is recognised for a long term asset (including fixed assets, intangible assets and goodwill, etc.), it shall not be reversed in any subsequent period.

Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Insurance Contract Reserve

Under IFRS, the insurance reserve follows local regulatory requirement which means the insurance contract reserve of Sirius Group follows US regulatory requirement to use best estimate approach. While under PRC GAAP, risk margin and time value of money are explicitly considered to determine insurance contract reserve.

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream or the CMU Service currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer, the Arrangers or any Dealer, the Trustee or any Agent takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer or any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Clearing Systems

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream participants are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Distributions of principal and interest with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by any Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

CMU Service

The CMU Service is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the CMU members of capital markets instruments which are specified in the CMU Service Reference Manual as capable of being held within the CMU Service.

The CMU Service is only available to CMU notes issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU Service is open to all members of the Hong Kong Capital Markets Association and "authorised institutions" under the Banking Ordinance (Cap. 155 of the Laws of Hong Kong).

Compared to clearing services provided by Euroclear and Clearstream, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European Clearing Systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU notes. Instead, the HKMA advises the lodging CMU member (or a designated paying agent) of the identities of the CMU members to whose accounts payments in respect of the relevant CMU notes are credited, whereupon the lodging CMU member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU members or provide any such certificates on behalf of CMU members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream in any Notes held in the CMU Service will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU Service.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

The Dealers have, in a dealer agreement (the "**Dealer Agreement**") dated 18 May 2018, agreed with the Issuer a basis upon which they or any of them may from time to time agree to severally, and not jointly, subscribe the Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". The Issuer will pay each relevant Dealer a commission as agreed between them in respect of the Notes subscribed by it. Where the Issuer agrees to sell to the Dealer(s), who agree to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Notes at an issue price (the "**Issue Price**"), any subsequent offering of those Notes to investors may be at a price different from such Issue Price. The Issuer has agreed to be responsible for certain of the Arranger's expenses incurred in connection with the establishment, and any future update, of the Programme and reimburse the Dealers certain of their activities in connection with the Programme. The commissions in respect of an issue of the Notes on a syndicated basis may be stated in the relevant Pricing Supplement.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

In connection with the issue of any Tranche of the Notes, the Dealer(s) (if any) named as the Stabilisation manager(s) (the "**Stabilisation Manager(s)**") (or persons acting on behalf of any Stabilisation Manager(s)) in the relevant Pricing Supplement may, to the extent permitted by applicable laws and rules, over allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of the Notes and 60 days after the date of the allotment of the relevant Tranche of the Notes.

In connection with each Series of the Notes issued under the Programme, the Dealers or certain of their affiliates may subscribe or purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer, CM Leasing HK, the Company, the Parent or their respective subsidiaries or affiliates at the same time as the offer and sale of each Series of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Series of the Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Series of the Notes).

The Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, CM Leasing HK, the Company, the Parent or their respective subsidiaries, jointly controlled entities or associated companies from time to time. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer, CM Leasing HK, the Company, the Parent or their respective subsidiaries, jointly controlled entities or associated companies, including Notes issued under the Programme, may be entered into at the same time or proximate to offers and sales of the Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of the Notes.

If a jurisdiction requires that the offering be made by a licenced broker or dealer and a Dealer or any affiliate of that Dealer is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

In connection with an issue of the Notes under the Programme, the Issuer may, pursuant to the subscription agreement relating to such issue, agree to pay, through the Dealers, a commission to certain private banks based on the principal amount of the Notes purchased by the clients of such private banks. If such commission is payable, it shall be specified in the Pricing Supplement relating to such issue of the Notes.

In connection with the offer and sale of the Notes, the Issuer, the Guarantor, the Company, the Parent, the Dealers and/or their respective affiliates may place orders, receive allocations and purchase Notes for their own account (without a view to distributing such Notes) and such orders and/or allocations of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer, the Guarantor, the Company or the Parent and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering. Accordingly, references herein to the Notes being 'offered' should be read as including any offering of the Notes to the Issuer, the Guarantor, the Company, the Parent, the Dealers and/or their respective affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Notes. If this is the case, liquidity of trading in the Notes may be constrained (see "*Risk Factors — Risks Relating to Notes issued under the Programme — Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity and the results of the Noteholder meetings may be severely influenced by the Company if a substantial amount of the Notes are purchased by the Company or its affiliates*"). The Issuer, the Guarantor, the Company, the Parent and the Dealers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors.

Selling Restrictions

United States of America

The Notes and the Guarantee of the Notes have not been, and will not be, registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act.

The Bearer Notes having a maturity of more than one year (taking into account any unilateral right to extend or rollover the term) are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986, as amended (the "code"), and regulations thereunder.

Bearer Notes having a term of more than one year (taking into account any unilateral right to extend or rollover the term) will be issued in accordance with the provisions of U.S. Treasury regulation section 1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form as such rules for purposes of Section 4701 of the Code (the "**TEFRA D Rules**"), unless the relevant Pricing Supplement specifies that the Notes will be issued in accordance with the provisions of U.S. Treasury regulation section 1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form as such rules for purposes of Section 4701 of the Code) (the "**TEFRA C Rules**").

In respect of Bearer Notes issued or to be issued in accordance with the TEFRA D Rules, each Dealer has represented and agreed (and each further Dealer appointed under the Programme will be required to represent and agree) that:

(a) except to the extent permitted under the TEFRA D Rules, (i) it has not offered or sold, and during the restricted period will not offer or sell, Notes to a person who is within the United States or its possessions or to a United States person, and (ii) such Dealer has not delivered and will not deliver within the United States or its possessions definitive Notes that are sold during the restricted period;

(b) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;

(c) if such Dealer is a United States person, it represents that it is acquiring the Notes for purposes of resale in connection with their original issuance and, if such Dealer retains Notes for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D)(*6*) or any successor provision for purposes of Section 4701 of the Code;

(d) with respect to each affiliate (if any) that acquires from such Dealer Notes for the purposes of offering or selling such Notes during the restricted period, such Dealer either (i) hereby represents and agrees on behalf of such affiliate (if any) to the effect set forth in sub-paragraphs (a), (b) and (c) of this paragraph or (ii) agrees that it will obtain from such affiliate (if any) for the benefit of the Issuer the representations and agreements contained in sub-paragraphs (a), (b) and (c) of this paragraph; and

(e) such Dealer will obtain for the benefit of the Issuer the representations and agreements contained in sub-paragraphs (a), (b), (c) and (d) of this paragraph from any person other than its affiliate with whom it enters into a written contract, as defined in U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D)(*4*) or any successor provision for purposes of Section 4701 of the Code, for the offer and sale of Notes during the restricted period.

Terms used in the above paragraph have the meanings given to them by Code and regulations thereunder, including the TEFRA D Rules.

Where the TEFRA C Rules are specified in the relevant Pricing Supplement as being applicable in relation to any issue of Bearer Notes, such Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Accordingly, each Dealer has represented and agreed (and each additional Dealer appointed under the Programme will be required to represent and agree) in respect of such Notes that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any such Notes within the United States or its possessions in connection with the original issuance. Further, each Dealer has represented and agreed (and each further Dealer appointed under the Programme will be required to represent and agree) in connection with the original issuance of such Notes, that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such Dealer or such purchaser is within the United States or its possessions and will not otherwise involve the U.S. office of such Dealer in the offer and sale of Notes. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including the TEFRA C Rules.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or, in the case of Bearer Notes, deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as determined and certified to the Issuing and Paying Agent by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Issuing and Paying Agent shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period, a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States or to any U.S. person. Distribution of this Offering Circular by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States is prohibited.

European Economic Area

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", it will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

  (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in the Prospectus Directive; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of the Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) *Approved prospectus*: if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, *provided that* any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) *Qualified Investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented, warranted and undertaken and each further Dealer appointed under the Programme will be required to represent, warrant and undertake that:

(a) *No deposit-taking*: in relation to any Notes having a maturity of less than one year:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer, CM Leasing HK, the Company or the Parent; and

(c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

Hong Kong

In relation to each Tranche of the Notes to be issued by the Issuer under the Programme, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a "structured product" as defined in the SFO, other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (the "**CWUMPO**") or which do not constitute an offer to the public within the meaning of the CWUMPO; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

PRC

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that the offer of the Notes is not an offer of securities within the meaning of the PRC Securities Law or other pertinent laws and regulations of the PRC and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Singapore

This Offering Memorandum has not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**"), and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any persons in Singapore other than (i) to an institutional investor pursuant to Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased in reliance of an exemption under Section 274 or 275 of the SFA, the Notes shall not be sold within the period of 6 months from the date of the initial acquisition of the Notes, except to any of the following persons:

(a) an institutional investor (as defined in Section 4A of the SFA);

(b) a relevant person (as defined in Section 275(2) of the SFA); or

(c) any person pursuant to an offer referred to in Section 275(1A) of the SFA,

unless expressly specified otherwise in Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore (the "**SFR**").

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable within six (6) months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

    (i) to an institutional investor or to a relevant person (as defined in Section 275(2) of the SFA), or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

    (ii) where no consideration is or will be given for the transfer; or

    (iii) where the transfer is by operation of law;

    (iv) pursuant to Section 276(7) of the SFA; or

    (v) pursuant to Regulation 32 of the SFR.

The British Virgin Islands

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not made and will not make any invitation to the public in the British Virgin Islands or a natural person who is a British Virgin Islands resident or citizen to offer or sell the Notes and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by British Virgin Islands law.

This Offering Circular does not constitute, and there will not be, an offering of the Notes to any person in the British Virgin Islands.

General

These selling restrictions may be modified by the agreement of each of the Issuer and the Dealer following a change in a relevant law, regulation or directive. Any such modification will be set out in the relevant Pricing Supplement issued in respect of the issue of the Notes to which it relates or in a supplement to this Offering Circular.

GENERAL INFORMATION

1. Clearing of the Notes

The Notes may be accepted for clearance through Euroclear and/or Clearstream and/or the CMU Service. The appropriate common code and the International Securities Identification Number or CMU Instrument Number in relation to the Notes of each Tranche will be specified in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

2. Authorisations

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme, the issue of the Notes thereunder and performance of its obligations under the Notes, the Trust Deed, the Agency Agreement, the Keepwell and Liquidity Support Deeds and the Deed of Equity Interest Purchase Undertaking. The establishment of the Programme and the issue of the Notes thereunder were authorised by a resolution of the board of directors of the Issuer passed on 18 January 2018.

CM Leasing HK has obtained all necessary consents, approvals and authorisations in connection with the entry into the Deed of Guarantee and the performance of its obligations under the Deed of Guarantee. The entry into the Deed of Guarantee was authorised by resolutions of CM Leasing HK passed on 18 January 2018.

The Company has obtained all necessary consents, approvals and authorisations in connection with the entry into of the Company Keepwell and Liquidity Support Deed and the Deed of Equity Interest Purchase Undertaking and the performance of its obligations under the Company Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking, the Parent Keepwell and Liquidity Support Deed, the Trust Deed and the Agency Agreement. The entry into of the Company Keepwell and Liquidity Support Deed and the Deed of Equity Interest Purchase Undertaking was authorised by resolutions of the Company passed on 22 April 2018.

The Parent has obtained all necessary consents, approvals and authorisations in connection with the entry into of the Parent Keepwell and Liquidity Support Deed and the Deed of Equity Interest Purchase Undertaking and the performance of its obligations under the Parent Keepwell and Liquidity Support Deed, the Deed of Equity Interest Purchase Undertaking, the Trust Deed and the Agency Agreement. The entry into of the Parent Keepwell and Liquidity Support Deed and the Deed of Equity Interest Purchase Undertaking was authorised by resolutions of the Parent passed on 17 April 2018.

3. NDRC Registration

With respect to any applicable Tranche of the Notes, registration will be completed, or application to registration will be made, by the Company in accordance with the NDRC Circular as set forth in the relevant Pricing Supplement. After the issuance of any applicable Tranche of the Notes, the Issuer and the Company shall report the post-issuance information to the NDRC within the time period prescribed in the NDRC Circular.

4. No Material Adverse Change

Except as disclosed in this Offering Circular, there has been no material adverse change, or any development likely to involve an adverse change, in the financial or trading position or to the condition (financial or otherwise), prospects, results of operations, capitalisation, profitability, business, properties, general affairs or management of the Issuer, the Company, the Parent or the Parent Group since 30 June 2017.

5. Litigation

None of the Issuer, the Company, the Parent or any member of the Parent Group is involved in any litigation or arbitration proceedings that the Issuer, the Company or the Parent believes are material in the context of the Programme or the Notes to be issued thereunder nor is the Issuer, the Company or the Parent aware that any such proceedings are pending or threatened. From time to time the Parent Group may be involved in legal proceedings, claims or disputes in the ordinary course of business with its business partners or customers.

6. Available Documents

Copies of the following documents will be available for inspection at the registered office of the Trustee and at the specified offices of each of the Agents for the time being for so long as the Notes are capable of being issued under the Programme:

(i) copies of the Group's Audited Financial Statements and the Parent Group's Audited Financial Statements;

(ii) copies of the Group's Audited financial statements and the Parent Group's Audited financial statements provided to the Trustee pursuant to the Terms and Conditions;

(iii) constitutional documents (or equivalent) of the Issuer, the Company and the Parent;

(iv) each Pricing Supplement;

(v) a copy of this Offering Circular, together with any supplement to this Offering Circular;

(vi) the Agency Agreement;

(vii) the Trust Deed (which contains the forms of the Notes in global and definitive form);

(viii) the Keepwell and Liquidity Support Deeds;

(ix) the Deed of Equity Interest Purchase Undertaking; and

(x) the Programme Manual.

7. Audited Financial Statements

The consolidated financial statements of the Group as at 31 December 2015, and for the period from 16 April 2015 (the date of incorporation of the Company) to 31 December 2015 set out in this Offering Circular have been audited by PricewaterhouseCoopers Zhong Tian LLP, Beijing Branch. The consolidated financial statements of the Group as at 31 December 2016, and for the year ended 31 December 2016 set out in this Offering Circular have been audited by PricewaterhouseCoopers Zhong Tian LLP. The auditors are independent auditors of the Group, as stated in their reports appearing herein. The consolidated financial statements of the Group as at and for the six months ended 30 June 2017 set out in this Offering Circular have been reviewed by PricewaterhouseCoopers Zhong Tian LLP in accordance with CSRE 2101, as stated in their report appearing herein.

The consolidated financial statements of the Parent Group as at 31 December 2014, 2015, 2016 and for the period from 9 May 2014 (the date of incorporation of the Parent) to 31 December 2014 and for the years ended 31 December 2015 and 2016 set out in this Offering Circular have been audited by PricewaterhouseCoopers Zhong Tian LLP, the independent auditor of the Parent Group, as stated in their reports appearing herein. The consolidated financial statements of the Parent Group as at and for the six months ended 30 June 2017 set out in this Offering Circular have been reviewed by PricewaterhouseCoopers Zhong Tian LLP in accordance with CSRE 2101, as stated in their report appearing herein. As result of the change in accounting policy with effect from 1 January 2016, the summary consolidated financial information of the Parent Group as at 31 December 2014 and 2015 and for the period from 9 May 2014 (the date of incorporation of the Parent) to 31 December 2014 and for the year ended 31 December 2015 (the "**Parent Group's Restated Financial Statements 2014 and 2015**") has been restated in order that it be comparable to the audited consolidated financial statements of the Parent Group as at and for the year ended 31 December 2016 (the "**Parent Group's Audited Financial Statements 2016**"). Such Parent Group's Restated Financial Statements 2014 and 2015 were neither audited nor reviewed by PricewaterhouseCoopers Zhong Tian LLP. Please refer to Note 4 of the Parent Group's Audited Financial Statements 2016 included elsewhere in this Offering Circular for the impact of such change in accounting policy.

The consolidated financial statements of CM Leasing HK as at 31 December 2016 and for the period from 14 September 2015 (the date of incorporation of CM Leasing HK) to 31 December 2016 set out in this Offering Circular have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as stated in their reports appearing herein. The condensed consolidated interim financial information of CM Leasing HK as at and for the six months ended 30 June 2017 have been reviewed by PricewaterhouseCoopers in accordance with HKSRE 2410, as stated in their report appearing herein.

8. Listing

Approval in-principle has been received from the SGX-ST for the listing and quotation of any Notes that may be issued pursuant to the Programme and which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such approval will be granted when such Notes have been admitted to the Official List of the SGX-ST.

If the application to the SGX-ST to list a particular Series of Notes is approved, for so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes, if traded, will be traded on the SGX-ST in a board lot size of at least U.S.$200,000 (or its equivalent in other currencies).

For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, and unless the Issuer obtains an exemption from the SGX-ST, the Issuer shall appoint and maintain a paying agent in Singapore, where the debt securities may be presented or surrendered for payment or redemption. In the event that a Global Note or, as the case may be, Global Note Certificate is exchanged for definitive Note(s) or, as the case may be, Note Certificate(s), an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST. Such announcement will include all material information with respect to the delivery of the definitive Note(s) or, as the case may be, Note Certificate(s), including details of the paying agent in Singapore.

INDEX TO FINANCIAL STATEMENTS

Audited Financial Statements of the Parent Group as at 31 December 2014 and for the period from 9 May 2014 (date of incorporation) to 31 December 2014

Unaudited Interim Financial Statements of the Group as at and for the six months ended 30 June 2017

Audited Financial Statements of the Group as at and for the year ended 31 December 2016

Audited Financial Statements of the Group as at 31 December 2015 and for the period from 16 April 2015 (date of incorporation) to 31 December 2015

Unaudited Condensed Consolidated Interim Financial Information of CM Leasing HK as at and for the six months ended 30 June 2017

Audited Consolidated Financial Statements of CM Leasing HK as at 31 December 2016 (date of incorporation) and for the period from 14 September 2015 to 31 December 2016

CHINA MINSHENG INVESTMENT CO., LTD.

FOR THE HALF-YEAR ENDED 30 JUNE 2017
INTERIM FINANCIAL STATEMENTS AND
REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

China Minsheng Investment Co., Ltd.

For the half-year ended 30 June 2017
Interim Financial Statements and Report on Review of Interim Financial Statements
[English translation for reference only]

Content	**Page**

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS
(English translation for reference only)

To the Board of Directors of China Minsheng Investment Co., Ltd.

We have reviewed the accompanying interim financial statements of China Minsheng Investment Co., Ltd. (the "Company"), which comprise the consolidated and company's balance sheets as at 30 June 2017, the consolidated and company's income statements, the consolidated and company's cash flow statements, the consolidated and company's statements of changes in shareholders' equity for the half-year ended 30 June 2017 and notes to the financial statements. The Company's management is responsible for the preparation of these interim financial statements in accordance with the Accounting Standards for Business Enterprises No. 32 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim financial statements based on our review.

We conducted our review in accordance with China Standard on Review 2101, "Engagements to Review Financial Statements". The standard requires that we plan and perform the review to obtain limited assurance about whether the financial statements are free from material misstatement. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The level of assurance provided in a review engagement is substantially lower than an audit engagement. We did not conduct an audit engagement, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements do not present fairly, in all material respects of the consolidated and company's financial position of the Company as at 30 June 2017, and of their financial performance and cash flows for the half-year then ended in accordance with Accounting Standards for Business Enterprises 32 "Interim Financial Reporting".

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China

11 September 2017

CHINA MINSHENG INVESTMENT CO., LTD.

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ASSETS	Notes	30 June 2017 (Unaudited)	31 December 2016
Current assets			
Cash at bank and on hand	8(1)	44,951,670,237	36,584,509,905
Financial assets at fair value through profit or loss	8(2)	34,364,048,409	36,397,929,835
Loan and receivable	8(3)	14,783,116,428	4,700,489,160
Notes receivable	8(4)	578,535,925	30,510,274
Accounts receivable	8(5)	3,097,280,778	1,950,852,583
Prepayment	8(6)	1,282,780,433	1,119,918,464
Dividends receivable	8(7)	4,790,380,142	7,073,969
Interest receivable	8(8)	473,249,288	187,615,611
Premium receivable	8(9)	3,869,097,249	2,737,599,068
Reinsurance receivables	8(10)	376,446,925	327,693,107
Reinsurance reserves	8(37)	1,163,887,390	1,183,515,750
Other receivables	8(11)	23,050,939,681	9,205,324,279
Inventories	8(12)	16,981,754,550	33,283,745,165
Assets classified as held for sale	8(13)	415,627,623	3,517,445,974
Current portion of non-current assets	8(14)	6,854,825,205	5,123,748,221
Other current assets	8(15)	1,697,526,967	2,434,548,222
Total current assets		158,731,167,230	138,792,519,587
Non-current assets			
Available-for-sale financial assets	8(16)	2,690,032,375	2,561,159,076
Long-term receivables	8(17)	25,437,967,623	16,703,720,516
Long-term equity investments	8(18)	28,634,013,464	15,148,491,736
Investment properties	8(18)	17,260,263,908	39,697,827,534
Fixed assets	8(20)	9,913,693,201	8,398,114,438
Construction in progress	8(21)	4,106,986,619	5,566,533,909
Intangible assets	8(22)	3,975,619,671	2,527,055,973
Construction materials		12,121,282	-
Biological assets		1,786,995	2,199,385
Goodwill	8(23)	7,740,453,795	4,874,427,938
Long-term prepaid expenses	8(24)	879,041,052	1,053,166,061
Deferred tax assets	8(25)	3,139,676,175	3,689,355,451
Other non-current assets	8(26)	51,291,534,522	33,455,329,853
Total non-current assets		155,083,190,682	133,677,381,870
TOTAL ASSETS		313,814,357,912	272,469,901,457

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.

CONSOLIDATED BALANCE SHEET (CONT'D)
AS AT 30 June 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	30 June 2017 (Unaudited)	31 December 2016
Current liabilities			
Short-term borrowings	8(27)	40,201,468,057	33,552,050,448
Financial liabilities at fair value through profit and loss	8(28)	586,766,563	515,380,826
Notes payable	8(29)	362,607,427	368,922,341
Accounts payable	8(30)	4,223,865,310	3,794,625,240
Advances from customers	8(31)	4,031,885,312	4,690,701,072
Employee benefits payable	8(32)	1,651,579,311	2,115,547,973
Taxes payable	8(33)	3,877,032,541	2,913,804,121
Interest payable	8(34)	1,309,641,458	868,621,435
Dividends payable	8(35)	4,767,942,675	460,673,075
Other payables	8(36)	17,559,269,955	19,279,120,352
Reinsurance payable		1,169,014,445	1,131,384,334
Insurance contract reserves	8(37)	6,393,349,938	5,590,665,583
Claims payable		156,225,529	-
Liabilities classified as held for sale	8(11)	433,536,215	178,189,394
Current portion of non-current liabilities	8(38)	30,874,250,497	5,405,846,590
Other current liabilities			
-Bonds payable	8(39)	20,506,669,881	21,676,392,668
-Others	8(39)	440,048,829	176,804,151
Total current liabilities		138,545,153,943	102,718,729,603
Non-current liabilities			
Long-term borrowings	8(40)	44,527,927,079	38,509,411,661
Long-term payables	8(41)	6,127,373,029	17,173,223,374
Deferred income		1,560,001	-
Deferred tax liabilities	8(25)	7,132,312,644	8,831,741,660
Bonds payable	8(42)	31,042,766,103	21,400,851,414
Other non-current liabilities			
-Insurance contract reserves	8(43)	7,644,778,115	7,682,795,628
-Others	8(43)	5,228,747,747	4,129,004,652
Total non-current liabilities		101,705,464,718	97,727,028,389
Total liabilities		240,250,618,661	200,445,757,992
SHAREHOLDERS' EQUITY			
Paid-in capital		39,300,000,000	38,900,000,000
Capital surplus	8(44)	1,339,987,586	1,601,663,849
Less: Treasury stock	8(45)	(800,000,000)	(400,000,000)
Other comprehensive income	8(46)	1,087,846,890	750,439,473
Surplus reserves		564,895,267	564,895,267
Retained earnings	8(47)	8,634,023,553	9,510,546,397
Total equity attributable to shareholders of the Company		50,126,753,296	50,927,544,986
Minority interest		23,436,985,955	21,096,598,479
TOTAL SHAREHOLDERS' EQUITY		73,563,739,251	72,024,143,465
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		313,814,357,912	272,469,901,457

The accompanying notes form an integral part of these financial statements.
President: Chief Finance Officer: Director of finance department:

CHINA MINSHENG INVESTMENT CO., LTD.

CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM	Notes	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Revenue	8(48)	13,195,918,088	3,331,322,038
Less: Cost of sales	8(49)	(10,710,018,057)	(2,621,276,555)
Taxes and surcharges	8(50)	(90,233,831)	(47,088,413)
Selling expenses	8(49)	(214,134,838)	(120,415,904)
General and administrative expenses	8(49)	(2,383,280,664)	(1,151,300,066)
Finance expenses - net	8(51)	(3,397,273,477)	(1,121,768,714)
Asset impairment losses	8(52)	(822,758,107)	(186,431,149)
Add: Net gains from fair value changes	8(53)	(351,190,831)	1,447,027,262
Investment income	8(54)	11,762,087,583	746,761,859
Including: Share of profit of associates and joint ventures		240,169,080	170,955,786
Operating profit		6,989,115,866	276,830,358
Add: Non-operating income	8(55)	433,238,277	424,354,154
Less: Non-operating expenses	8(56)	(32,457,219)	(20,999,385)
Total profit		7,389,896,924	680,185,127
Less: Income tax expenses	8(57)	(2,686,924,468)	(433,439,287)
Net profit		4,702,972,456	246,745,840
Net profit attributable to shareholders of the company		3,545,677,156	302,024,552
Minority interest		1,157,295,300	(55,278,712)

CHINA MINSHENG INVESTMENT CO., LTD.

CONSOLIDATED INCOME STATEMENT (CONT'D)
FOR THE HALF-YEAR ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM	Notes	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Other comprehensive income, net of tax		301,593,125	1,136,089,874
Other comprehensive income attributable to shareholders of the Company, net of tax		337,407,417	1,128,696,747
Other comprehensive income that will not be subsequently reclassified to profit and loss			
-Changes arising from remeasurement of net liability or net asset of defined benefit plans		-	4,267,025
Other comprehensive income that will be subsequently reclassified to profit and loss			
-Share of other comprehensive income of the investees accounted for using equity method which will be reclassified subsequently to profit or loss		105,737,109	(21,138,147)
-Currency translation differences		(2,974,123)	459,581,451
-Changes in fair value of available-for-sale financial assets		234,644,431	685,573,343
-Others		-	413,075
Other comprehensive income attributable to minority interest, net of tax		(35,814,292)	7,393,127
Total comprehensive income		5,004,565,581	1,382,835,714
Total comprehensive income attributable to shareholders of the Company		3,883,084,573	1,430,721,299
Total comprehensive income attributable to minority interest		1,121,481,008	(47,885,585)

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM	Notes	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Cash flows from operating activities			
Cash receipts from sales of goods and the rendering of services		8,956,205,040	2,483,554,645
Cash receipts from financial leases		4,281,478,853	1,204,912,769
Cash receipts from insurance premium		4,766,625,300	1,194,052,974
Refund of taxes and surcharges		46,224,203	19,876,560
Cash receipts from investment companies' investment income		1,788,970,503	199,583,870
Cash receipts from investment companies' disposal of investments		9,329,650,217	8,495,773,188
Cash receipts from financial leasing companies' borrowings		10,409,843,504	-
Cash receipts from operating leases		106,624,277	-
Cash receipts relating to other operating activities		4,380,844,695	2,111,214,662
Sub-total of cash inflows		44,066,466,592	15,708,968,668
Cash payments for goods purchased and services received		(8,794,238,151)	(1,597,462,507)
Cash payments for financial leases		(12,913,678,201)	(7,583,320,656)
Cash payments for insurance claims		(1,861,118,590)	(821,641,571)
Cash payments for insurance commission and brokerage fee		(894,768,491)	(403,622,489)
Cash payments to and on behalf of employees		(2,536,662,352)	(2,043,916,834)
Payments of taxes and levies		(1,544,065,557)	(1,088,460,626)
Cash payments for investment companies' purchase of financial assets		(13,894,044,213)	(10,654,099,556)
Cash repayments of financial leasing companies' borrowings		(5,421,826,690)	-
Cash payments for financial leasing companies' interest of borrowings		(277,230,167)	-
Cash payments relating to other operating activities	8(58)	(9,534,442,851)	(773,773,045)
Sub-total of cash outflows		(57,672,075,263)	(24,966,297,284)
Net cash used in operating activities		(13,605,608,671)	(9,257,328,616)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (CONT'D)
FOR THE HALF-YEAR ENDED 30 JUNE 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM	Notes	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Cash flows from investing activities			
Cash receipts from investment income		730,767,340	256,014,719
Cash receipts from disposal of investments		10,597,308,430	11,774,680,574
Net cash receipts from acquisition of subsidiaries and other business units		98,058,103	679,431,882
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		28,098,247	18,418,000
Net cash receipts from disposal of subsidiaries and other business units		9,402,083,281	790,154,846
Cash receipts relating to other investing activities		2,478,072,135	2,376,456,573
Sub-total of cash inflows		23,334,387,536	15,895,156,594
Net cash payments for investments of associates and joint ventures		(2,437,369,271)	(223,718,026)
Net cash payments for acquisition of subsidiaries and other business units		(4,908,177,281)	(13,499,858,923)
Cash payments for purchase financial assets		(12,024,208,450)	(11,938,566,260)
Cash payments to acquire fixed assets, intangible assets and other long-term assets		(1,107,559,002)	(3,483,872,288)
Cash payments relating to other investing activities		(6,039,878,640)	(2,146,276,171)
Sub-total of cash outflows		(26,517,192,644)	(31,292,291,668)
Net cash used in investing activities		(3,182,805,108)	(15,397,135,074)

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.

CONSOLIDATED CASH FLOW STATEMENT (CONT'D)
FOR THE HALF-YEAR ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM	Notes	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Cash flows from financing activities			
Cash receipts from capital contributions		703,204,930	3,581,376,470
Including: Capital contributions by minority interest of subsidiaries		676,764,930	3,581,376,470
Cash receipts from borrowings		37,189,221,910	30,996,504,390
Cash receipts form asset-backed securities issued		1,030,000,000	892,668,344
Cash receipts from bonds issued		8,166,880,166	11,607,277,083
Cash receipts from deposits pledged for financing activities		976,327,469	2,860,088,572
Cash receipts relating to other financing activities		3,657,807,736	504,200,335
Sub-total of cash inflows		51,723,442,211	50,442,115,194
Cash repayments of borrowings		(21,604,780,102)	(20,701,516,959)
Cash payments for interest		(2,576,764,590)	(1,843,721,334)
Cash payments for distribution of dividends		(261,126,680)	(1,454,730,870)
Cash repayments of asset-backed securities		(753,909,664)	-
Cash payments for deposits pledged for financing activities		(545,680,000)	(1,250,502,648)
Cash payments relating to other financing activities		(2,267,480,285)	(733,930,515)
Sub-total of cash outflows		(28,009,741,321)	(25,984,402,326)
Net cash generated from financing activities		23,713,700,890	24,457,712,868
Net effect of foreign exchange rate changes on cash and cash equivalents		(192,038,524)	10,268,504
Net increase/(decrease) in cash and cash equivalents	8(58)	6,733,248,587	(186,482,318)
Add: Cash and cash equivalents at the beginning of the period		30,495,266,135	18,988,688,574
Cash and cash equivalents at the end of the period		37,228,514,722	18,802,206,256

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE HALF- YEAR ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM (Unaudited)	Equity attributable to shareholders of the Company						Minority interest	Total shareholders' equity
	Paid-in capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserve	Retained earnings		
Balance as at 1 January 2017	38,900,000,000	1,601,663,849	(400,000,000)	750,439,473	564,895,267	9,510,546,397	21,096,598,479	72,024,143,465
Movements for the half-year ended 30 June 2017								
Total comprehensive income								
Net profit	-	-	-	-	-	3,545,677,156	1,157,295,300	4,702,972,456
Other comprehensive income	-	-	-	337,407,417	-	-	(35,814,292)	301,593,125
	-	-	-	337,407,417	-	3,545,677,156	1,121,481,008	5,004,565,581
Capital contributions and withdrawal by shareholders								
Share-based payment	-	3,085,815	(400,000,000)	-	-	-	49,138,029	(347,776,156)
Capital contributions from shareholders	400,000,000	-	-	-	-	-	-	400,000,000
Capital contributions from minority interest	-	1,178,613	-	-	-	-	226,071,387	227,250,000
Disposal of subsidiaries	-	-	-	-	-	-	(555,980,474)	(555,980,474)
Set up/Acquisition of subsidiaries	-	-	-	-	-	-	133,170,504	133,170,504
Profit distribution								
Profit distribution to shareholders	-	-	-	-	-	(4,422,200,000)	(414,119,443)	(4,836,319,443)
Transactions with minority interest	-	(298,090,573)	-	-	-	-	1,761,033,528	1,462,942,955
Others	-	32,149,882	-	-	-	-	19,592,937	51,742,819
Balance as at 30 June 2017	39,300,000,000	1,339,987,586	(800,000,000)	1,087,846,890	564,895,267	8,634,023,553	23,436,985,955	73,563,739,251

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)
FOR THE HALF-YEAR ENDED 30 JUNE 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM (Unaudited)	Equity attributable to shareholders of the Company						Minority interest	Total shareholders' equity
	Paid-in capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserve	Retained earnings		
Balance as at 1 January 2016	34,200,000,000	314,060,146	(200,000,000)	(255,500,120)	400,000,000	6,908,224,644	6,803,968,052	48,170,752,722
Movements for the half-year ended 30 June 2016								
Total comprehensive income								
Net profit	-	-	-	-	-	302,024,552	(55,278,712)	246,745,840
Other comprehensive income	-	-	-	1,128,696,747	-	-	7,393,127	1,136,089,874
	-	-	-	1,128,696,747	-	302,024,552	(47,885,585)	1,382,835,714
Capital contributions and withdrawal by shareholders								
Share-based payment	-	33,657,966	(200,000,000)	-	-	-	-	(166,342,034)
Capital contributions from shareholders	4,700,000,000	-	-	-	-	-	-	4,700,000,000
Disposal of subsidiaries	-	-	-	-	-	-	(339,130,223)	(339,130,223)
Set up/Acquisition of subsidiaries	-	-	-	-	-	-	1,637,877,152	1,637,877,152
Equity transactions with minority interest	-	2,517,537,718	-	-	-	-	7,271,396,665	9,788,934,383
Changes in capital surplus of investees under equity method	-	2,108,554	-	-	-	-	-	2,108,554
Balance as at 30 June 2016	38,900,000,000	2,867,364,384	(400,000,000)	873,196,627	400,000,000	7,210,249,196	15,326,226,061	65,177,036,268

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.

COMPANY BALANCE SHEET
AS AT 30 JUNE 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ASSETS	Notes	30 June 2017 (Unaudited)	31 December 2016
Current assets			
Cash at bank and on hand	15(1)	9,163,138,049	7,805,521,881
Financial assets at fair value through profit or loss	15(2)	624,123,511	1,852,368,046
Accounts receivable		11,265,093	16,026,843
Prepayment		6,305,500	6,305,500
Dividends receivable	15(3)	8,125,355,350	4,510,580,875
Interest receivable	15(4)	1,300,153,764	694,078,192
Other receivables	15(5)	24,569,336,589	17,439,033,583
Other current assets		-	1,863,794
Total current assets		43,799,677,856	32,325,778,714
Non-current assets			
Long-term equity investments	15(6)	75,104,573,357	70,101,412,031
Long-term receivables	15(7)	576,000,000	416,011,513
Fixed assets		19,448,066	20,374,584
Construction in progress		8,692	8,692
Long-term prepaid expenses	15(8)	348,484,202	637,299,402
Deferred tax assets	15(9)	496,557,639	721,055,010
Other non-current assets		62,998,800	-
Total non-current assets		76,608,070,756	71,896,161,232
TOTAL ASSETS		120,407,748,612	104,221,939,946

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.

COMPANY BALANCE SHEET (CONT'D)
AS AT 30 JUNE 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	30 June 2017 (Unaudited)	31 December 2016
Current liabilities			
Short-term borrowings	15(10)	25,659,942,767	18,140,000,000
Financial liabilities at fair value through profit or loss	15(11)	556,216,052	-
Accounts payable		3,841,902	407,276
Employee benefits payable	15(12)	601,590,738	651,319,960
Taxes payable	15(13)	640,453,516	14,782,788
Interest payable	15(14)	1,103,906,360	649,415,637
Dividends payable		4,330,000,000	30,000,000
Other payables	15(15)	13,258,041,442	15,820,134,783
Current portion of non-current liabilities	15(17)	554,000,000	2,000,000
Other current liabilities	15(16)	19,824,841,575	21,676,392,668
Total current liabilities		66,532,834,352	56,984,453,112
Non-current liabilities			
Long-term borrowings	15(17)	1,144,000,000	698,000,000
Bonds payable	15(18)	10,471,903,985	5,483,636,518
Total non-current liabilities		11,615,903,985	6,181,636,518
Total liabilities		78,148,738,337	63,166,089,630
SHAREHOLDERS' EQUITY			
Paid-in capital	15(19)	39,300,000,000	38,900,000,000
Capital surplus	15(20)	161,761,222	106,897,643
Surplus reserves	15(21)	564,895,267	564,895,267
Retained earnings		2,232,353,786	1,484,057,406
TOTAL SHAREHOLDERS' EQUITY		42,259,010,275	41,055,850,316
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		120,407,748,612	104,221,939,946

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.

COMPANY INCOME STATEMENT
FOR THE HALF-YEAR ENDED 30 JUNE 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM	Notes	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Revenue	15(22)	3,922,657,097	280,700,029
Less: Tax and surcharges		(7,172,524)	(11,489,767)
General and administrative expenses	15(23)	(571,189,313)	(282,150,160)
Finance expenses - net	15(24)	(880,321,549)	(485,797,255)
Asset impairment losses		(300,000,000)	-
Add: Net gains from fair value changes	15(25)	(556,216,052)	-
Investment income	15(26)	4,276,612,121	1,074,186,795
Including: Share of profit of associates and joint ventures		(31,072,457)	-
Operating profit		5,884,369,780	575,449,642
Add: Non-operating income	15(27)	207,315,300	43,388,014
Less: Non-operating expenses		(17,500,000)	(3,382,826)
Total profit		6,074,185,080	615,454,830
Less: Income tax expense	15(28)	(861,838,251)	(74,619,840)
Net profit		5,212,346,829	540,834,990
Other comprehensive income, net of tax		-	-
Total comprehensive income		5,212,346,829	540,834,990

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.

COMPANY CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM	Notes	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Cash flows from operating activities			
Cash receipts from sales of goods or rendering of services		9,168,166	6,058,384
Refund of taxes and surcharges		14,727,273	482
Cash receipts from disposal of financial assets		1,737,720,786	3,412,783,875
Cash receipts relating to other operating activities		254,030,418	160,729,370
Sub-total of cash inflows		2,015,646,643	3,579,572,111
Cash payments for goods purchased and services received		(23,405,912)	-
Cash payments to and on behalf of employees		(138,059,359)	(884,552,573)
Payments of taxes and levies		(32,215,057)	(37,634,514)
Cash payments for purchase of financial assets		(500,000,000)	(2,300,000,000)
Cash payments relating to other operating activities	15(29)	(259,200,093)	(137,529,300)
Sub-total of cash outflows		(952,880,421)	(3,359,716,387)
Net cash generated from operating activities		1,062,766,222	219,855,724
Cash flows from investing activities			
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		-	1,520,641
Cash receipts from investment income		279,092,077	-
Cash receipts from disposal equities		5,470,000,002	370,500,000
Cash receipts relating to other investing activities		99,432,471	206,439,957
Sub-total of cash inflows		5,848,524,550	578,460,598
Cash payments to increase capital in subsidiaries		(7,827,500,000)	(5,089,034,962)
Cash payments to acquire fixed assets, intangible assets and other long-term assets		(73,361,585)	(16,836,728)
Cash payments relating to other investing activities		(5,807,137,360)	(8,327,848,840)
Sub-total of cash outflows		(13,707,998,945)	(13,433,720,530)
Net cash used in investing activities		(7,859,474,395)	(12,855,259,932)

The accompanying notes form an integral part of these financial statements.

COMPANY CASH FLOW SATEMENT (CONT'D)
FOR THE HALF-YEAR ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM	Notes	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Cash flows from financing activities			
Cash receipts from capital contributions		400,000,000	200,000,000
Cash receipts from borrowings		22,301,846,000	18,100,000,000
Cash receipts from bond issued		5,483,016,000	10,954,250,000
Sub-total of cash inflows		28,184,862,000	29,254,250,000
Cash repayments of borrowings		(16,077,000,000)	(9,845,000,000)
Cash payments for distribution of dividends		(200,000,000)	(1,430,000,000)
Cash payments for interest		(1,063,620,060)	(489,983,454)
Cash payments for deposits pledged for financing activities		-	(891,074,865)
Cash payments relating to other financing activities		(2,739,744,897)	(2,733,291,433)
Sub-total of cash outflows		(20,080,364,957)	(15,389,349,752)
Net cash generated from financing activities		8,104,497,043	13,864,900,248
Net effect of foreign exchange rate changes on cash and cash equivalents		(10,172,702)	264
Net increase in cash and cash equivalents	15(29)	1,297,616,168	1,229,496,304
Add: Cash and cash equivalents at the beginning of the period		6,707,118,316	1,367,017,790
Cash and cash equivalents at the end of the period		8,004,734,484	2,596,514,094

The accompanying notes form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM (Unaudited)	Notes	Paid-in capital	Capital surplus	Surplus reserve	Retained earnings	Total shareholders' equity
Balance as at 1 January 2017		38,900,000,000	106,897,643	564,895,267	1,484,057,406	41,055,850,316
Movements for the half-year ended 30 June 2017						
Total comprehensive income						
Net profit		-	-	-	5,212,346,829	5,212,346,829
		-	-	-	5,212,346,829	5,212,346,829
Capital contributions and withdrawal by shareholders						
Capital contributions by shareholders		400,000,000	-	-	-	400,000,000
Share-based payment		-	29,435,490	-	-	29,435,490
Profit distribution						
Distribution to shareholders		-	-	-	(4,500,000,000)	(4,500,000,000)
Adjustments from long-term equity investments	15(6)	-	-	-	35,949,551	35,949,551
Business combination under common control	15(20)	-	25,428,089	-	-	25,428,089
Balance as at 30 June 2017		39,300,000,000	161,761,222	564,895,267	2,232,353,786	42,259,010,275

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)
FOR THE HALF-YEAR ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM (Unaudited)	Paid-in capital	Capital surplus	Surplus reserve	Retained earnings	Total shareholders' equity
Balance as at 1 January 2016	34,200,000,000	46,354,864	400,000,000	(1,760,625,134)	32,885,729,730
Movements for the half-year ended 30 June 2016					
Total comprehensive income					
Net profit	-	-	-	540,834,990	540,834,990
	-	-	-	540,834,990	540,834,990
Capital contributions and withdrawal by shareholders					
Capital contributions from shareholders	4,700,000,000	-	-	-	4,700,000,000
Share-based payment	-	30,840,648	-	-	30,840,648
Balance as at 30 June 2016	38,900,000,000	77,195,512	400,000,000	(1,219,790,144)	38,157,405,368

The accompanying notes form an integral part of these financial statements.

1 General information

China Minsheng Investment Co., Ltd. ("the Company") is a limited liability company incorporated in Shanghai, the People's Republic of China on 9 May 2014. The registered capital is RMB 50 billion. As at 30 June 2017, the Company's paid-in capital is RMB 39.3 billion (31 December 2016: RMB 38.9 billion).

The approved business scope of the Company and its subsidiaries (together "the Group") includes equity investment, equity investment management, business consulting, financial consulting, industrial investment, asset management, investment consulting, finance leases, property insurance and reinsurance, real estate development, property lease, property management, business flight, jet charter, architecture industrialisation, new energy, health care, medical services and other approved services.

Details of major subsidiaries which are included in the interim financial statements are disclosed in Note 5.

The interim financial statements were authorised for issuance by the Company's management on 11 September 2017.

2 Basis of preparation

The interim financial statements are prepared in accordance with the *Accounting Standard for Business Enterprises - Basic Standard*, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as "the Accounting Standard for Business Enterprises" or "CAS"). The interim financial statements is presented and disclosed in accordance with the *Accounting Standards for Business Enterprises No. 32 - Interim Financial Statements.* The interim financial statements shall be read together with the financial statements for the year ended 31 December 2016 of the Group.

The financial statements are prepared on a going concern basis.

3 Summary of significant accounting policies and accounting estimates

(1) Statement of compliance with Accounting Standard for Business Enterprises

The interim financial statements are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and company's financial positions as of 30 June 2017 and the consolidated and company's financial performances, cash flows and other information for the half-year ended 30 June 2017.

(2) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December. The actual preparation period of the interim financial statements is from 1 January 2017 to 30 June 2017.

Except for real estate business, the operating cycle of other business is short, therefore within twelve-month is classification benchmark for current asset and current liability. The operating cycle of real estate business is normally more than twelve months from property development to property sales depending on development projects therefore within the operating cycle is the classification benchmark for current asset and current liability.

(3) Functional currency and presentation currency

The functional currency of the Company and the Group's subsidiaries in Mainland China is Renminbi (RMB). The functional currency of the Group's overseas subsidiaries is currency of primary economic environment in which they operate. The presentation currency of this financial statements is Renminbi (RMB).

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(4) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash and cash equivalents is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated into RMB using the spot exchange rate at the balance sheet date. Other than 'retained earnings', items under 'shareholders' equity' are translated into RMB using the spot exchange rates on the transaction dates. The income and expense items included in the income statements of overseas operations are translated using the spot exchange rates or average exchange rate which is a reasonable approximation on the transaction dates. The differences arising from the above translation are presented separately in other comprehensive income. The cash flows of overseas operations are translated into RMB using the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash and cash equivalents is presented separately in the cash flow statement.

(5) Cash and cash equivalents

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

(6) Financial instruments

The term "financial instruments" refers to the contracts under which the financial assets of an enterprise are formed and the financial liability or equity instruments of any other entity are formed.

Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets is determined based on the Group's intention and ability to hold the financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of selling in the near term; (2) being part of a portfolio of identified financial instruments which the Group manages together and there is objective evidence that the Group manages the portfolio for short-term profit-taking recently; or (3) a derivative but is not designated as an effective hedging instrument, a financial guarantee contract, or linked to an equity instrument type of investments which is not quoted in an active market and its fair value cannot be reliably measured, and its settlement requires the delivery of such equity instrument.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(6) Financial instrument (Cont'd)

Classifications of financial assets (Cont'd)

(a) Financial assets at fair value through profit or loss (Cont'd)

Equity, debt security, asset management products, bank wealth management products and trusts hold by the Group are designated at fair value through profit or loss at inception if these financial assets' risk and performance are evaluated and reported to management and the Board of Directors on a fair value basis in accordance with the Group's documented investment strategy. These financial assets at fair value through profit or loss that the Group expect to hold for more than one year after the reporting period are included in other non-current assets.

(b) Receivables

Receivables, including loan and receivable, accounts receivable and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the balance sheet if management intends to dispose of them within 12 months after the balance sheet date.

(d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that management has the positive intention and ability to hold to maturity. Held-to-maturity investments with maturities over 12 months when the investments were made but are due within 12 months at the balance sheet date are included in the current portion of non-current assets; held-to maturity investments with maturities no more than 12 months when the investments were made are included in other current assets.

Recognition and measurement of financial assets

A financial asset is recognised on the balance sheet at its fair value when the Group becomes a party to the contractual agreement of a financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initially recognised amounts.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains or losses arising from change in the fair value of financial assets at fair value through profit or loss are recognised in current period's profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(6) Financial instrument (Cont'd)

Recognition and measurement of financial assets (Cont'd)

Gains or losses arising from change in fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from translation of monetary financial assets. When such financial assets are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are recycled into profit or loss for the current period. Interest from available-for-sale debt instruments are calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the investee on available-for-sale equity instruments are recognised as investment income in the profit or loss for the current period.

Impairment of financial assets

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

If there is objective evidence that an impairment loss on available-for-sale financial assets incurred, the cumulative losses arising from the decline in fair value that had been recognised in other comprehensive income are transferred out from equity and charged into the income statement. For a debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the previously recognised impairment loss is reversed into profit or loss for the current period. For an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised in other comprehensive income.

If an impairment loss incurred on available-for-sale financial assets measured at cost, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The impairment loss is not allowed to be reversed when the value is recovered in a subsequent period.

Derecognition of financial assets

The Group derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

When such financial assets are derecognised, the differences between the carrying amount and the sum of the consideration received and any cumulative gain or loss which has been previously recognised in other comprehensive income (related with available-for-sale financial assets) are recognised in profit or loss of the current period.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(6) Financial instrument (Cont'd)

Classification and measurement of financial liabilities

Financial liabilities of the Group are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The classification of financial liabilities is determined by the Group at initial recognition. In the case of financial liabilities at fair value through profit or loss, the related transaction costs incurred are recognised in profit or loss for the current period. For other financial liabilities, the related transaction costs are included in their initially recognised amounts.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated at fair value through profit or loss at inception. A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) it has been assumed principally for the purpose of repurchasing in the near term; (2) being part of a portfolio of identified financial instruments which the Group manages together and there is objective evidence that the Group manages the portfolio for short-term profit-taking recently; or (3) a derivative but is not designated as an effective hedging instrument, a financial guarantee contract, or linked to an equity instrument type of investments which is not quoted in an active market and its fair value cannot be reliably measured, and its settlement requires the delivery of such equity instrument.

The portion of consolidated structured entities that are not held by the Group are designated as financial liabilities at fair value through profit or loss, as these structured entities' risk and performance are evaluated and reported to management and the Board of Directors on a fair value basis in accordance with the structured entities' documented investment strategy. These financial liabilities at fair value through profit or loss maturing more than one year after the reporting period are included in other non-current liabilities.

(b) Other financial liabilities

Other financial liabilities are measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the current obligation is discharged.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(6) Financial instrument (Cont'd)

Derivative and embedded derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. Gains or losses arising from change in the fair value of derivative instruments of the Group at fair value through profit or loss are recognised in current period's profit or loss.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that all or some of the cash flows of the hybrid instrument vary in a way similar to a stand-alone derivatives. An embedded derivative, related to a hybrid instrument that is not designated as financial asset or financial liability at fair value through profit or loss, shall be separated from the host contract and accounted for as a separate derivative if, and only if:

- The economic characteristics and risks are not closely related to those of the related host contract
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative

The Group will designate the hybrid financial instruments as financial assets or liabilities at fair value through profit or loss when they can't be separately measured initially or subsequently.

Convertible bonds

Convertible bonds comprise of the liability and equity components, which is classified by the Group at initial recognition. The liability component is classified as liability and initially recognised at the fair value, calculated using the market interest rate of a similar liability that does not have an equity conversion option, and subsequently measured at amortised cost using the effective interest method. The equity component is initially recognised as the difference between the proceeds received from the convertible bonds as a whole and the amount of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds.

On conversion of the bonds into shares, the amount transferred to 'Share capital' is calculated as the par value of the shares multiplied by the number of shares converted. The difference between the carrying value of the related component of the converted bonds and the amount transferred to 'Share capital' is recognised in 'Capital surplus'.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market prices for assets and liabilities. For financial instruments where there is no active market, the fair value is determined by using valuation techniques. When a valuation technique is used to establish the fair value of a financial instrument, the Group chooses the inputs of the assets and liabilities with the same attributes in related transactions between knowledgeable and willing parties, and maximises the use of relevant observable inputs when available, including market interest rate, foreign exchange rate, share price or share price index. Under the situation where there are no observable inputs available or impractical to be obtained, unobservable inputs will be used.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(7) Receivables

Receivables comprise loan and receivable, accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

Receivables with amounts that are individually significant are subject to individual assessment for impairment. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made at the difference between its carrying amount and the present value of its estimated future cash flows.

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

When the Group transfers the accounts receivable to the financial institutions without recourse, the difference between the proceeds received from the transaction and their carrying amounts and the related taxes is recognised in profit or loss for the current period.

(8) Inventories

(a) Classification

Inventories include raw materials, work in progress, finished goods, turnover materials, land held for development, properties under development, and completed properties held for sale. They are measured at the lower of cost and net realisable value. Land held for development represents land obtained for property development and sale subsequently. Properties under development represents properties under development and for sale subsequently.

(b) Valuation

Inventories are recorded at their cost on acquisition. Land use right which is either purchased or acquired by paying land use right granting fee is included in land held for development, separately listed under inventories. It is then transferred to properties under development in full during the construction stage. After construction is completed, the properties under development are transferred to completed properties held for sale.

Development cost of properties comprise cost of land use rights, construction costs, borrowing costs eligible for capitalisation incurred during the construction period and other direct or indirect development cost.

Cost of properties sold is determined on the construction area-proportion basis according to the actual total cost of each project.

(c) Method for determining the cost

Cost is determined using the weighted average method. The cost of finished goods and work in progress comprise raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Inventories (Cont'd)

(d) Basis for determining net realisable values of inventories and method for making provision for decline in the value of inventories

If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes.

(e) The Group adopts the perpetual inventory system.

(f) Amortisation methods of low value consumables and packaging materials

Turnover materials include low value consumables and packaging materials. Low value consumables are amortised into expenses based upon numbers of usage, and the packaging materials are expensed when issued.

(9) Finance lease receivable and unearned finance income

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the Group recognises the minimum lease payments receivable by the Group, the initial direct costs and the unguaranteed residual value in the finance lease receivable. The difference between (a) the aggregate of the minimum lease payments and the unguaranteed residual value and (b) the aggregate of their present values is recognised as unearned finance income. Finance lease receivable net of unearned finance income which represents the Group's net investment in the finance lease is presented as long-term receivables. Unearned finance income is allocated over the lease term based on a pattern reflecting a constant periodic return on the Group's net investment in the finance lease.

Finance lease receivable is derecognised when the rights to receive cash flows from finance lease receivable have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(10) Long-term equity investments

Long-term equity investments comprise investments in its subsidiaries, joint ventures and associates.

(a) Subsidiaries

Subsidiaries are the investees over which the Company is able to exercise control. Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements.

Investment in subsidiary is measured at initial investment cost, cash dividend or profit distribution declared is recognised in the profit or loss of the current period.

(b) Joint ventures and associates

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangements having rights to the net assets of the arrangements. Associates are the investees that the Group has significant influence on their financial and operating decisions.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(10) Long-term equity investments (Cont'd)

(b) Joint ventures and associates (Cont'd)

The joint ventures and associates that are held by the Group, managed on fair value basis, evaluated and reported to the key management are designated as financial assets at fair value through profit or loss at initial recognition. Other investments in joint ventures and associates are accounted for using the equity method. Where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

Under the equity method of accounting, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in shareholders' equity of the investee other than those arising from its net profit or loss, other comprehensive income and profit distribution, the Group records its proportionate share directly into capital surplus and adjusts the carrying amount. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gain or losses are recognised. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

Refer to Note 3(18) for impairment test and measurement for long-term equity investments

(11) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing and buildings that is being constructed or developed for future use for leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

The Group adopts the fair value model for subsequent measurement of investment properties. Buildings and land use rights are not depreciated or amortised. The investment properties are revaluated on each balance sheet date, difference between the fair value and the carrying amount is included in the profit or loss of the current period.

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible asset at the date of the transfer. The fair value of such investment property as at the transfer date is deemed as the cost of the fixed asset or intangible asset. The difference between fair value and carrying amount of the investment property is recognised in profit or loss. When an owner-occupied property is used for earning rental income or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at the date of the transfer at its fair value. If the fair value of the investment property is less than the carrying amount of the fixed asset or intangible asset, the differences are recognised in profit or loss for the current period. If the fair value of the investment property is more than the carrying amount of the fixed asset or intangible asset, the differences are recognised in other comprehensive income.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(12) Fixed assets

Fixed assets comprise buildings, machinery and equipment, motor vehicles, computers and electronic equipment and office equipment. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	5 - 50 years	0% - 10%	1.80% - 20.00%
Machinery and equipment	5 - 25 years	0% - 15%	3.40% - 20.00%
Motor vehicles	4 - 10 years	0% - 5%	9.50% - 25.00%
Computer and electronic equipment	3 years	-	33.33%
Office equipment	3 - 7 years	0% - 10%	12.86% - 33.33%

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(13) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

(14) Goodwill

Goodwill is recognised at the excess of the cost of a business combination involving enterprises not under common control over the interest in the fair value of the acquirees' identifiable net assets acquired in the business combination as at the acquisition date. Refer to Note 3(18) for goodwill impairment.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(15) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for pilots' introduction and development, improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(16) Intangible assets

Intangible assets, when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured, are recognised and measured initially at cost. Identifiable intangible assets, acquired in a business combination and whose fair value can be reliably measured, are separately recognised and measured at fair value.

The useful lives of intangible assets are determined based on the terms in which intangible assets can bring economic benefits to the Group. An intangible asset should be regarded as having an indefinite useful life if there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The estimated useful lives of intangible assets with finite life are set as below:

	Estimated useful lives
Land use rights	50 - 70 years
Computer software	3 - 10 years
Licenses with expected useful lives	10 years
Trademark	7 - 8 years
Customer relationships	5 - 25 years
Patent technology	4 - 10 years

Intangible assets with indefinite useful life include licenses with indefinite useful life, trademarks and Lloyd's Capacity.

Intangible assets with finite life are subsequently amortised on the straight-line basis over the useful economic life. Intangible assets with indefinite useful lives are not amortised. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed and adjusted when necessary by the Group at least at each financial year end.

Refer to Note 3(18) for impairment test and measurement of intangible assets.

(17) Development expenditure

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(17) Development expenditure (Cont'd)

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset, and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(18) Impairment of assets

Impairment of long-term assets other than deferred tax assets and financial assets are as follows:

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. Goodwill from a business combination and intangible assets with indefinite useful lives are tested for impairment at least on an annual basis, no matter whether there is any indication exists. Intangible assets that are not yet available for their intended use are tested for impairment on an annual basis.

The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The recoverable amount is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the one that is able to generate cash inflows that are independent from those of other assets or groups of assets.

In conducting the test, the carrying value of goodwill that is separately presented in the financial statements is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Where the recoverable amount of an asset or an asset group is lower than its carrying amount, the asset is considered to written down to its recoverable amount. A provision for impairment and an impairment loss are recognised in profit or loss in the current period at the amount by which the asset's carrying amount exceeds its recoverable amount.

Once the above asset impairment loss is recognised, it will not be reversed in the subsequent periods.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(19) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of fixed assets, inventories and investment properties that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

(20) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently stated at amortised cost using the effective interest method. Borrowings of which the period is within one year (inclusive) are classified as the short-term borrowings, and the others are classified as long-term borrowings.

(21) Employee benefits

Employee benefits refers to all forms of consideration given by the Group in exchange for service rendered by employees or for the termination of employment, including short-term employee benefits, post-employment benefits, etc.

(a) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences. The employee benefits are recognised in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable. Non-monetary benefits are measured at their fair value.

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and Defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include basic pensions and unemployment insurance, both of which belong to the defined contribution plans.

Basic pensions

Employees of the Group participate in the defined basic pension insurance plan set up and administered by local labour and social protection authorities. Basic pensions are provided for monthly according to stipulated bases and proportions to local labour and social security institutions. When employees retired, local labour and social security institutions have a duty to pay the basic pension insurance to them. The amounts payable are recognised as liabilities based on the above provisions in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(22) Share-based payment

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is recognised, together with a corresponding increase in capital surplus in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The repurchase obligation of restricted shares are accounted for as liabilities and treasury stocks if the vesting condition are not met under terms of incentive scheme.

(23) Repurchase payable

Sale for repurchase is a business that the Group sell specific assets at certain price and repurchase such assets at mature date with the predetermined price under the contract or agreement, to get the fund from the counterparty. Repurchase payable are recorded at the actual amount from sale of assets, the difference between the proceeds and payables is measured using the effective interest over the repurchase period and recognised in finance expenses.

(24) Provisions

Provisions for product warranties, onerous contracts etc. are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(25) Treasury Stock

The Shares of the Company held by the Group are presented as treasury stock. The repurchase obligation of restricted shares are presented as treasury stock if the vesting conditions are not met under terms of incentive plan.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(26) Insurance Contract

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts are classified as direct insurance contracts and reinsurance contracts. The significance of insurance risk as determined by the Group is mainly dependent on the magnitude of its potential effect.

(a) Unbundle of insurance contract

Some insurance and reinsurance contracts contain both an insurance component and other non-insurance component. The Group chooses to unbundle those components, if the insurance component and the non-insurance component are distinct and separately measurable. The unbundled insurance component is accounted for as insurance contract, and the unbundled non-insurance component is accounted for as investment contract or service contract. If the insurance component and non-insurance component are not distinct and separately measurable, the Group will perform significant insurance risk testing. The whole contract is accounted for as an insurance contract if the contract transfers significant insurance risk, otherwise the whole contract is accounted for as an investment contract or service contract.

(b) Revenue from insurance contract

Revenue is recognised for insurance or reinsurance contract that transfers significant insurance risk when: (i) the insurance contracts are issued and related insurance risk is undertaken by the Group; (ii) it is probable that related economic benefits will flow to the Group; and (iii) related income can be reliably measured.

Premium income in respect of insurance contracts are recognised as revenue when the insurance risk is undertaken and the amount is determined. Premiums income in respect of reinsurance contracts include an estimate for written premiums of the current period and adjustments to estimates of premiums written in previous years at period end.

(c) Reinsurance

The Group undertakes inward and outward reinsurance in the normal course of operations.

(i) Inward reinsurance business

Refer to Note 3(26)(b) for revenue recognition of inward reinsurance business. During the period of recognizing reinsurance premium income, the Group determines reinsurance expenses according to the reinsurance contracts and recognizes the expenses through profit or loss.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(26) Revenue from and cost of insurance contract (Cont'd)

(c) Reinsurance (Cont'd)

(ii) Outward reinsurance business

Outward reinsurance arrangements do not relieve the Group from its obligations to primary insurance contract. When recognizing premium income from primary insurance contracts, the Group calculates to determine the amount of premium ceded and reinsurers' share of expenses and recognize them through profit or loss according to reinsurance contracts. When calculating unearned premium reserves, claim reserves of primary insurance contracts, the Group estimates the reinsurance related cash flows according to the reinsurance contracts, considers the risk margin when determining the amount of insurance contract reserves to be recovered from reinsurers, and recognizes reinsurers' share of insurance contract liabilities. When primary insurance contract liabilities are reduced for actual payment of claims and claim expenses, reinsurers' share of primary insurance contract liabilities are reduced accordingly. In the meantime, the Group calculates to determine the amount of claim expenses to be recovered from the reinsurers according to the reinsurance contracts and recognizes the amount through profit or loss.

As a cedent, the Group presents in the statement of financial position the assets arising from outward reinsurance business and the liabilities arising from primary insurance contracts separately instead of offsetting the assets and liabilities. The Group also presents in the statement of income the income including loss and commission recovered derived from outward reinsurance contracts and the loss and commission incurred for primary insurance contracts separately instead of offsetting the income and expenses.

(27) Insurance contract liabilities

The insurance contract liabilities of the Group include unearned premium reserves and claim reserves.

(a) Principles

(i) Measurement unit

When measuring insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of similar nature as a measurement unit. Insurance contract liabilities are measured based on a reasonable estimate of amount of payments when the Group fulfils the relevant obligations under the insurance contracts.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(27) Insurance contract liabilities (Cont'd)

(a) Principles (Cont'd)

(ii) Expected future cash flows

The amount of payment when the Group fulfils the relevant obligations under the insurance contracts is the difference between expected future cash outflows and inflows under such contracts, i.e., the expected future net cash outflows. Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfill the obligations under the insurance contracts and mainly include: (i) Guaranteed benefits under the insurance contracts, including claims, etc; (ii) Non-guaranteed benefits under the insurance contracts arising from constructive obligations; (iii) Reasonable expenses necessary for policy administration and claims handling, including policy maintenance expenses, claim expenses, etc. Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges. A reasonable estimate of expected future net cash flows is determined based on information currently available as at the end of the reporting period.

(iii) Margin

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the income statement over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin.

Risk margin represents provision for the uncertainty associated with the future net cash flows.

At inception of an insurance contract, any ‘day-one’ gain is not recognised in the income statement, but included in the insurance contract liabilities as a residual margin. The residual margin is calculated net of certain acquisition costs, mainly consisting of commission expenses on insurance operations. The Group amortizes the residual margin which is embedded in the unearned premium reserves on a time basis during the whole insurance coverage period and records it in profit or loss. At inception of an insurance contract, any ‘day-one’ loss is recognised in the income statement.

(iv) Time value

When measuring insurance contract liabilities, the time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. The discount rates used in the measurement of time value of money is determined with reference to information currently available as at the end of the reporting period.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(27) Insurance contract liabilities (Cont'd)

(b) Unearned premium reserves

The unearned premium reserves are provided for unexpired insurance obligations of property and casualty and short term life insurance contracts.

Unearned premium reserves are measured using the unearned premium approach. At inception of the insurance contracts, unearned premium reserves are measured based on written premiums, with deductions of acquisition cost mainly consisting of commissions. Subsequent to initial recognition, unearned premium reserves are measured on a 1/365 basis.

(c) Claim reserves

Claim reserves are insurance contract liabilities provided for insurance claims of the property and casualty and short term life insurance contracts. Claim reserves include incurred and reported reserves, incurred but not reported ('IBNR') reserves and claim expense reserves.

Incurred and reported reserves are measured at amounts not higher than the sum insured of the insurance contracts, using the case-by-case estimate method and average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

IBNR are measured according to the nature and distribution of insurance risks, claims development, experience data, etc., using the chain ladder method, the Bornhuetter-Ferguson method, the loss ratio method and the average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

Claim expense reserves are measured based on a reasonable estimate of ultimate necessary claim expenses in the future by using the case-by-case estimate method and ratio allocation method as well as margins.

(d) Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed on the unearned premium reserves and claim reserves. If the insurance contract liabilities re-calculated with the insurance actuarial methods exceeds their carrying amounts on date of the liability adequacy test, an additional provision is made for the respective insurance contract liabilities based on the difference and charged in the statement of income. Otherwise, no adjustment is made for the respective insurance contract liabilities.

(28) Financial guarantee contract

The financial guarantee contracts provided by the financial guarantee companies in the Group are accounted for using insurance contract accounting policies.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(29) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(30) Revenue recognition

For preparation of the financial statements, investment income and fair value changes from financial assets that are held or disposed by investment companies within the Group are presented as revenue, while other investment income and fair value changes are presented separately in the income statement. As an investment holding company, dividend income from subsidiaries is presented as revenue in the Company's income statement.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

(a) Refer to Note 3(6) for the recognition and measurement of investment income and fair value changes from financial assets that are held or disposed.

(b) Refer to Note 3(26) for the recognition and measurement of revenue from insurance contract.

(c) Other revenue

(i) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer (for example, the Group has delivered products to the location where the buyer operates and the buyer has confirmed the acceptance of the products.). Value added tax or other goods turnover tax are excluded from revenue which is net of commercial discount.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(30) Revenue recognition (Cont'd)

(c) Other revenue (Cont'd)

(ii) Rending of services

The Group provides business aircraft management, air charter, property management, insurance brokerage, staff outsource consulting service, etc. Revenue is recognised in the current period when the services are provided according to the contract terms.

(iii) Sales of properties

Revenue from sales of goods is recognised when (1) the primary risks and rewards of ownership of the goods are transferred to the purchasers; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) revenue and the associated costs incurred or to be incurred can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group.

Revenue from sales of properties is recognised when (1) the properties are completed and passed the acknowledgement tests; (2) sale contracts are signed; (3) the properties has been transferred to the purchasers; (4) all the conditions of recognition of revenue from sales of goods above are met.

Receipts from selling properties in advance of recognising revenue is presented as advances from customer in the balance sheet.

(iv) Operating lease of properties

Operating lease revenue of investment properties is recognised using the straight-line method over lease period. Operating lease period is lessee's irrevocable properties lease period in accordance with contract. During such period, lessee has the right to decide whether to pay to extend lease period at starting stage of lease, which is reasonable to determine whether lessee will renew the lease.

(v) Revenue from construction of intelligent network infrastructure

When the profit of construction contract can be reliably estimated, revenue and cost of the contract are recognised separately during the contract period. The revenue and cost in corresponding period are determined by using percentage-of-completion method. When the profit of construction contract can't be reliably estimate, revenue of the contract is determined to the extent of the incurred cost that will be recovered in the future.

(vi) Revenue from hotel management service

Revenue from hotel management service comes from hotel room rent provided by hotel and relative restaurant service. Revenue is recognised when the service is provided or the goods are sold.

(vii) Revenue from medical service

The Group provide clients with clinic and inpatient medical services, of which the revenue is recognised when corresponding service is provided.

(viii) Revenue from power

Revenue from power refers to the electricity fees net of tax derived from sales of power. Revenue from power is recognised when the power is sold to customers.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(30) Revenue recognition(Cont'd)

(c) Other revenue (Cont'd)

(ix) Transfer of asset use rights

Interest income is recognised on a time-proportion basis using the effective interest method.

Income from an operating lease is recognised on a straight-line basis over the period of the lease.

Interest income from a finance lease is recognised in each period over the entire period using the effective interest method.

(x) Dividend income

Dividend income is recognised when the right to receive dividend payment is established.

(31) Government Grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy and etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets will be recorded as deferred income and recognised evenly in profit or loss over the useful lives of the related assets. However, the government grants measured at their nominal amounts will be directly recorded in profit and loss for the current period.

Government grants related to income will be recorded as deferred income and recognised in profit or loss in the period in which the related expenses are recognised if the grants are intended to compensate for future expenses or losses, and otherwise recognised in profit or loss for the current period if the grants are used to compensate for expenses or losses that have been incurred.

(32) Leases

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. A lease is an operating lease other than a finance lease.

(a) Operating leases

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

(b) Finance leases

The leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge and is amortised using the effective interest method over the period of the lease. A long-term payable is recorded at the amount equal to the minimum lease payments less the unrecognised finance charge.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(33) Profit distribution

Cash dividend of non-restricted shares is recognised as a liability when approved by the shareholders' meeting.

The Group estimates, the number of awarded shares that are expected to vest under the incentive schemes, and accounted for the cash dividend of restricted shares as follows. Revocable cash dividend of restricted shares that are expected to vest is recognised as dividend payable meanwhile the treasury stock is reduced, while revocable cash dividend of restricted share that are not expected to vest is not accounted for as profit distribution. Irrevocable cash dividend of restricted shares that are expected to vest is recognised as dividend payable, while irrevocable cash dividend of restricted shares that are not expected to vest is charged as an expense of the current period.

(34) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(35) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangements.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(35) Preparation of consolidated financial statements (Cont'd)

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' equity and the portion of a subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to the Company are recognised as minority interest and presented separately in the consolidated financial statements under equity, net profits and total comprehensive income respectively. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to shareholders of the parent. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to shareholders of the parent and minority interest in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to shareholders of the parent and minority interests in accordance with the allocation proportion of the parent in the subsidiary.

When the Group disposes minority interest which does not results in loss of control, the difference between fair value of the consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary from the acquisition combination date is treated as an adjustment to capital surplus. If the capital surplus is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

The Group will not record any additional goodwill to reflect its subsequent purchases of additional shares in subsidiary if there is no change in control. The difference between the amount by which the minority interest is decreased and the fair value of the consideration paid is recognised in equity and attributed to the shareholders of the Company. If the capital surplus (Capital premium or stock premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

If the Group, as a reporting entity, and the Company or subsidiaries, as separate reporting entities, have different views on the accounting treatment of the same transaction, the transaction should be adjusted and accounted for based on the Group's perspective.

Where the Company loses its control on subsidiaries due to disposing its partial equity investment or other reasons, the accounting treatments in consolidated financial statements and company financial statements are as bellows: (i) In the consolidated financial statements, the remaining equity investment is remeasured at its fair value as at the disposal date. The difference between the total amount of consideration that will be received and the fair value of the remaining equity investment, and the share percentage before disposal of the carrying value of subsidiary's net assets since acquisition, is accounted for as investment profit or loss in the period. The cumulative gains or losses previously recognized in other comprehensive income in relation to the former subsidiaries are also recycled into investment profit or loss. (ii) In the parent company financial statements, where the Company still has joint control with other parties or has significant influence on the subsidiary, the remaining equity investment is accounted for using equity method as if the equity is invested since acquisition date; otherwise the remaining equity investment is accounted for by following accounting policies of financial instruments, and the difference between the consideration that will be received and the carrying value is recognized as investment income profit or loss in the period.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(36) Held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale when all of the following conditions are satisfied: (1) the non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such non-current asset or disposal group; (2) the Group has made a resolution and obtained appropriate approval for disposal of the non-current asset or the disposal group; (3) the Group has signed an irrevocable transfer agreement with the transferee; and (4) the transfer is to be completed within one year.

Non-current assets (except for financial assets, investment properties measured at fair value and deferred tax assets) that meet the recognition criteria for held for sale are recognised at the amount equal to the lower of the fair value less costs to sell and the carrying amount. Any excess of the original carrying amount over the fair value less the costs to sell is recognised as asset impairment losses.

Such non-current assets and assets and liabilities included in disposal groups classified as held for sale are classified as current assets and current liabilities respectively, and are separately presented in the balance sheet.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and is separately identifiable operationally and for financial reporting purposes, and satisfies one of the following conditions: (1) represents a separate major line of business or geographical area of operations; (2) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; and (3) is a subsidiary acquired exclusively with a view to resale.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(37) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system. The reportable segments are determined and disclose based on operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

(38) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(a) Determination of fair value of financial instruments

The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique that is appropriate under the current circumstances and that there are sufficient observable market data and other information available. Common valuation techniques mainly are market approach and income approach, including references to prices used in the recent market transactions between knowledgeable and willing parties, current fair value for similar instruments, discounted cash flow analysis, and option pricing model etc.

When a valuation technique is used to establish the fair value of a financial instrument, the Group chooses the inputs of the assets and liabilities with the same attributes in related transactions between knowledgeable and willing parties, and maximises the use of relevant observable inputs when available, including market interest rate, foreign exchange rate, share price or share price index. Under the situation where there are no observable inputs available or impractical to be obtained, unobservable inputs will be used. For example, the estimation by taking into account of factors such as its counterparty and its own credit risk, market volatility, liquidity adjustments, etc.

Using different valuation techniques or inputs may result in a material difference in the estimated fair value.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(38) Critical accounting estimates and judgements (Cont'd)

(b) Classification and fair value of investment property

For the land use right corresponding to buildings include residential, commercial and office buildings, the Group classifies the portion for commercial and office buildings which held for leasing purpose into investment properties. The corresponding cost is estimated on proportion of fair value at the purchase date on total cost of land use right. If the actual situation goes different, the result will have significant differences.

For investment properties, the Group commissions external valuers to assess fair value. Valuation methods include rental income model and comparable market method. Input values include rent growth rate, capitalisation rate and unit price, etc. Using different valuation techniques or inputs may result in a material difference in the estimated fair value.

(c) Accounting estimates on impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of the asset groups with goodwill and combination of such asset groups is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates.

If management revises the gross margin that is used in the calculation of the future cash flows of such asset groups and combination of asset groups, and the revised gross margin is lower than the one currently used, the Group would need to recognise further impairment against goodwill.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognise further impairment against goodwill.

(d) Impairment of loan and receivable

At the balance sheet date, the Group assesses whether there is any indication that expected future cash flows from loan and receivable decrease so as to determine whether a provision for impairment should be recorded. The indication that expected future cash flows decrease includes adverse change of borrower's solvency, national and regional economic trends and conditions, etc. The management regularly review the methods and assumptions used to estimate future cash flows so as to minimise the difference between expected loss and actual loss.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(38) Critical accounting estimates and judgements (Cont'd)

(e) Income taxes

The Group is subject to income taxes under various jurisdictions. During the ordinary course of business, there are often uncertainties in the final tax treatment for many transactions and matters. Significant judgement is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) Judgement on whether the Group controls the structured entity

In determining if the Group has control over a structured entity, it requires that management make an overall assessment and conclude whether the Group is the principal or it is acting as an agent of another party based on all facts and circumstances. If the Group is the principal, and has the ability to affect those returns through its power over the entity, then it has control over the structured entity. In determining whether the Group is the principal, the factors that are to be considered include asset managers' decision-making scope over the structured entity, the actual rights enjoyed by other party, risk exposure to variable returns due to remuneration and having other rights to receive income from the structured entity. The Group will re-assess if there is a change to the relevant facts and circumstances which leads to a change to any of these factors.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(38) Critical accounting estimates and judgements (Cont'd)

(g) Recognition of deferred tax

Taxable losses are recognised as deferred tax assets to the extent of future taxable income. The Group has used a lot of judgement to estimate the time and amount of taxable income to be generated in the future, so as to determine the amount of deferred tax asset from deductible carrying forward taxable losses. If the Group's actual operation differs from estimation, amount of deferred tax will be affected.

(h) Property development cost

Significant estimate and judgement is used when property development cost is estimated based on expected total development cost and percentage of completion. The carrying amount of inventories and cost of goods sold will be adjusted if actual development cost differs from the estimation.

(i) Provision for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realisable value that was estimated with assumption. If the management revises the assumption such as unit price, costs and expenses to be incurred in completion, the estimation of net realisable value will be affected. Such difference will impact on provisions for impairment of inventories.

(j) Revenue recognition of properties sold

In common commercial environment, the Group enter into property sale contract with a customer. The Group need enter into contract with a customer and a bank when the customers need apply bank mortgage loan to pay the entire contract amount. Under such contract, the customer will normally make the down payments of 30% consideration while the Group need to provide joint and several liable guarantee for the mortgage loan with guarantee term from 6 months to 2 years, until the customer obtains property ownership certificate and pledges to bank.

Under above arrangement, the maximum guarantee exposure of the Group is the customer's outstanding mortgage loan, and the bank has recourse towards the Group only if the mortgage loan is overdue.

Based on the historical experience of similar arrangement, the Group believe that within guarantee term the probability that the Group assumes liability towards the bank when the mortgage loan is overdue while the customer doesn't have the ability to repay the loan is very small, and the Group has recourse the payments from the customer or exercise the right to dispose the properties according to contract terms if such circumstance takes place. Therefore, the Group believes the financial guarantee has no impact on revenue recognition of properties sold.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(38) Critical accounting estimates and judgements (Cont'd)

(k) Significant insurance risk tests

(i) Insurance contract

The Group makes significant judgments on whether the contract transfers insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing significant insurance risk tests. If the insurance risk ratio of a policy is equal or greater than 5% at one or more points in time during the policy coverage period, the Group classifies it as an insurance contract. If a property and casualty insurance or a short term life insurance policy obviously meets the criteria for significant insurance risk transfer, the Group directly classifies it as an insurance contract.

(ii) Reinsurance contract

When determining whether a reinsurance policy transfers significant insurance risks, judgment is made on a comprehensive understanding of the commercial substance of the reinsurance policy and other relevant contracts and agreements. If the reinsurance risk ratio of the reinsurance policy is greater than 1%, the Group classifies it as a reinsurance contract. If a reinsurance policy obviously transfers a significant insurance risk, the Group directly classifies it as a reinsurance contract without calculating the reinsurance risk ratio.

(l) Reinsurance premium income

For reinsurance contracts, the Group estimates the ultimate premium collected by cedants, and calculates the Group's share of the premiums according to the reinsurance contract terms. The estimation is based on the information provided by the cedant, as well as the historical premium development pattern.

(m) Valuation of insurance contract liabilities

At the end of the reporting period, when measuring the insurance contract liabilities, the Group needs to make a reasonable estimate of amounts of the payments which the Group is required to make in fulfilling the obligations under the insurance contracts, based on information currently available at the end of the reporting period. The Group shall make an estimate of the assumptions used in the measurement of insurance contract liabilities. Such assumptions shall be determined based on information currently available at the end of the reporting period. To determine these assumptions, the Group selects proper risk margins according to both uncertainties and degree of impact of expected future cash outflows.

The major assumptions needed in measuring claim reserves include the claim development factor and expected claim ratio, which can be used to forecast trends of future claims so as to estimate the ultimate claim expenses. The loss development factors and expected loss ratio of each measurement unit are based on the Group's historical claim development experiences and claims paid, with consideration of adjustments to company policies like underwriting policies, level of premium rates, claim management and the changing trends of external environments such as macroeconomic regulations, and legislation. In the measurement of claim reserves, the Group applies the cost of capital approach to determine risk margins.

To determine the discount rate, the Group considers the risk free rate, credit premium, liquidity premium, tax and other factors.

4 Taxation

The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax rate	Tax base
Enterprise income tax (a)	0 - 35%	Taxable income
Value-added tax ("VAT")	6%/11%/17%	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)
Land appreciation tax ("LAT") (b)	At progressive rates from 30% to 60%	Land value appreciation amount
Real estate tax	1.2%	70% - 80% of original cost of real estate
	12%	Rental income

(a) Enterprise income tax rate of the Group's subsidiaries in mainland China is 25%, of the subsidiaries in Hong Kong is 16.5%, of the subsidiaries in Singapore is 17%, of the subsidiaries in Sweden is 22%, of the subsidiaries in the US is 35%, of the subsidiaries in Cayman Islands, British Virgin Islands and Bermuda which are qualified for tax exemption is 0.

According to "Measures of Enterprise income tax of real estate development business", an estimated gross margin (5%-15%) of consideration from properties sold less cost, expenses and other deductible items is taxable income. The enterprise income tax paid for advances from customers is presented as other current assets, and will be recognised as tax expenses once advances recognised as revenue.

(b) LAT applies according to "Provisional regulations of the People's Republic of China on Land Appreciation Tax". LAT is levied on certain gains realised from property transactions at progressive rates from 30% to 60%, based on the land value appreciation amount which is the consideration received from the transfer or disposition of properties less deductible cost including cost of land use right, costs of property development and construction, borrowing cost, taxes and other deductible items.

When advances from customers are received, prepaid LAT at 1.5%-5% of consideration receivable is paid and presented as other current assets. When relating revenue is recognised, LAT is recognised and calculated at progressive rates from 30% to 60%, business taxes and surcharges and other accounts payable are separately recognised.

5 Changes of the scope of consolidation

(1) Business combination not under common control in the current period

Significant acquiree	Consideration of business combination	Interest acquired	Acquisition Method	Acquisition date	Basis for determining acquisition date
International Medical Group ("IMG")	1,798,065,715	100%	Share transfer	26 May 2017	Trade date
Armada Corp. Capital LLC ("Armada")	1,397,174,705	100%	Share transfer	3 April 2017	Trade date
Shenzhen Longcheng Property Management Co., Ltd ("Longcheng Property")	361,816,000	70%	Share transfer	1 January 2017	Trade date
Chongqing Haitai Management Service Co., Ltd ("Chongqing Haitai")	177,096,386	51%	Share transfer	30 April 2017	Trade date
Beijing Taihe Maternity Hospital Co., Ltd ("Taihe Hospital")	115,462,500	53%	Share transfer	9 January 2017	Trade date

Net assets and goodwill from acquisition in current period:

Consideration of business combination	IMG (a)	Armada (b)	Longcheng Property (c)	Chongqing Haitai (d)	Taihe Hospital (e)	Others	Total
- Cash paid	1,722,869,441	853,722,156	361,816,000	177,096,386	115,462,500	30,722,104	3,261,688,587
- Fair value of transferring non-cash assets	686,980,000	-	-	-	-	-	686,980,000
- Fair value of liabilities incurred or assumed	(611,783,726)	543,452,549	-	-	-	-	(68,331,177)
Total consideration	1,798,065,715	1,397,174,705	361,816,000	177,096,386	115,462,500	30,722,104	3,880,337,410
Less: Fair value of the share of identifiable net assets acquired	65,004,651	(550,389,119)	(109,860,089)	(30,079,990)	21,353,119	(1,903,993)	(605,875,421)
Goodwill	1,863,070,366	846,785,586	251,955,911	147,016,396	136,815,619	28,818,111	3,274,461,989

5 Changes of the scope of consolidation (Cont'd)

(1) Business combination not under common control in the current period (Cont'd)

(a) Assets, liabilities and cash flows related to the acquisition of IMG on acquisition date are as follows:

	Fair value	Carrying amount	
	Acquisition date	Acquisition date	31 December 2016
Cash at bank and on hand	73,601,313	73,601,313	110,888,105
Accounts receivable	86,702,386	86,702,386	30,766,719
Other receivables	13,211,141	13,211,141	24,302,288
Prepayment	29,508,566	29,508,566	9,314,809
Assets classified as held for sale	228,944,672	228,944,672	223,256,551
Other current assets	138,242,758	138,242,758	31,288,131
Fixed assets	29,595,043	29,595,043	31,217,464
Intangible assets	996,121,000	-	-
Goodwill	-	48,487,117	-
Other non-current assets	374,410	374,410	-
Less: Accounts payable	(94,921,325)	(94,921,325)	(87,129,816)
Taxes payable	14,115,564	14,115,564	(25,292)
Current portion of non-current liabilities	(304,999,026)	(304,999,026)	(188,133,521)
Long-term borrowings	(889,370,676)	(889,370,676)	(859,396,218)
Long-term payables	(2,291,229)	(2,291,229)	-
Deferred tax liabilities	(383,839,248)	182,572	(2,294,926)
Net assets attributable to the shareholders of IMG	(65,004,651)	(628,616,714)	(675,945,706)
Less: Minority interest	-	-	N/A
Net assets acquired	(65,004,651)	(628,616,714)	N/A

Consideration paid in cash	1,722,869,441
Less: Cash and cash equivalents of the subsidiary acquired	(73,601,313)
Net cash outflow on acquisition of the subsidiary	1,649,268,128

5 Changes of the scope of consolidation (Cont'd)

(1) Business combination not under common control in the current period (Cont'd)

(a) Assets, liabilities and cash flows related to the acquisition of IMG on acquisition date are as follows (Cont'd):

Consideration of business combination not paid in cash includes transferring non-cash assets and liabilities occurred or assumed. Including:

(i) Transferring non-cash assets are preference shares issued by Sirius International Insurance Group ("Sirius Insurance"). If Sirius Insurance is not able to fulfil qualified IPO in five years, the holders have option to require Sirius Insurance to redeem the preference shares or to convert the preference shares to common shares. Due to the put option, the preference shares above are classified as liability, the fair value on combination date is estimated of RMB 686,980,000 equivalent.

(ii) Liabilities incurred or assumed include the long-term borrowings that Sirius Insurance assumed from IMG and the contingent consideration that Sirius Insurance will pay to the former shareholders of IMG according to actual operating performance in the next three years. The fair value of liabilities above on acquisition date is estimated of RMB 889,370,676 equivalent and RMB 277,586,950 equivalent respectively, and the total netted amount is RMB 611,783,726.

IMG's revenue, net profit, and cash flows from operating activities and net cash flows for the period from the acquisition date to 30 June 2017 are as follows:

Revenue	103,086,817
Net profit	(4,457,495)
Cash flows from operating activities	(11,232,644)
Net cash flows	(10,571,036)

Most assets and liabilities of IMG are measured at fair value, or the carrying amount has no significant difference with fair value. The Group used valuation techniques to determine the fair value of identifiable intangible assets. The valuation method and critical assumptions applied are as follows:

(i) The customer relationships are valued using income approach. The assumption of annual customer retention rate is 15%-17%, and the discount rate range applied is 10.5%-11%.

(ii) The trademark is valued using income approach. The assumption of royalty rate is 0.6%, and the discount rate used is 12.5%.

(iii) The technology is valued using income approach. The assumption of royalty rate is 1.25%, and the discount rate used is 10%.

As at the date on which these financial statements were authorised for issue, the Group's management has been in the process of determining the final consideration for the acquisition of IMG and assessing the identifiable net assets of IMG, and the amount of goodwill is to be determined. The consideration, identifiable net assets and goodwill on acquisition date are recorded according to provisional amount.

5 Changes of the scope of consolidation (Cont'd)

(1) Business combination not under common control in the current period (Cont'd)

(b) Assets, liabilities and cash flows related to the acquisition of Armada on acquisition date are as follows:

	Fair value	Carrying amount	
	Acquisition date	Acquisition date	31 December 2016
Cash and cash equivalents	25,486	25,486	23,582,581
Restricted cash at bank	71,462,480	71,462,480	65,540,172
Accounts receivable	739,888	739,888	489,870
Prepayment	2,232,889	2,232,889	764,881
Other current assets	439,037	439,037	2,432,896
Fixed assets	4,834,036	4,834,036	5,527,138
Intangible assets	562,292,950	-	-
Long-term prepaid expenses	-	-	435,942
Less: Accounts payable	(2,502,687)	(2,502,687)	(6,668,129)
Current portion of non-current liabilities	(87,625,898)	(87,625,898)	(86,902,491)
Long-term payables	(1,509,062)	(1,509,062)	(5,613,948)
Net assets attributable to the shareholders of Armada	550,389,119	(11,903,831)	(411,088)
Less: Minority interest	-	-	N/A
Net assets acquired	550,389,119	(11,903,831)	N/A

Consideration paid in cash	853,722,156
Less: Cash and cash equivalents of the subsidiary acquired	(25,486)
Net cash outflow on acquisition of the subsidiary	853,696,670

5 Changes of the scope of consolidation (Cont'd)

(1) Business combination not under common control in the current period (Cont'd)

(b) Assets, liabilities and cash flows related to the acquisition of Armada on acquisition date are as follows (Cont'd):

Consideration of business combination not paid in cash including liabilities occurred or assumed is the contingent consideration that Sirius Insurance will pay to the original shareholders of Armada according to actual operating performance in the next three years, the fair value on combination date is estimated of RMB 543,452,549 equivalent.

Armada's revenue, net profit, and cash flows from operating activities and net cash flows for the period from the acquisition date to 30 June 2017 are as follows:

Revenue	54,828,272
Net profit	17,740,811
Cash flows from operating activities	21,884,484
Net cash flows	17,357,092

Most assets and liabilities of Armada are measured at fair value, or the carrying amount has no significant difference with fair value. The Group used valuation techniques to determine the fair value of identifiable intangible assets. The valuation method and critical assumptions applied are as follows:

(i) The customer relationships are valued using income approach. The assumption of annual customer retention rate is 6.5%, and the discount rate range applied is from 17%.

(ii) The trademark is valued using income approach. The assumption of royalty rate is 1.5%, and the discount rate used is 18.5%.

(iii) The technology is valued using income approach. The assumption of royalty rate is 2.5%, and the discount rate used is 15%.

As at the date on which these financial statements were authorised for issue, the Group's management has been in the process of determining the final consideration for the acquisition of Armada and assessing the identifiable net assets of Armada, and the amount of goodwill is to be determined. The consideration, identifiable net assets and goodwill on acquisition date are recorded according to provisional amount.

5 Changes of the scope of consolidation (Cont'd)

(1) Business combination not under common control in the current period (Cont'd)

(c) Assets, liabilities and cash flows related to the acquisition of Longcheng Property on acquisition date are as follows:

	Fair value	Carrying amount	
	Acquisition date	Acquisition date	31 December 2016
Cash at bank and on hand	166,754,682	166,754,682	166,754,682
Notes receivable	1,520,000	1,520,000	1,520,000
Accounts receivable	74,862,531	74,862,531	74,862,531
Other receivables	123,171,213	123,171,213	123,171,213
Inventory	2,953,683	2,953,683	2,953,683
Prepayment	837,875	837,875	837,875
Other current assets	93,469	93,469	93,469
Long-term equity investments	7,704,000	7,704,000	7,704,000
Fixed assets	7,431,647	7,431,647	7,431,647
Long-term prepaid expenses	1,047,745	1,047,745	1,047,745
Intangible assets	2,925	2,925	2,925
Less: Accounts payable	(55,752,318)	(55,752,318)	(55,752,318)
Advances from customers	(17,141,890)	(17,141,890)	(17,141,890)
Employee benefits payable	(45,489,768)	(45,489,768)	(45,489,768)
Taxes payable	(20,355,830)	(20,355,830)	(20,355,830)
Dividend payable	(1,741,632)	(1,741,632)	(1,741,632)
Other payables	(58,184,875)	(58,184,875)	(58,184,875)
Current portion of non-current liabilities	(273,110)	(273,110)	(273,110)
Long-term payables	(14,355,243)	(14,355,243)	(14,355,243)
Minority interest	(16,142,120)	(16,142,120)	(16,142,120)
Net assets attributable to the shareholders of Longcheng Property	156,942,984	156,942,984	156,942,984
Less: Minority interest	(47,082,895)	(47,082,895)	N/A
Net assets acquired	109,860,089	109,860,089	N/A

Cash consideration	361,816,000
Less: Cash and cash equivalents of the subsidiary acquired	(166,754,682)
Net cash outflow on acquisition of the subsidiary	195,061,318

Longcheng Property's revenue, net profit, and cash flows from operating activities and net cash flows for the period from the acquisition date to 30 June 2017 are as follows:

Revenue	413,388,379
Net profit	47,568,549
Cash flows used in operating activities	(27,768,472)
Net cash flows	(15,779,638)

As at the date on which these financial statements were authorised for issue, the Group's management has been in the process of determining the final consideration for the acquisition of Longcheng Property and assessing the identifiable net assets of Longcheng Property, and the amount of goodwill is to be determined. The consideration, identifiable net assets and goodwill on acquisition date are recorded according to provisional amount.

5 Changes of the scope of consolidation (Cont'd)

(1) Business combination not under common control in the current period (Cont'd)

(d) Assets, liabilities and cash flows related to the acquisition of Chongqing Haitai on acquisition date are as follows:

	Fair value	Carrying amount	
	Acquisition date	Acquisition date	31 December 2016
Cash at bank and on hand	54,263,732	54,263,732	68,478,604
Notes receivable	5,884,198	5,884,198	4,773,778
Accounts receivable	88,661,001	88,661,001	87,198,171
Other receivables	17,987,637	17,987,637	12,586,215
Inventory	686,428	686,428	796,890
Prepayment	197,374	197,374	156,187
Other current assets	120,554	120,554	-
Fixed assets	92,636,119	92,636,119	97,402,863
Available-for-sale financial assets	716,371	716,371	694,611
Long-term prepaid expenses	202,446	202,446	293,173
Deferred tax assets	1,015,547	1,015,547	1,398,558
Less: Short-term borrowings	(21,000,000)	(21,000,000)	(21,000,000)
Accounts payable	(60,931,401)	(60,931,401)	(71,218,065)
Advances from customers	(2,725,712)	(2,725,712)	(416,276)
Employee benefits payable	(10,934,818)	(10,934,818)	(14,458,965)
Taxes payable	(4,793,439)	(4,793,439)	(9,164,378)
Dividends payable	(447,122)	(447,122)	-
Other payables	(26,471,857)	(26,471,857)	(23,748,168)
Current portion of long-term borrowings	(7,451,190)	(7,451,190)	(12,422,382)
Long-term borrowings	(1,558,211)	(1,558,211)	(2,613,021)
Long-term payables	(65,656,253)	(65,656,253)	(65,656,253)
Minority interest	(1,421,033)	(1,421,033)	(1,407,737)
Net assets attributable to the shareholders of Chongqing Haitai	58,980,371	58,980,371	51,673,805
Less: Minority interest	(28,900,381)	(28,900,381)	N/A
Net assets acquired	30,079,990	30,079,990	N/A

Consideration paid in cash	177,096,386
Less: Cash and cash equivalents of the subsidiary acquired	(54,263,732)
Net cash outflow on acquisition of the subsidiary	122,832,654

Chongqing Haitai's revenue, net profit, and cash flows from operating activities and net cash flows for the period from the acquisition date to 30 June 2017 are as follows:

Revenue	69,630,863
Net profit	7,321,892
Cash flows from in operating activities	13,760,779
Net cash flows	(687,253)

As at the date on which these financial statements were authorised for issue, the Group's management has been in the process of determining the final consideration for the acquisition of Longcheng Property and assessing the identifiable net assets of Longcheng Property, and the amount of goodwill is to be determined. The consideration, identifiable net assets and goodwill on acquisition date are recorded according to provisional amount.

5 Changes of the scope of consolidation (Cont'd)

(1) Business combination not under common control in the current period (Cont'd)

(e) Assets, liabilities and cash flows related to the acquisition of Taihe Hospital on acquisition date are as follows:

	Fair value	Carrying amount	
	Acquisition date	Acquisition date	31 December 2016
Cash at bank and on hand	852,241	852,241	852,241
Accounts receivable	139,261	139,261	139,261
Other receivables	21,107,444	21,107,444	21,107,444
Inventory	3,468,466	3,468,466	3,468,466
Prepayment	8,615,127	8,615,127	8,615,127
Fixed assets	18,470,059	18,470,059	18,470,059
Construction in progress	97,482	97,482	97,482
Intangible assets	182,051	182,051	182,051
Long-term prepaid expenses	108,831,729	108,831,729	108,831,729
Deferred tax assets	405,283	405,283	405,283
Less: Accounts payable	(31,450,707)	(31,450,707)	(31,450,707)
Advances from customers	(18,258,552)	(18,258,552)	(18,258,552)
Employee benefits payable	(7,129,805)	(7,129,805)	(7,129,805)
Taxes payable	(320,898)	(320,898)	(320,898)
Other payables	(145,298,084)	(145,298,084)	(145,298,084)
Net assets attributable to the shareholders of Taihe Hospital	(40,288,903)	(40,288,903)	(40,288,903)
Less: Minority interest	18,935,784	18,935,784	N/A
Net assets acquired	(21,353,119)	(21,353,119)	N/A

Consideration paid in cash	115,462,500
Less: Cash and cash equivalents of the subsidiary acquired	(852,241)
Net cash outflow on acquisition of the subsidiary	114,610,259

Taihe Hospital's revenue, net profit, and cash flows from operating activities and net cash flows for the period from the acquisition date to 31 December 2016 are as follows:

Revenue	20,130,594
Net loss	(53,559,981)
Cash flows used in operating activities	(58,868,722)
Net cash flows	(836,794)

Most assets and liabilities of Taihe Hospital are the carrying amount has no significant difference with fair value.

5 Changes of the scope of consolidation (Cont'd)

(2) Change of scope of consolidation due to other reasons

The subsidiaries set up by the Group during the half-year ended 30 June 2017 and capital paid as at 30 June 2017 are as follows:

Name	Interest (%)		Capital paid
	Direct	Indirect	
China Minsheng Caihui (Tianjin) Financial Consulting Co., Ltd		75.00%	1,000,000
China Minsheng Inclusive Finance Co., Ltd.		75.00%	415,250,000
Shanghai Mintou Micro-finance Co., Ltd.		42.00%	200,000,000
China Minsheng Community Investment Co., Ltd.		75.00%	123,250,000
CMIG New Energy (Taixing) Photovoltaic Technology Co.,LTD		100.00%	14,000,000
CMIG New Energy(Linyi) Technologies Co.,LTD		100.00%	7,000,000
Weifang CMIG New Energy Technologies Co.,LTD		100.00%	2,000,000
CMIG New Energy(Yangzhong) Photovoltaic Technology Co.,LTD		100.00%	3,500,000
China Minsheng (Jian'ou) New Energy Co.,LTD		100.00%	2,500,000
China Minsheng Yanchi Tan-Sheep Co.,Ltd.		51.40%	51,000,000
CMIG New Energy Asset Management Co.,LTD		100.00%	2,000,000
CMIG Leasing Holding Co., Limited	100.00%		5,050,000,000
CMIG Healthcare Financial Leasing Co., Ltd.		100.00%	3,000,000,000
CMIG Aviation Financial Leasing Co., Ltd.		100.00%	750,000,000
CMIG Health Industry Investment Management Co.,Ltd.	100.00%		45,000,000
CMIG Zhizhen Investment Management Corporation		100.00%	50,000,000
China Minsheng (Guangxi) Investment Co., Ltd	100.00%		30,000,000

5 Changes of the scope of consolidation (Cont'd)

(3) Disposal of subsidiaries in the current period

Name	Total amount of consideration and fair value of remaining shares	Interest disposed	Disposal Method	Disposal date	Basis for determining disposal date
China Minsheng Bund Property Development Co., Ltd.("CM Bund")	16,950,000,000	45%	Share transfer	29 June 2017	Trade date
Chengdu Hairun Properties Co., Ltd. ("Chengdu Hairun")	3,405,000,000	100%	Share transfer	6 June 2017	Trade date
Shanghai Jinxin real estate Co., Ltd ("Shanghai Jinxin")	4,223,820,000	49%	Share transfer	4 April 2017	Trade date

Calculation of gain or loss on disposal is as below:

	CM Bund(a)	Chengdu Hairun	Shanghai Jinxin(b)
Total amounts of consideration and fair value of remaining shares	16,950,000,000	3,480,471,698	4,223,820,000
Less: the carrying amounts of the net assets of the disposed subsidiary attributable to the Company	(8,545,046,072)	(1,971,585,378)	(3,023,067,228)
Other comprehensive income transferred into profit and loss in the current period	-	-	-
Investment gain on disposal	8,404,953,928	1,508,886,320	1,200,752,772

(a) The remaining shares are valued using asset-based approach at the disposal date, the investment gain due to revaluation according to fair value is RMB 3,002,607,331.

(b) The remaining shares are valued in reference of transaction price at the disposal date, the investment gain due to revaluation according to fair value is RMB 540,153,006.

6 Interest in other entities

(1) Interest in subsidiaries

(a) Main subsidiaries

	Place of registration	Primary operating place	Nature of business	Interest (%) Direct	Interest (%) Indirect	Voting rights (%)
China Minsheng Future Holding Group Co., Ltd. ("CM Future")	Shanghai	China Mainland	Property and investment management	67.00%	8.00%	75.00%
China Minsheng Investment Capital Management Co., Ltd. ("CMI Capital")	Shanghai	China Mainland	Investment management	100.00%	-	100.00%
China Minsheng Jiaye Investment Co., Ltd. ("CMJYI")	Shanghai	China Mainland	Industrial investment	69.40%	-	69.40%
China Minsheng Asia Asset Management Co., Ltd. (Formerly known as "Minsheng (Shanghai) Asset Management Co., Ltd.", "Asia Asset Management")	Shanghai	China Mainland	Investment and asset management	100.00%	-	100.00%
China Minsheng New Energy Group Investment Co., Ltd.("CM New Energy")	Beijing	China Mainland	Photovoltaic power generation	100.00%	-	100.00%
CM International General Aviation Corporation Co., Ltd. ("CM Jet")	Beijing	China Mainland	General aviation chartered airplane etc.	100.00%	-	100.00%
CM International Capital Limited ("CM International")	Hong Kong	Hong Kong	Investment management	100.00%	-	100.00%
CM International Holding Ltd("CMI Singapore")	Singapore	Singapore	Investment management	90.00%	-	90.00%
CM International Financial Leasing Co., Ltd. ("CMI Leasing")	Tianjin	China Mainland	Finance leases	60.56%	10.00%	70.56%
CM Huaheng investment Limited ("CMIH")	Beijing	China Mainland	Investment management	100.00%	-	100.00%
China Minsheng Keytech Investment Holding (Tianjin) Co. Ltd. ("CM Keytech")	Tianjin	China Mainland	Investment management	100.00%	-	100.00%
China Minsheng Air Travel Investment Co., Ltd. ("CM Air Travel")	Beijing	China Mainland	Investment management	100.00%	-	100.00%
CMIG Leasing Holding Co., Limited ("Leasing Group")	Tianjin	China Mainland	Finance leases	100.00%	-	100.00%
CMIG Health Industry Investment Management Co.,Ltd. ("CMI Health")	Guangzhou	China Mainland	Investment management	100.00%	-	100.00%
CMIG Asset Management Co., Ltd. . ("Beijing AMC")	Beijing	China Mainland	Investment and asset management	100.00%	-	100.00%
China Minsheng (Guangxi) Investment Co., Ltd. ("CMI (Guangxi)")	Nanning	China Mainland	Investment management	100.00%	-	100.00%
SRE Group Limited ("SRE Group")	Bermuda	China Mainland/ Hong Kong	Property development, property leasing and hotel management	-	42.18%	60.78%
China Minsheng Financial Holding Corporation Limited (i) ("CM Financial")	Hong Kong	Hong Kong	Security trading, consulting and asset management	-	49.84%	49.84%
Sirius International Insurance Group	Bermuda	U.S.A	Insurance and reinsurance business	-	90.00%	100.00%
Yida China Holdings Limited ("Yida")	Cayman	China Mainland/Hong Kong	Real estate development and property leasing	-	42.41%	61.10%

(i) As at 30 June 2017, Asia Asset Management, the Group's subsidiary, was the largest shareholder of CM Financial with interest of 49.84%. Other shareholders are dispersed. The Group has de facto control over CM Financial and consolidates its financial statements.

6 Interest in other entities (Cont'd)

(1) Interest in subsidiaries (Cont'd)

(a) Main subsidiaries (Cont'd)

(ii) The proportion of shareholding in the above table is the sum of direct and indirect shareholding percentage (Indirect shareholding is calculated by multiplying shareholding ratios). The proportion of voting rights is the sum of direct hold percentage by the Group and indirect hold percentage by controlling company.

(b) Relevant information of major non-wholly owned subsidiaries

Name	Minority interest shareholding percentage as at 30 June 2017	Profit or loss attributable to minority interest for the period from 1 January 2017 / date of incorporation / acquisition date to 30 June 2017	Dividend paid to minority interest for the period from 1 January 2017 / date of incorporation / acquisition date to 30 June 2017	Minority interest as at 30 June 2017
CM Future	25.00%	46,382,257	-	1,439,921,143
CMJYI	30.60%	965,881,116	231,030,000	16,459,964,638
CMI Singapore	10.00%	32,674,097	-	3,045,082,562
CM Leasing	29.44%	66,994,073	81,610,627	1,408,320,310
SRE Group	39.22%	221,831,177	-	3,445,173,650
CM Financial	50.16%	48,586,024	-	2,182,796,976
Sirius Insurance	Preference Shares (Note)	61,555,803	61,555,803	1,694,735,654
Yida	38.90%	15,784,960	-	4,549,383,375

Name	Minority interest shareholding percentage as at 31 December 2016	Profit or loss attributable to minority interest for the period from 1 January 2016 / date of incorporation / acquisition date to 31 December 2016	Dividend paid to minority interest for the period from 1 January 2016 / date of incorporation / acquisition date to 31 December 2016	Minority interest as at 31 December 2016
CM Future	25.00%	(34,261,937)	-	1,142,132,452
CMJYI	21.43%	711,555,694	-	13,885,398,810
CMI Singapore	10.00%	125,538,370	-	3,122,444,674
CM Leasing	29.44%	62,526,382	-	1,423,919,133
SRE Group	39.22%	(76,791,887)	-	3,174,244,862
CM Financial	50.16%	7,140,055	-	2,152,809,815
Sirius Insurance	Preference Shares (Note)	90,509,541	-	1,743,244,923
Yida	38.90%	228,318,439	-	4,561,064,393

Note: In 2007, Sirius International Group Ltd ("SIG"), the subsidiary of Sirius, issued USD 250 million non-cumulative perpetual preference shares ("Preference Shares") with a USD 1,000 per share liquidation preference. The dividend rate is fixed at an annual rate of 7.506% until 30 June 2017. After 30 June 2017, the dividend rate will be paid at a floating annual rate, equal to the greater of 3-month LIBOR plus 320 basis points or 7.506%. Prior to 30 June 2017, SIG may elect to redeem the Preference Shares at an amount equal to the greater of 1) the aggregate liquidation preference of the shares to be redeemed and 2) the sum of the present values of the aggregate liquidation preference of the shares to be redeemed and the remaining scheduled dividend payments on the shares to be redeemed, discounted to the redemption date at a rate equal to the rate on a comparable treasury issue plus 45 basis points. On or after 30 June 2017, the Preference Shares are redeemable solely at the discretion of SIG at their liquidation preference of $1,000 per share. SIG does not have the obligation to distribute dividends or redeem the Preference Shares. In the event of liquidation of SIG, the holders of the SIG Preference Shares would have preference over the common shareholders and would receive a distribution equal to the liquidation preference per share, subject to availability of funds.

6 Interest in other entities (Cont'd)

(1) Interest in subsidiaries (Cont'd)

(b) Relevant information of major non-wholly owned subsidiaries (Cont'd)

The major financial information of the above major non-wholly owned subsidiaries is listed below:

	30 June 2017		
	Current assets	Non-current assets	Total assets
CM Future	12,220,214,532	3,909,521,458	16,129,735,990
CMJYI	46,971,874,206	40,052,688,563	87,024,562,769
CMI Singapore	40,969,338,046	12,657,685,818	53,627,023,864
CM Leasing	11,304,540,521	26,397,742,660	37,702,283,181
SRE Group	11,223,971,511	13,352,172,188	24,576,143,699
CM Financial	3,433,488,933	2,224,228,407	5,657,717,340
Sirius Insurance	29,776,427,251	12,639,001,890	42,415,429,141
Yida	20,273,627,894	17,705,759,120	37,979,387,014

	30 June 2017		
	Current liabilities	Non-current liabilities	Total liabilities
CM Future	(10,263,130,821)	(1,555,604,026)	(11,818,734,847)
CMJYI	(26,377,132,830)	(29,517,074,076)	(55,894,206,906)
CMI Singapore	(12,785,360,855)	(25,643,458,273)	(38,428,819,128)
CM Leasing	(18,377,815,649)	(14,531,442,835)	(32,909,258,484)
SRE Group	(9,969,952,765)	(6,587,184,329)	(16,557,137,094)
CM Financial	(770,496,912)	(315,481,970)	(1,085,978,882)
Sirius Insurance	(8,261,581,799)	(14,709,855,070)	(22,971,436,869)
Yida	(12,846,384,915)	(14,101,960,569)	(26,948,345,484)

	31 December 2016		
	Current assets	Non-current assets	Total assets
CM Future	8,600,327,061	2,089,788,009	10,690,115,070
CMJYI	46,737,299,275	36,553,576,832	83,290,876,107
CMI Singapore	36,567,084,851	8,254,292,271	44,821,377,122
CM Leasing	9,508,714,233	20,700,634,051	30,209,348,284
SRE Group	13,898,604,719	9,264,229,897	23,162,834,616
CM Financial	4,145,253,610	1,144,451,513	5,289,705,123
Sirius Insurance	31,225,568,230	8,234,041,007	39,459,609,237
Yida	19,092,339,186	17,908,306,559	37,000,645,745

	31 December 2016		
	Current liabilities	Non-current liabilities	Total liabilities
CM Future	(5,522,509,313)	(1,179,900,534)	(6,702,409,847)
CMJYI	(27,536,756,336)	(26,504,511,992)	(54,041,268,328)
CMI Singapore	(11,163,014,954)	(18,123,119,736)	(29,286,134,690)
CM Leasing	(12,057,567,923)	(13,272,647,203)	(25,330,215,126)
SRE Group	(11,539,654,413)	(4,248,131,329)	(15,787,785,742)
CM Financial	(489,815,059)	(312,362,892)	(802,177,951)
Sirius Insurance	(7,233,139,732)	(12,683,285,408)	(19,916,425,140)
Yida	(12,983,656,356)	(13,012,135,528)	(25,995,791,884)

6 Interest in other entities (Cont'd)

(1) Interest in subsidiaries (Cont'd)

(b) Relevant information of major non-wholly owned subsidiaries (Cont'd)

The major financial information of the above major non-wholly owned subsidiaries is listed below (Cont'd):

	For the period from 1 January 2017 / date of incorporation/ acquisition date to 30 June 2017			
	Revenue	Net profit/(loss)	Total comprehensive income	Cash flows from operating activities
CM Future	4,042,247,234	72,655,726	71,840,218	(1,927,916,471)
CMJYI	3,999,986,752	2,499,203,899	2,602,821,513	(3,908,438,282)
CMI Singapore	3,366,302,416	(227,261,251)	(267,725,864)	(2,641,222,844)
CM Leasing	1,100,493,525	231,029,481	230,891,539	(1,008,677,923)
SRE Group	523,541,623	597,598,454	608,546,753	(1,435,448,999)
CM Financial	214,684,537	99,247,361	247,693,515	(878,796,231)
Sirius Insurance	3,319,603,340	108,944,850	433,000,223	(507,783,191)
Yida	3,077,778,328	92,986,175	98,458,853	(284,892,259)

	For the period from 1 January 2016 / date of incorporation / acquisition date to 31 December 2016			
	Revenue	Net profit/(loss)	Total comprehensive income	Cash flows from operating activities
CM Future	230,440,517	(37,960,664)	(37,960,664)	(249,672,806)
CMJYI	359,479,755	(185,378,388)	(160,129,779)	325,406,536
CM Leasing	405,605,164	152,280,113	152,275,814	(5,239,626,436)
SRE Group	292,431,594	(274,837,853)	(274,837,853)	200,522,665
CM Financial	48,544,670	7,462,655	15,766,383	(1,360,714,666)
Sirius Insurance	1,157,570,109	229,077,329	(164,191,218)	(592,489,735)

Note: As at 30 June 2016, CMI Singapore was the wholly-owned subsidiary in the Group, Yida was still not the subsidiary in the Group.

6 Interest in other entities (Cont'd)

(2) As at 30 June 2017, the Group has the following consolidated structured entities:

Name	The Group's percentage in the entity's total paid-in capital	Structured entities' total paid-in capital (RMB)	Nature of business
Ningbo Meishan Bonded-Port Xingsheng Jiaye Investment Centre(Limited Partnership) (a) ("Xingsheng Jiaye Investment")	3.16%	15,490,010,000	Financing platform
Huatai Securities Asset Management - CMI No.1 Private Asset Management Plan (a)	9.09%	3,300,000,000	Financing platform
Minmetlab Trust - Hengtouanying Property Rights Trust (a)	9.09%	3,300,000,000	Financing platform
Minmetlab Trust - Hengfeng No.1 single fund Trust (a)	9.09%	3,300,000,000	Financing platform
Jiaxing Huiling No.1 Investment Partnership (LLP)(b)	74.91%	500,250,000	Investment management
Jiaxing Huiling No.2 Investment Partnership (LLP)(b)	100.00%	10,550,000	Investment management
Jiaxing Huiling No.4 Investment Partnership (LLP)(b)	93.45%	100,000,000	Investment management
Jiaxing Huiling No.5 Investment Partnership (LLP)(b)	90.62%	15,996,960	Investment management
Jiaxing Huiling No.6 Investment Partnership (LLP)(b)	69.51%	204,000,000	Investment management
Jiaxing Songyue No.1 Investment Partnership (LLP)(b)	97.33%	30,000,000	Investment management
Jiaxing Songyue No.2 Investment Partnership (LLP)(b)	100.00%	5,500,000	Investment management
Jiaxing Songyue No.3 Investment Partnership (LLP)(b)	99.70%	60,000,000	Investment management
Jiaxing Songyue No.4 Investment Partnership (LLP)(b)	100.00%	1,000	Investment management
CMIG Huiling Investment Management Co., Ltd.(b)	100.00%	33,100,000	Investment management
CMIG Chuangyuan Investment Management Co., Ltd.(b)	100.00%	30,000,000	Investment management
CMIG Chuangfu Investment Management Co., Ltd.(b)	100.00%	5,100,000	Investment management
Beijing CM Chuangyuan No.1 Investment Fund (LLP) (b)	100.00%	450,010,000	Investment management
Jiaxing Chuangya Investment Partnership (LLP)(b)	100.00%	1,000	Investment management
Jiaxing Yafu Investment Partnership (LLP)(b)	99.97%	200,110,000	Investment management
Jiaxing Chuangze Investment Partnership (LLP)(b)	98.67%	300,000,000	Investment management
Jiaxing Chuangze No.2 Investment Partnership (LLP)(b)	100.00%	10,000	Investment management
Jiaxing Chuangze No.8 Investment Partnership (LLP)(b)	100.00%	60,000,000	Investment management
Beijing Jinniu Innovation Investment Center (LLP) (b)	100.00%	504,290,000	Investment management
Beijing Jinyang Innovation Investment Center (LLP) (b)	99.99%	395,990,000	Investment management
CM International Leasing Asset-Backed Plan No.1 (c)	17.54%	570,000,000	Asset-backed securities offering
Guangfa Hengjin - CM International Leasing Asset-Backed Plan No.2 (c)	9.32%	536,507,500	Asset-backed securities offering
CM International Leasing Asset-Backed Plan No.3 (c)	7.68%	1,302,881,516	Asset-backed securities offering
Xiamen Trust - Ruizhi No.7 Collective Trust Plan (d)	33.33%	1,500,000,000	Investment management
Bohai Trust – Qicai Real Estate Investment Collective Trust Plan (d)	41.58%	1,200,000,000	Investment management
Tiangao Capital No.25 Trust Plan (d)	33.33%	1,500,000,000	Investment management
Tibet Trust –Shunjing No.55 Collective Trust Plan (d)	33.33%	3,000,000,000	Investment management
Qilu Bichen No.9 Collective Trust Plan (d)	33.33%	1,500,000,000	Investment management
Qilu Bichen No.10 Collective Trust Plan (d)	33.33%	3,000,000,000	Investment management

6 Interest in other entities (Cont'd)

(2) As at 30 June 2017, the Group has the following consolidated structured entities(Cont'd):

Note (a): The Group performs financing through the structured entity as financing platform.

Note (b): The Group performs investment management through these structured entities. The Group does not have any obligations or intentions to provide financial support for these structured entities. The Group did not provide any liquidity support during the period.

Note (c): The Group issued asset-backed securities through these structured entities. The Group held part of senior tranche and all subordinate tranche, and provided guarantee to the principal and interest of senior tranche.

Note (d): The Group performs investment management through this structured entity. The Group is the subordinate beneficiary of the trust plan and provided guarantee to the principal and interest of senior beneficiary.

Note (e): Refer to Note 8 (44)(b) for consolidated structured entities that are set up for share-based payment.

7 Segment information

The Group identified 7 reportable segments as follows:

Investment and asset management segment includes financial services such as asset management, investment management, securities, etc.;
Financial property segment includes real estates, construction industrialization, etc.;
Property management segment includes property management, inclusive finance, home-based healthcare, commodities trading, etc.;
New energy segment includes distributed power station, large ground power station, husbandry, etc.;
Insurance segment includes insurance business, etc.;
Financial leasing segment includes financial leasing, etc.;
Other segment includes jet charter services, etc.

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system. Business segments are part of the Group. The Group separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

Inter-segment transfer prices are determined according to the negotiation result with reference to transaction with third parties.

The assets are allocated based on the operations of the segment and the physical location of the assets. The liabilities are allocated based on the operations of the segment. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

7 Segment information (Cont'd)

(a) Segment information for the half-year ended 30 June 2017 and as at 30 June 2017 is as follows:

	Investment and asset management	Financial property	Property management	Insurance	Financial leasing	New energy	Other	Eliminations among segments	Total
Revenue	821,932,418	4,000,053,009	4,041,845,992	3,366,302,416	1,245,378,996	476,203,136	546,084,001	(1,301,881,880)	13,195,918,088
Cost	(42,745,391)	(3,181,647,975)	(3,734,253,181)	(2,444,953,839)	(668,904,994)	(156,258,750)	(519,115,209)	37,861,282	(10,710,018,057)
Taxes and surcharges	(10,864,380)	(62,471,030)	(9,273,646)	-	(6,447,188)	(906,239)	(271,348)	-	(90,233,831)
Selling expenses	(8,364,585)	(133,610,980)	(54,091,168)	-	(10,663,628)	(4,164,870)	(3,249,282)	9,675	(214,134,838)
General and administrative expenses	(758,958,109)	(445,044,269)	(224,964,871)	(738,677,030)	(167,984,455)	(67,826,194)	(35,778,704)	55,952,968	(2,383,280,664)
Finance expenses	(2,198,931,727)	(638,702,518)	(182,110,951)	(326,763,642)	24,919,174	(81,928,589)	(69,865,086)	76,109,862	(3,397,273,477)
Net gains from fair value changes	(5,389,270)	331,778,142	3,893,492	(256,510,119)	(2,235,500)	(31,437,120)	(391,290,456)	-	(351,190,831)
Asset impairment losses	(671,886,797)	(44,814,573)	-	-	(106,056,737)	-	-	-	(822,758,107)
Investment income	7,482,552,751	3,899,087,362	238,052,926	203,714,159	-	19,559,548	(12,930,951)	(67,948,212)	11,762,087,583
Non-operating income	231,046,676	63,752,436	24,400,111	18,351,201	88,168,672	4,802,804	10,051,576	(7,335,199)	433,238,277
Non-operating expenses	(17,505,526)	(12,759,448)	(592,710)	-	-	(852,747)	(746,788)	-	(32,457,219)
Profit before tax	4,820,886,060	3,775,620,156	102,905,994	(178,536,854)	396,174,340	157,190,979	(477,112,247)	(1,207,231,504)	7,389,896,924
Total assets	112,475,779,279	101,891,090,931	15,679,165,733	53,627,023,864	45,310,156,672	16,333,417,426	3,834,694,368	(35,336,970,361)	313,814,357,912
Total liabilities	105,804,159,682	70,956,776,689	11,818,734,847	38,428,819,128	35,954,713,707	8,097,571,219	4,435,708,298	(35,245,864,909)	240,250,618,661

7 Segment information (Cont'd)

(b) Segment information for the half-year ended 30 June 2016 and as at 30 June 2016 was as follows:

	Investment and asset management	Financial property	Property management	Insurance	Financial leasing	New energy	Others	Eliminations among segments	Total
Revenue	527,173,622	359,479,755	235,125,193	1,157,570,109	405,605,164	156,236,363	537,785,782	(47,653,950)	3,331,322,038
Cost	(394,608,997)	(302,743,724)	(180,875,281)	(1,133,889,335)	(6,773,338)	(37,460,057)	(569,541,398)	4,615,575	(2,621,276,555)
Taxes and surcharges	(11,617,358)	(18,585,245)	(12,708,754)	-	(3,504,877)	(327,426)	(344,753)	-	(47,088,413)
Selling expenses	(530,487)	(41,463,155)	(60,671,907)	-	(14,868,402)	-	(2,931,898)	49,945	(120,415,904)
General and administrative expenses	(398,493,186)	(280,066,008)	(108,167,744)	(251,814,299)	(62,884,127)	(38,016,599)	(35,543,835)	23,685,732	(1,151,300,066)
Finance expenses	(713,243,446)	(387,102,075)	(67,181,639)	(5,082,347)	(132,235,090)	(29,514,218)	(7,396,100)	219,986,201	(1,121,768,714)
Net gains from fair value changes	26,477,721	1,307,381,955	(104,600)	106,433,709	-	-	1,600,001	5,238,476	1,447,027,262
Asset impairment losses	-	(177,810,680)	-	-	(8,619,421)	-	(1,048)	-	(186,431,149)
Investment income	622,162,444	297,528,996	142,094,664	257,202,977	459,906	-	3,667,031	(576,354,159)	746,761,859
Non-operating income	71,787,330	299,514,815	3,300,449	22,915	25,953,089	22,221,849	1,553,707	-	424,354,154
Non-operating expenses	(3,383,300)	(19,451,263)	(921,128)	-	-	(299,403)	3,055,709	-	(20,999,385)
Profit before tax	(274,275,657)	1,036,683,371	(50,110,747)	130,443,729	203,132,904	72,840,509	(68,096,802)	(370,432,180)	680,185,127
Total assets	64,949,424,598	75,795,358,161	7,325,826,354	40,659,710,357	17,238,589,141	13,214,399,212	1,475,659,503	(24,876,199,160)	195,782,768,166
Total liabilities	62,815,375,366	42,089,276,830	3,263,907,580	27,025,881,754	12,444,898,108	6,220,450,812	896,783,408	(24,150,841,960)	130,605,731,898

8 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	30 June 2017 (Unaudited)	31 December 2016
Cash on hand	7,933,027	4,758,396
Cash at bank	40,753,739,200	31,522,874,363
Including: Restricted cash at bank (a)	7,016,300,502	5,744,179,517
Other cash balances (b)	4,189,998,010	5,056,877,146
Including: Restricted other cash balances	706,855,013	345,064,253
	44,951,670,237	36,584,509,905

(a) As at 30 June 2017, restricted cash at bank mainly included margin deposit and deposit pledged for borrowings.

(b) Other cash balances represent deposit placed in account opened in security companies. Restricted other cash balances mainly include deposit placed in collateralised security accounts, other cash pledged for borrowings and security fund placed in trust companies.

8 Notes to the consolidated financial statements (Cont'd)

(2) Financial assets at fair value through profit or loss

	30 June 2017 (Unaudited)	31 December 2016
Financial assets held for trading		
Equity instruments		
- Stocks	13,623,995,949	4,493,812,203
- Funds	850,396,054	1,700,874,171
- Preference shares	73,250,415	74,692,940
Debt instruments		
- Corporate bonds	7,733,236,037	10,578,585,011
- Mortgage-backed securities and asset-backed securities	7,344,210,690	8,088,431,785
- Government bond, government agency bonds and municipal bonds	3,067,097,433	3,564,715,371
- Others	121,939,200	-
Derivative financial instruments		
- Total return swap (a)	474,561,693	1,070,559,902
- Others	28,534,605	120,030,670
Financial assets designated at fair value through profit or loss		
Equity instruments		
- Funds	8,367,006,924	7,466,264,562
- Private equities	9,579,099,371	7,159,270,710
- Assets management plans	2,282,946,093	3,792,526,446
- Stocks	2,157,080,730	3,369,834,791
- Trust plans	407,657,398	2,202,863,526
- Bank wealth management products	23,000,000	264,050,000
Debt instruments		
- Debt investments	419,540,656	2,774,357,907
	56,553,553,248	56,720,869,995
Less: Non-current portion of financial assets at fair value through profit or loss (presented in other non-current assets) (Note 8(26))	(22,189,504,839)	(20,322,940,160)
	34,364,048,409	36,397,929,835

(a) The balances include total return swap contracts signed with third parties and the fair value went RMB 471,498,070 equivalent, whose underlying assets are stocks with nominal amount of HKD 1,200,000,000, which the Group swapped floating return to receive fixed return (31 December 2016: Nil) and total return swap products purchased from third parties to receive floating return, and the fair value of the swap was RMB 3,063,623 equivalent (31 December 2016: RMB 972,725,273).

(b) As at 30 June 2017, the financial assets at fair value through profit or loss of RMB 3,497,370,151 were pledged to financial institutions as collaterals for borrowings (31 December 2016: RMB 2,775,508,978).

8 Notes to the consolidated financial statements (Cont'd)

(3) Loan and receivable

	30 June 2017 (Unaudited)	31 December 2016
Entrusted loans (a)	12,531,235,641	5,655,844,332
Less: Provision for impairment	(6,017,604)	(3,348,519)
Trust loans	3,085,010,000	-
Fixed income products (b)	5,043,020,065	5,006,807,352
Others	115,525,000	5,000,000
	20,768,773,102	10,664,303,165
Less: Non-current portion of loan and receivable (presented in other non-current assets) (Note 8(26))	(5,985,656,674)	(5,963,814,005)
	14,783,116,428	4,700,489,160

(a) As at 30 June 2017, entrusted loans mainly include loans provided by the Group to borrowers through commercial banks, whose principal and interest were not overdue. After the Group's assessment, a collective impairment provision of RMB 6,017,604 was provided for entrusted loans (31 December 2016: RMB 3,348,519).

(b) The fixed income products are issued by L.R. Capital. The term of the products are 3 years with fixed returns of 7% per annum and management fee of 2.2% per annum. After assessment of the Group, no provision is provided.

(4) Notes receivable

	30 June 2017 (Unaudited)	31 December 2016
Commercial Acceptance	300,800,000	3,667,191
Bank's Acceptance	277,735,925	26,843,083
	578,535,925	30,510,274

(5) Accounts receivable

	30 June 2017 (Unaudited)	31 December 2016
Accounts receivable	3,118,882,396	1,974,338,295
Less: Provision for bad debts	(21,601,618)	(23,485,712)
	3,097,280,778	1,950,852,583

8 Notes to the consolidated financial statements (Cont'd)

(5) Accounts receivable (Cont'd)

The aging of accounts receivable and related provision for bad debts are analysed below:

	30 June 2017 (Unaudited)			31 December 2016		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	2,767,002,312	88.72%	(1,782,927)	1,533,048,282	77.65%	(4,705,423)
1 to 2 years	285,141,307	9.14%	-	325,309,389	16.48%	(18,780,289)
2 to 3 years	49,206,556	1.58%	(19,818,691)	82,217,114	4.16%	-
Over 3 years	17,532,221	0.56%	-	33,763,510	1.71%	-
	3,118,882,396	100.00%	(21,601,618)	1,974,338,295	100.00%	(23,485,712)

As at 30 June 2017, net amount of RMB 393,063,096 of accounts receivable was pledged to banks as collaterals for borrowings (31 December 2016: RMB 268,208,156).

(6) Prepayment

	30 June 2017 (Unaudited)	31 December 2016
Prepayment for land and demolition	516,878,184	517,108,268
Prepayment for project	346,069,610	299,565,374
Prepayment for investment	137,926,537	-
Prepayment for trade	51,229,835	121,345,610
Prepayment for finance lease assets	30,107,227	789,310
Prepayment for decoration	3,559,583	7,803,657
Prepayment for equipment	2,961,988	-
Others	194,047,469	173,306,245
	1,282,780,433	1,119,918,464

The aging of prepayment is analysed as follows:

	30 June 2017 (Unaudited)		31 December 2016	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	1,265,198,835	98.63%	811,941,511	72.50%
1 to 2 years	6,313,659	0.49%	48,091,553	4.29%
2 to 3 years	9,845,604	0.77%	258,390,564	23.07%
Over 3 years	1,422,335	0.11%	1,494,836	0.14%
	1,282,780,433	100.00%	1,119,918,464	100.00%

As at 30 June 2017, net amount of RMB 249,665,940 of prepayment was pledged to banks and trust institutions as collaterals for short-term and long-term borrowings (31 December 2016: Nil).

8 Notes to the consolidated financial statements (Cont'd)

(7) Dividend receivable

	30 June 2017 (Unaudited)	31 December 2016
Dividend receivable from associates and joint ventures	4,737,726,610	-
Others	52,653,532	7,073,969
	4,790,380,142	7,073,969

(8) Interest receivable

	30 June 2017 (Unaudited)	31 December 2016
Interest receivable from bonds	92,513,049	131,980,990
Interest receivable from bank deposits	42,346,172	32,076,618
Interest receivable from entrusted loans	5,788,385	8,707,450
Interest receivable from leasing	8,674,690	5,348,992
Interest receivable from related parties (Note 9(3)(b))	266,003,060	1,400,000
Others	57,923,932	8,101,561
	473,249,288	187,615,611

(9) Premium receivable

	30 June 2017 (Unaudited)	31 December 2016
Premium receivable	3,869,097,249	2,737,599,068

As at 30 June 2017, the aging was within 1 year. After assessment by the Group, no provision is provided. (31 December 2016: Nil).

8 Notes to the consolidated financial statements (Cont'd)

(10) Reinsurance receivables

	30 June 2017 (Unaudited)	31 December 2016
Reinsurance receivables	1,033,631,367	812,268,758
	1,033,631,367	812,268,758
Less: Non-current portion of reinsurance receivable (presented in other non-current assets) (Note 8(26))	(657,184,442)	(484,575,651)
	376,446,925	327,693,107

As at 30 June 2017, after assessment by the Group, no provision for reinsurance receivables is provided (31 December 2016: Nil).

(11) Other receivables

	30 June 2017 (Unaudited)	31 December 2016
Receivables due from related parties (Note9(3)(b))	8,869,293,521	2,782,673,161
Receivable from disposal of investments	3,884,559,333	1,389,868,898
Receivables due from third party	3,322,729,213	755,700,570
Prepayment for land development	2,067,832,839	1,580,270,504
Repurchase receivables	1,504,515,045	209,600,000
Tender deposit	1,254,551,977	610,306,930
Guarantee deposit	438,627,870	380,880,186
Receivables due from former shareholders of subsidiaries	344,920,133	219,239,829
Factoring receivables	302,260,000	322,780,000
Profit distribution to minority interest before declaration	295,140,637	204,330,000
Government grants	10,000,000	20,371,788
Others	841,752,330	840,538,270
	23,136,182,898	9,316,560,136
Less: Provision for bad debts	(85,243,217)	(111,235,857)
	23,050,939,681	9,205,324,279

As at 30 June 2017, after assessment by the Group, a bad debt provision of RMB 85,243,217 was provided for other receivables (31 December 2016: RMB 111,235,857).

8 Notes to the consolidated financial statements (Cont'd)

(11) Other receivables (Cont'd)

The aging of other receivables and related provision for bad debts are analysed below:

	30 June 2017 (Unaudited)			31 December 2016		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	14,069,885,008	60.81%	(52,043,217)	5,043,782,974	54.14%	(76,200,556)
1 to 2 years	7,251,107,622	31.34%	(33,200,000)	3,970,293,748	42.62%	(35,035,301)
2 to 3 years	1,589,318,039	6.87%	-	109,503,725	1.18%	-
Over 3 years	225,872,229	0.98%	-	192,979,689	2.06%	-
	23,136,182,898	100.00%	(85,243,217)	9,316,560,136	100.00%	(111,235,857)

(12) Inventories

(a) Inventories are summarised by categories as follows:

	30 June 2017 (Unaudited)			31 December 2016		
	Gross amount	Impairment provision	Carrying amount	Gross amount	Impairment provision	Carrying amount
Land use right held for future development	1,711,247,318	-	1,711,247,318	4,288,199,240	-	4,288,199,240
Development cost	7,434,335,317	(11,313,709)	7,423,021,608	22,571,283,259	(11,409,726)	22,559,873,533
Developed products	7,694,456,621	(180,065,399)	7,514,391,222	6,306,927,791	(118,232,225)	6,188,695,566
Others	333,094,402	-	333,094,402	246,976,826	-	246,976,826
	17,173,133,658	(191,379,108)	16,981,754,550	33,413,387,116	(129,641,951)	33,283,745,165

(b) For the period from 1 January 2017 to 30 June 2017, the borrowing cost eligible for capitalisation included in cost of inventories was RMB 370,010,432, and the capitalisation rate used to determine the borrowing cost eligible for capitalisation was 5.53% per annum (For the period from 1 January 2016 to 30 June 2016: RMB 490,621,436, 7.21%).

(c) As at 30 June 2017, net amount of RMB 5,850,777,798 of inventories were pledged as collateral to bank and trust plan for borrowings (31 December 2016: RMB 19,341,829,989).

8 Notes to the consolidated financial statements (Cont'd)

(13) Assets and liabilities classified as held for sale

(a) Assets classified as held for sale

	30 June 2017 (Unaudited)	31 December 2016
Cash at bank and on hand	7,217,233	9,885,390
Accounts receivable	1,859	1,412,037
Prepayment	-	1,590,046,616
Other receivables	3,697,814	18,677,200
Inventories	404,710,717	1,896,900,051
Other current assets	-	270,640
Fixed assets	-	254,040
	415,627,623	3,517,445,974

(b) Liabilities classified as held for sale

	30 June 2017 (Unaudited)	31 December 2016
Taxes payable	9,932,320	14,796,444
Short-term borrowings	-	30,000,000
Employee benefits payable	-	762,439
Other payables	423,603,895	84,234,539
Deferred tax liabilities	-	48,395,972
	433,536,215	178,189,394

In 2016 and the first half year of 2017, the Group entered into uncancellable share transfer agreements with third parties to transfer two subsidiaries. The share transfer is expected to be completed in 2017. The assets and liabilities of the subsidiaries to be transferred meets the condition of classification as held for sale, therefore are recorded as current assets and current liabilities separately.

8 Notes to the consolidated financial statements (Cont'd)

(14) Current portion of non-current assets

	30 June 2017 (Unaudited)	31 December 2016
Current portion of long-term receivables (Note 8(17))	6,843,193,577	4,991,434,351
Current portion of other non-current assets (Note 8(26))	11,631,628	132,313,870
	6,854,825,205	5,123,748,221

As at 30 June 2017, finance lease receivables with a net amount of about RMB 3,175,039,832 were pledged as collateral to bank and financial institution for short-term borrowings, long-term borrowings and other payables (31 December 2016: RMB 2,029,191,378).

(15) Other current assets

	30 June 2017 (Unaudited)	31 December 2016
Available-for-sale financial assets (Note 8(16))	762,914,684	1,512,699,027
VAT input	480,461,931	474,628,001
Prepaid LAT	239,220,629	241,334,896
Prepaid income tax	100,647,247	124,228,638
Prepaid business taxes and surcharges	35,782,786	35,117,886
Others	78,499,690	46,539,774
	1,697,526,967	2,434,548,222

(16) Available-for-sale financial assets

	30 June 2017 (Unaudited)	31 December 2016
Measured at fair value		
Equity instruments		
- Stocks	1,916,342,771	2,073,849,200
- Bank wealth management products	199,000,000	726,186,502
- Funds	858,199,822	814,180,579
- Private equities	45,166,699	45,167,934
Debt instruments		
- Debt investments	381,522,007	380,805,636
Measured at cost		
- Private equities	52,715,760	33,668,252
	3,452,947,059	4,073,858,103
Less: Current portion presented in other current assets (Note 8(15))	(762,914,684)	(1,512,699,027)
	2,690,032,375	2,561,159,076

As at 30 June 2017, impairment provision of RMB 504,195,319 was provided accumulatively for available-for-sale financial assets (31 December 2016: RMB 135,346,069).

8 Notes to the consolidated financial statements (Cont'd)

(17) Long-term receivables

	30 June 2017 (Unaudited)	31 December 2016
Finance lease receivables	36,787,588,952	25,251,777,308
Less: Unrecognised finance income	(5,350,353,108)	(3,575,536,345)
Less: Provision for impairment	(251,228,343)	(150,584,334)
Receivables due from third parties	623,048,000	170,640,211
Less: Provision for impairment	(1,331,591)	(1,141,973)
Others	473,558,146	-
Less: Provision for impairment	(120,856)	-
	32,281,161,200	21,695,154,867
Less: Current portion of long-term receivables (Note 8(14))	(6,843,193,577)	(4,991,434,351)
	25,437,967,623	16,703,720,516

As at 30 June 2017, long-term receivables were neither overdue nor impaired. After assessment by the Group, collective assessment impairment provision of RMB 252,680,790 was provided (31 December 2016: RMB 151,726,307).

As at 30 June 2017, long-term receivables with a net amount of about RMB 11,162,274,038 were pledged as collateral to bank for borrowings and factoring financing (31 December 2016: RMB 7,211,587,300).

8 Notes to the consolidated financial statements (Cont'd)

(17) Long-term receivables (Cont'd)

Future lease receivables subsequent to balance sheet date are as follows:

	30 June 2017 (Unaudited)	31 December 2016
Finance lease receivables		
Within 1 year	8,175,116,039	5,806,929,098
1 to 2 years	7,765,476,570	5,512,531,224
2 to 3 years	7,165,088,881	4,248,562,149
Over 3 years	13,681,907,462	9,683,754,837
	36,787,588,952	25,251,777,308

(18) Long-term equity investments

	30 June 2017 (Unaudited)	31 December 2016
Associates (a)	22,154,036,621	11,706,459,814
Joint ventures (b)	6,479,976,843	3,442,031,922
	28,634,013,464	15,148,491,736
Less: Provision for impairment	-	-
	28,634,013,464	15,148,491,736

As at 30 June 2017, long-term equity investments with carrying amount of RMB 8,137,346,702 were pledged as collateral to financial institutions for borrowings (31 December 2016: RMB 2,542,795,677). Other than that, there was no material restriction on sale or transfer of the long-term equity investments held by the Group.

After assessment by the Group, no provision for long-term equity investment was necessary.

8 Notes to the consolidated financial statements (Cont'd)

(18) Long-term equity investments (Cont'd)

(a) Associates

Investment in associates are set out below:

	31 December 2016	Transfer in / Increase	Share of net profit/(loss) under equity method	Dividends declared	Share of other comprehensive income	Exchange difference	30 June 2017 (Unaudited)
CM Bund	-	7,500,000,000	-	-	-	-	7,500,000,000
Yango group	4,676,124,536	-	9,193,583	-	15,781,247	-	4,701,099,366
Far East Horizon Limited ("Far East Horizon")	3,463,667,304	-	192,320,410	(105,570,205)	-	-	3,550,417,509
Mayson Resources Limited (Mayson Resources")	913,489,818	-	44,992,227	-	-	-	958,482,045
Taihe Asset Management Co., Ltd. ("Taihe Asset")	-	920,000,000	3,452,855	-	-	-	923,452,855
Chengdu Hongqi Chain Co., Ltd. ("Hongqi Chain")	-	911,744,000	-	(2,067,200)	-	-	909,676,800
Beijing Rongsheng Property Investment Co., Ltd.	490,780,110	-	(18,881,592)	-	-	-	471,898,518
Luxaviation Holding Company	412,838,330	-	22,567,665	-	46,574,237	(10,813,883)	471,166,349
Luxaviation Acquisition S.A.	412,656,082	-	34,952,841	-	45,839,729	(10,615,283)	482,833,369
Shandong Municipal Hospital Holding Group Co., Ltd.	308,853,693	-	14,715,750	-	-	-	323,569,443
Pingdingshan Citic Guoan Hotel Co., Ltd.	-	378,204,400	(8,150,834)	-	-	-	370,053,566
Others	1,028,049,941	519,645,902	(59,113,654)	-	-	2,804,612	1,491,386,801
	11,706,459,814	10,229,594,302	236,049,251	(107,637,405)	108,195,213	(18,624,554)	22,154,036,621

8 Notes to the consolidated financial statements (Cont'd)

(18) Long-term equity investments (Cont'd)

(a) Associates (Cont'd)

General information of significant associates:

	Primary operating place	Place of registration	Interest (%)	Voting rights (%)	Whether strategic investment to the Group's operating activities
CM Bund	PRC	Shanghai	50.00%	50.00%	Yes
Yango group (note)	PRC	Fujian	18.04%	18.04%	Yes
Far East Horizon (note)	PRC	Hong Kong	13.38%	13.38%	Yes
Mayson Resources	PRC	Hong Kong	40.00%	40.00%	Yes
Taihe Asset	PRC	Shandong	46.00%	46.00%	Yes
Hongqi Chain (note)	PRC	Sichuan	8.00%	8.00%	Yes
Beijing Rongsheng Property Investment Co. Ltd.	PRC	Beijing	45.00%	45.00%	Yes
Luxaviation Holding Company	Luxembourg	Luxembourg	33.70%	40.00%	Yes
Luxaviation Acquisition S.A.	Luxembourg	Luxembourg	49.60%	50.00%	Yes
Shandong Municipal Hospital Holding Group Co., Ltd.	PRC	Shandong	20.00%	20.00%	No
Pingdingshan Citic Guoan Hotel Co., Ltd.	PRC	Henan	49.00%	40.00%	No

Note: The Group has representation on the board of directors in the invested companies, and has significant influence by participating in financial and operational decision-making process.

8 Notes to the consolidated financial statements (Cont'd)

(18) Long-term equity investments (Cont'd)

(a) Associates (Cont'd)

	30 June 2017 (Unaudited)					
	CM Bund (RMB'000)	Yango Group (RMB'000)	Far East Horizon (RMB'000)	Mayson Resources (RMB'000)	Taihe Asset (RMB'000)	Hongqi Chain (RMB'000)
Current assets	22,280,000	175,275,014	72,423,686	5,169,255	2,010,757	1,988,557
Including: Cash and cash equivalents	41,670	-	2,790,075	209,472	13,415	449,195
Non-current assets	23,303,000	9,495,017	124,562,174	300,996	299	2,110,390
Total assets	45,583,000	184,770,031	196,985,860	5,470,251	2,011,056	4,098,947
Current liabilities	25,923,000	90,035,140	73,749,668	2,999,906	3,550	1,846,559
Non-current liabilities	4,660,000	67,472,408	96,722,347	74,140	-	-
Total liabilities	30,583,000	157,507,548	170,472,015	3,074,046	3,550	1,846,559
Equity attributable to holders of perpetual securities	-	-	2,036,648	-	-	-
Minority interest	-	10,980,183	869,604	-	-	-
Equity attributable to shareholders of the Company	15,000,000	16,282,300	23,607,593	2,396,205	2,007,506	2,252,388
Share of net assets calculated based on invested percentage (i)	7,500,000	2,937,327	3,158,696	958,482	923,453	180,191
Adjustments						
- Goodwill	-	1,763,772	391,722	-	-	729,486
Carrying amount of investments in associates	7,500,000	4,701,099	3,550,418	958,482	923,453	909,677
Fair value of the associates with quoted price	N/A	4,068,994	3,220,027	N/A	N/A	660,416

8 Notes to the consolidated financial statements (Cont'd)

(18) Long-term equity investments (Cont'd)

(a) Associates (Cont'd)

Key financial information of CM Bund, Yango group, Far East Horizon, Mayson Resources, Taihe Asset and Hongqi Chain (Cont'd):

	1 January 2017/The date of incorporation or acquisition to 30 June 2017 (Unaudited)					
	CM Bund (RMB'000)	Yango Group (RMB'000)	Far East Horizon (RMB'000)	Mayson Resources (RMB'000)	Taihe Asset (RMB'000)	Hongqi Chain (RMB'000)
Revenue	-	7,524,801	8,972,211	462,000	-	2,288,515
Net profit	-	49,067	1,437,886	112,481	7,506	-
Other comprehensive income	-	87,479	(278,297)	-	-	-
Total comprehensive income	-	136,546	1,159,589	112,481	7,506	-
Dividends received from associates	-	-	105,570	-	-	2,067

(i) The Group calculates share of net assets in proportion of shareholdings based on the amount attributable to the parent company of associates in their consolidated financial statements, which has taken into account the impact of fair value of both the identifiable net assets and liabilities of associates upon acquisition and the unification of accounting policies adopted by the associates to those adopted by the Group.

8 Notes to the consolidated financial statements (Cont'd)

(18) Long-term equity investments (Cont'd)

(b) Joint ventures

Investments in joint ventures are set out below:

	31 December 2016	Transfer in/ increase	Transfer out due to additional investment	Share of net profit/(loss) under equity method	Exchange difference	30 June 2017 (Unaudited)
Shanghai Jinxin	-	2,111,910,000	-	(549,730)	-	2,111,360,270
Ningbo Meishan Boned Port Area Zhimiao Investment Center (Limited Partnership)	997,000,001	-	(20,000,000)	(476,488)	-	976,523,513
Dalian Qingyun Tianxia Real Estate Development Limited	793,746,411	-	-	(3,410,013)	-	790,336,398
Dalian Software Park Tengfei Development Limited	646,110,407	-	-	38,364,568	-	684,474,975
75 Howard Owner L.P.	-	631,189,998	-	3,495,048	(10,234,640)	624,450,406
China Coal Construction General Hospital	-	289,797,806	-	-	-	289,797,806
Silicon Valley Center, Hotel and Golf Project	202,594,897	-	-	(3,226,004)	-	199,368,893
Zhejiang Aerospace Electronics Information Industry Co., Ltd.	202,312,897	-	-	(4,661,963)	-	197,650,934
Others	600,267,309	199,150,927	(167,934,485)	(25,415,589)	(54,514)	606,013,648
	3,442,031,922	3,232,048,731	(187,934,485)	4,119,829	(10,289,154)	6,479,976,843

8 Notes to the consolidated financial statements (Cont'd)

(18) Long-term equity investments (Cont'd)

(b) Joint ventures (Cont'd)

General information of significant joint ventures:

	Primary operating place	Place of registration	Interest (%)	Voting rights (%)	Whether strategic investment to the Group's operating activities
Shanghai Jinxin.	PRC	Shanghai	51.00%	51.00%	Yes
Ningbo Meishan Boned Port Area Zhimiao Investment Center (Limited Partnership) (i)	PRC	Ningbo	19.10%	19.10%	Yes
Dalian Qingyun Tianxia Real Estate Development Limited (i)	PRC	Dalian	25.00%	25.00%	Yes
Dalian Software Park Tengfei Development Limited (i)	PRC	Dalian	50.00%	50.00%	Yes
75 Howard Owner L.P. (i)	USA	California	80.00%	80.00%	Yes
China Coal Construction General Hospital	PRC	Anhui	71.03%	71.03%	Yes
Silicon Valley Center, Hotel and Golf Project (i)	PRC	Shanghai	72.63%	72.63%	Yes
Zhejiang Aerospace Electronics Information Industry Co., Ltd. (i)	PRC	Zhejiang	51.00%	60.00%	Yes

(i) As the major decisions are subjected to the consent by all investors or shareholders, the investees are accounted for as joint ventures.

8 Notes to the consolidated financial statements (Cont'd)

(b) Joint ventures (Cont'd)

Key financial information for Shanghai Jinxin Ningbo Meishan Boned Port Area Zhimiao Investment Center (Limited Partnership) and Dalian Qingyun Tianxia Real Estate Development Limited:

	30 June 2017 (Unaudited)		
	Shanghai Jinxin (RMB'000)	Ningbo Meishan Boned Port Area Zhimiao Investment Center (Limited Partnership) (RMB'000)	Dalian Qingyun Tianxia Real Estate Development Limited (RMB'000)
Current assets	6,181,573	256,000	3,571,520
Including: Cash and cash equivalents	4,490	3,865	152,910
Non-current assets	474	4,856,000	3,352
Total assets	6,182,047	5,112,000	3,574,872
Current liabilities	1,477	-	459,284
Non-current liabilities	2,040,649	-	-
Total liabilities	2,042,126	-	459,284
Minority interest	-	-	-
Equity attributable to shareholders of the Company	4,139,921	5,112,000	3,115,588
Share of net assets calculated based on invested percentage (i)	2,111,360	976,524	778,897
Adjustments			
- Goodwill	-	-	11,439
Carrying amount of investments in joint ventures	2,111,360	976,524	790,336
Fair value of the joint ventures with quoted price	N/A	N/A	N/A

8 Notes to the consolidated financial statements (Cont'd)

(18) Long-term equity investments (Cont'd)

(b) Joint ventures (Cont'd)

Key financial information for Shanghai Jinxin Ningbo Meishan Boned Port Area Zhimiao Investment Center (Limited Partnership) and Dalian Qingyun Tianxia Real Estate Development Limited (Cont'd):

	1 January 2017/The date of incorporation or acquisition to 30 June 2017 (Unaudited)		
	Shanghai Jinxin RMB('000)	Ningbo Meishan Bonded Port Area Zhimiao Investment Center (Limited Partnership) RMB('000)	Dalian Qingyun Tianxia Real Estate Development Limited RMB('000)
Revenue	-	-	-
Net loss	(1,078)	(2,495)	(13,640)
Other comprehensive income	-	-	-
Total comprehensive income	(1,078)	(2,495)	(13,640)
Dividends received from joint ventures	-	-	-

(i) The Group calculates share of net assets in proportion of shareholdings based on the amount attributable to the parent company of joint ventures in their consolidated financial statements, which has taken into account the impact of fair value of both the identifiable net assets and liabilities of associates upon acquisition and the unification of accounting policies adopted by the associates to those adopted by the Group.

(19) Investment properties

	Land use rights	Buildings	Total
31 December 2016	22,600,000,000	17,097,827,534	39,697,827,534
Increase in current period	394,789,850	66,355,724	461,145,574
Decrease in current period	(23,300,000,000)	(1,659,157)	(23,301,659,157)
Changes in fair value	305,210,150	58,433,606	363,643,756
Exchange difference	-	39,306,201	39,306,201
30 June 2017 (Unaudited)	-	17,260,263,908	17,260,263,908

Investment properties of the Group comprises the land use right corresponding the building and the buildings to be developed for the purpose of leasing.

As at 30 June 2017, net amount of RMB 16,342,994,426 of investment properties were pledged as collateral to bank and trust plan for borrowings and long-term payables (31 December 2016: RMB 39,331,848,342).

For the period from 1 January 2017 to 30 June 2017, the interest capitalised and recorded as cost of investment properties was RMB 229,822,025, and the capitalisation rate used to determine the borrowing cost eligible for capitalisation was 5.51% (For the period from 1 January 2016 to 30 June 2016: RMB 276,779,799, the capitalization rate was 6.71%).

8 Notes to the consolidated financial statements (Cont'd)

(20) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Computer and electronic equipment	Office equipment	Total
Original cost						
31 December 2016	1,956,740,021	4,640,039,642	1,810,062,846	159,693,133	111,246,179	8,677,781,821
Transfer in from business combination	7,204,718	17,931,017	87,467,237	45,266,940	7,550,718	165,420,630
Transfer from construction in progress	192,511,979	1,735,548,874	427,204	-	-	1,928,488,057
Increase in current period	34,422,547	49,189,458	8,922,741	22,989,814	9,973,191	125,497,751
Decrease in current period	(7,291,762)	(394,699,667)	(6,136,437)	(4,915,762)	(4,019,389)	(417,063,017)
Exchange difference	1,625,155	-	(40,153,583)	19,429,628	2,836,285	(16,262,515)
30 June 2017 (Unaudited)	2,185,212,658	6,048,009,324	1,860,590,008	242,463,753	127,586,984	10,463,862,727
Accumulated depreciation						
31 December 2016	(20,858,263)	(156,918,500)	(22,298,835)	(54,968,086)	(17,337,541)	(272,381,225)
Increase in current period	(28,326,570)	(172,636,444)	(53,570,894)	(26,815,914)	(20,329,515)	(301,679,337)
Decrease in current period	1,637,491	32,781,263	4,111,926	3,417,487	3,812,479	45,760,646
Exchange difference	(1,784,256)	-	379,141	(16,530,862)	(2,447,475)	(20,383,452)
30 June 2017 (Unaudited)	(49,331,598)	(296,773,681)	(71,378,662)	(94,897,375)	(36,302,052)	(548,683,368)
Provision for impairment						
31 December 2016	-	-	(7,286,158)	-	-	(7,286,158)
Increase in current period	-	-	-	-	-	-
Decrease in current period	-	-	5,800,000	-	-	5,800,000
30 June 2017 (Unaudited)	-	-	(1,486,158)	-	-	(1,486,158)
Net book value						
30 June 2017 (Unaudited)	2,135,881,060	5,751,235,643	1,787,725,188	147,566,378	91,284,932	9,913,693,201
31 December 2016	1,935,881,758	4,483,121,142	1,780,477,853	104,725,047	93,908,638	8,398,114,438

As at 30 June 2017, net amount of RMB 3,397,679,555 of fixed assets were pledged as collateral to financial institutions for short-term and long-term borrowings (31 December 2016: RMB 2,485,476,219).

8 Notes to the consolidated financial statements (Cont'd)

(21) Construction in progress

Project name	31 December 2016	Transfer in from business combination	Increase in current period	Transfer to fixed assets or long-term prepaid expenses	Decrease in current period	30 June 2017 (Unaudited)
Photovoltaic infrastructure projects	5,029,217,580	-	385,856,447	(1,667,803,592)	-	3,747,270,435
Plant and architectural industrial park	325,997,824	-	80,219,716	(258,447,105)	-	147,770,435
Office decoration projects	11,720,497	97,482	1,707,074	(6,885,520)	-	6,639,533
Buildings	186,688,629	-	595,558,288	-	(588,878,315)	193,368,602
Others	12,909,379	-	3,184,822	(4,156,587)	-	11,937,614
Include: borrowing cost capitalised	44,234,626	-	27,393,105	(56,942,816)	-	14,684,915
	5,566,533,909	97,482	1,066,526,347	(1,937,292,804)	(588,878,315)	4,106,986,619
Less: Provision for impairment of construction in progress	-					-
	5,566,533,909					4,106,986,619

For the period from 1 January 2017 to 30 June 2017, the borrowing cost capitalised and recorded as cost of construction in progress was RMB 27,393,105(For the period from 1 January 2016 to 30 June 2016: RMB 25,976,146).

As at 30 June 2017, construction in progress with a carrying amount of RMB 289,699,950 was pledged to financial institutions for borrowings (31 December 2016: RMB 1,202,001,210).

8 Notes to the consolidated financial statements (Cont'd)

(22) Intangible assets

	Land use rights	Computer software	License	Customer relationships	Others	Total
Original cost						
31 December 2016	789,660,811	41,727,573	193,190,800	1,091,998,523	459,330,774	2,575,908,481
Transfer in from business combination	-	1,152,187	-	1,154,109,600	401,877,450	1,557,139,237
Increase in current period	2,771,026	11,422,578	-	-	1,437,605	15,631,209
Decrease in current period	(1,150,157)	(389,312)	-	-	(1,645,038)	(3,184,507)
Exchange difference	-	(72,289)	(4,065,000)	(35,722,939)	(16,319,945)	(56,180,173)
30 June 2017 (Unaudited)	791,281,680	53,840,737	189,125,800	2,210,385,184	844,680,846	4,089,314,247
Accumulated amortization						
31 December 2016	1,631,406	(4,282,505)	(498,167)	(45,702,199)	(1,043)	(48,852,508)
Amortisation in current period	(8,246,082)	(3,936,313)	(352,061)	(47,940,084)	(6,052,279)	(66,526,819)
Decrease in current period	720,619	402,699	-	-	-	1,123,318
Exchange difference	-	68,017	281,823	127,676	83,917	561,433
30 June 2017 (Unaudited)	(5,894,057)	(7,748,102)	(568,405)	(93,514,607)	(5,969,405)	(113,694,576)
Net book value						
30 June 2017 (Unaudited)	785,387,623	46,092,635	188,557,395	2,116,870,577	838,711,441	3,975,619,671
31 December 2016	791,292,217	37,445,068	192,692,633	1,046,296,324	459,329,731	2,527,055,973

As at 30 June 2017, no impairment provision for intangible assets was provided (31 December 2016: Nil).

As at 30 June 2017, net amount of RMB 125,711,276 were pledged as collateral to financial institutions for borrowings (31 December 2016: RMB 46,343,361).

Note: Other intangible assets mainly include licenses, trademark and Lloyd's Capacity with indefinite useful life. As at 30 June 2017, the net amount of these intangible assets was RMB 630,019,200. After assessment of the Group, no provision for impairment was provided (31 December 2016: RMB 457,842,000).

8 Notes to the consolidated financial statements (Cont'd)

(23) Goodwill

	31 December 2016	Increase in current period	Exchange difference	30 June 2017 (Unaudited)
CM Jet (a)	627,732,874	-	-	627,732,874
China Minsheng Drawin Technology Group Limited ("CM Drawin Tech")	224,814,811	-	(6,682,794)	218,132,017
CM Financial	134,045,182	-	(3,984,597)	130,060,585
Shanghai Minghua Property Management Co. Ltd. ("Minghua Property")	191,221,604	-	-	191,221,604
Sirius Insurance	2,755,559,911	-	(64,589,021)	2,690,970,890
Armada	-	846,785,586	(15,329,602)	831,455,984
IMG	-	1,863,070,366	(25,832,024)	1,837,238,342
Shangdong Ruigao Investment Co. Ltd. ("Shangdong Ruigao")	254,896,310	-	-	254,896,310
Shanghai Kerui Property Management and Development Co. Ltd. ("Kerui Property")	214,738,000	-	-	214,738,000
Shanghai Richtech Shangfang Management Co. Ltd. ("Richtech Shangfang")	189,385,884	-	-	189,385,884
Chongqing Haitai	-	147,016,396	-	147,016,396
Longcheng Property	-	251,955,911	-	251,955,911
Taihe Hospital	-	136,815,619	-	136,815,619
Others	282,033,362	37,008,111	(208,094)	318,833,379
	4,874,427,938	3,282,651,989	(116,626,132)	8,040,453,795
Less: Provision for impairment -CM Jet (a)	-			(300,000,000)
	4,874,427,938			7,740,453,795

(a) As at 30 June 2017, after impairment test by the Group CM Jet's actual operating performance did not meet expectation at the acquisition date, the recoverable amount of CM Jet is determined according to the present value of expected future cash flows. Cash flows forecast in next 5 years is calculated based on the five-year business plan approved by the management, and cash flow after then is projected by using perpetual growth rate of 3%; and the discounted rate used is 12%.

(b) As at 30 June 2017, no impairment provision for goodwill related to subsidiaries other than CM Jet was provided.

8 Notes to the consolidated financial statements (Cont'd)

(23) Goodwill (Cont'd)

(c) Goodwill allocated to the Group's asset groups and groups of asset groups are summarised by operating segments as follows:

	30 June 2017 (Unaudited)	31 December 2016
Insurance	5,359,665,216	2,755,559,911
Property management	1,047,957,352	640,795,045
Financial property	737,755,371	716,294,924
Investment and asset management	130,527,363	134,045,184
Others	464,548,493	627,732,874
	7,740,453,795	4,874,427,938

(24) Long-term prepaid expenses

	30 June 2017 (Unaudited)	31 December 2016
Leasehold improvements	290,766,560	178,375,316
Rent payment for land	215,472,198	204,457,814
Pilot introduction fee and training expenses	88,134,463	98,367,053
Others	284,667,831	571,965,878
	879,041,052	1,053,166,061

8 Notes to the consolidated financial statements (Cont'd)

(25) Deferred tax assets and deferred tax liabilities

(a) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	30 June 2017 (Unaudited)	31 December 2016
Deferred tax assets, net	3,139,676,175	3,689,355,451
Deferred tax liabilities, net	7,132,312,644	8,831,741,660

(b) Balances of deferred tax assets and deferred tax liabilities without taking into consideration the offsetting are as follows:

Deferred tax assets

	30 June 2017 (Unaudited)		31 December 2016	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Elimination of intra-group unrealised profit	59,752,600	239,010,400	427,601,231	1,710,403,331
Differences between tax basis and book value arising from equity transfer	242,837,321	971,349,284	242,837,321	971,349,282
Employee benefits payable	230,167,467	900,390,818	295,931,110	1,166,025,805
Changes in fair value of financial assets at fair value through profit or loss	139,054,013	556,216,052	6,263,589	32,903,606
Asset impairment loss	76,187,413	368,871,612	57,424,946	261,078,968
Land appreciation tax	91,872,796	367,491,184	107,868,196	431,472,784
Deductible carried forward losses (i)	2,229,968,302	8,715,017,271	2,530,700,665	9,887,583,016
Share-based payment	35,491,942	141,967,769	28,133,070	112,532,279
Insurance reserve	132,480,295	444,282,610	166,225,621	474,930,349
Tax credit (ii)	173,858,378	604,273,190	104,548,595	331,189,292
Others	176,365,172	539,021,484	142,172,056	550,631,221
	3,588,035,699		4,109,706,400	

(i) The deductible carried forward losses as at 30 June 2017 mainly from Sirius Insurance, most of which will not expire.

(ii) Tax credit mainly includes Sirius Insurance's income tax paid in oversea which can be used to enjoy tax credit in the future.

8 Notes to the consolidated financial statements (Cont'd)

(25) Deferred tax assets and deferred tax liabilities (Cont'd)

(b) Balances of deferred tax assets and deferred tax liabilities without taking into consideration the offsetting are as follows (Cont'd):

Deferred tax liabilities

	30 June 2017 (Unaudited)		31 December 2016	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Changes in fair value of investment property	2,535,367,104	10,141,468,416	4,482,497,695	17,929,990,781
Income tax for expected dividend of subsidiaries	427,160,088	1,708,640,351	1,099,741,356	8,410,356,084
Safety reserve of oversea insurance companies	1,889,159,985	8,587,090,849	1,801,789,645	8,189,952,928
Differences between the fair value of the identifiable net assets and book value arising from business combinations not under common control	1,250,892,211	4,821,341,235	924,949,471	3,987,313,411
Valuation appreciation of remaining shares after disposal of subsidiaries	793,113,825	3,172,455,301	-	-
Changes in fair value of financial assets at fair value through profit or loss	257,983,806	1,085,367,693	497,899,103	2,077,588,729
Uncertain tax provision	177,372,395	795,752,505	165,008,782	737,958,455
Insurance reserve	85,091,558	221,049,025	21,207,914	56,190,921
Others	164,531,196	631,662,157	258,998,643	2,377,778,804
	7,580,672,168		9,252,092,609	

As at 30 June 2017, the deferred income assets and liabilities offset by the Group were RMB 448,359,524 (31 December 2016: RMB 420,350,550).

As at 30 June 2017, the amount of deferred income liabilities expected to be reversed within 1 year was RMB 1,631,552,093 (31 December 2016: RMB 277,982,088).

8 Notes to the consolidated financial statements (Cont'd)

(26) Other non-current assets

	30 June 2017 (Unaudited)	31 December 2016
Financial assets at fair value through profit or loss (Note 8(2))	22,189,504,839	20,322,940,160
Due from related parties (Note 9(3)(b))	15,000,000,000	-
Prepayments to related parties (Note 9(3)(b))	1,166,999,282	-
Loan and receivable (Note 8(3))	5,985,656,674	5,963,814,005
Prepayment for land use right	2,717,755,428	3,444,678,161
Reinsurance reserve (Note 8(37))	1,407,993,416	1,409,804,151
Prepayment for equity investments	1,368,735,998	1,023,130,390
Input VAT	528,949,275	691,139,209
Reinsurance receivable (Note 8(10))	657,184,442	484,575,651
Prepayment for operating lease assets	104,304,245	132,313,870
Prepayments for equipments	131,211,255	72,533,210
Others	44,871,296	42,714,916
	51,303,166,150	33,587,643,723
Less: current portion of prepayment for operating lease assets (presented in other current assets)(Note 8(14))	(11,631,628)	(132,313,870)
	51,291,534,522	33,455,329,853

(27) Short-term borrowings

	30 June 2017 (Unaudited)	31 December 2016
Credit borrowings	31,338,016,903	22,278,625,413
Guaranteed borrowings	50,569,959	765,500,000
Collateralised borrowings	8,812,881,195	10,507,925,035
	40,201,468,057	33,552,050,448

As at 30 June 2017, the weighted average interest rate of short-term borrowings was 4.70% (31 December 2016: 4.68%).

8 Notes to the consolidated financial statements (Cont'd)

(28) Financial liabilities at fair value through profit or loss

	30 June 2017 (Unaudited)	31 December 2016
Financial liabilities held for trading		
Contingent consideration in business combination (a)	807,508,480	-
Preference shares (Note 5(1)(a))	684,121,597	-
Derivative financial liabilities	601,742,001	491,402,503
Others	63,849,434	35,470,560
Financial liabilities designated at fair value through profit or loss		
Other investors' interest in the consolidated structured entities	676,065,462	347,950,241
	2,833,286,974	874,823,304
Less: Non-current portion of financial liabilities at fair value through profit or loss (presented in other non-current liabilities) (Note 8(43))	(2,246,520,411)	(359,442,478)
	586,766,563	515,380,826

(a) The contingent consideration from Sirius Insurance acquiring of IMG and Armada refers to Note 5(1)(a) and Note 5(1)(b).

(29) Notes Payable

	30 June 2017 (Unaudited)	31 December 2016
Commercial acceptance	268,982,639	234,363,774
Bank acceptance	93,624,788	108,818,052
Others	-	25,740,515
	362,607,427	368,922,341

(30) Accounts payable

	30 June 2017 (Unaudited)	31 December 2016
Payable for inventory construction	3,525,857,756	3,453,574,666
Others	698,007,554	341,050,574
	4,223,865,310	3,794,625,240

8 Notes to the consolidated financial statements (Cont'd)

(31) Advances from customers

	30 June 2017 (Unaudited)	31 December 2016
Advances from sales of properties	3,539,308,367	4,389,236,182
Others	492,576,945	301,464,890
	4,031,885,312	4,690,701,072

(32) Employee benefits payable

	30 June 2017 (Unaudited)	31 December 2016
Short-term employee benefits payable (a)	1,633,291,852	2,085,809,849
Defined contribution plans payable (b)	11,026,965	21,750,451
Termination benefits payable(c)	7,260,494	7,987,673
	1,651,579,311	2,115,547,973

8 Notes to the consolidated financial statements (Cont'd)

(32) Employee benefits payable (Cont'd)

(a) Short-term employee benefits payable

	31 December 2016	Transfer in from business combination	Accrual	Payment	Decrease	Exchange difference	30 June 2017 (Unaudited)
Wages and salaries, bonus, allowances	2,028,365,104	12,769,898	2,183,883,919	(2,649,951,889)	(16,768,649)	7,014,806	1,565,313,189
Staff welfare	42,224,554	355,487	53,180,306	(56,735,258)	-	1,439,428	40,464,517
Social security contributions	5,178,624	3,770,593	65,270,027	(66,903,409)	(115,619)	-	7,200,216
Including: Medical insurance	4,439,063	3,770,644	58,580,056	(59,814,556)	(101,506)	-	6,873,701
Work injury insurance	376,716	(17)	2,519,165	(2,752,330)	(3,453)	-	140,081
Maternity insurance	362,845	(34)	4,170,806	(4,336,523)	(10,660)	-	186,434
Housing funds	3,839,864	(184,514)	63,953,398	(66,457,791)	(110,872)	-	1,040,085
Labour union funds and employee education funds	6,201,703	12,187,838	7,450,731	(6,566,427)	-	-	19,273,845
	2,085,809,849	28,899,302	2,373,738,381	(2,846,614,774)	(16,995,140)	8,454,234	1,633,291,852

(b) Defined contribution plans payable

	31 December 2016	Accrual	Payment	Decrease	30 June 2017 (Unaudited)
Basic pensions	21,207,478	144,218,101	(154,254,437)	(213,706)	10,957,436
Unemployment insurance	542,973	4,735,319	(5,203,332)	(5,431)	69,529
	21,750,451	148,953,420	(159,457,769)	(219,137)	11,026,965

8 Notes to the consolidated financial statements (Cont'd)

(32) Employee benefits payable (Cont'd)

(c) Termination benefits payable

	31 December 2016	Accrual	Payment	30 June 2017 (Unaudited)
Termination benefits payable	7,987,673	5,943,070	(6,670,249)	7,260,494

(33) Taxes payable

	30 June 2017 (Unaudited)	31 December 2016
Enterprise income tax payable	2,930,149,653	1,981,071,802
LAT payable	686,340,665	553,793,860
VAT payable	150,327,553	145,176,116
Deed tax payable	19,664,828	48,498,351
Stamp tax payable	15,938,761	65,462,816
Business taxes and surcharges payable	7,155,129	8,876,954
Real estate taxes payable	1,307,900	5,609,752
Others	66,148,052	105,314,470
	3,877,032,541	2,913,804,121

(34) Interest payable

	30 June 2017 (Unaudited)	31 December 2016
Interest payable on bond issued	888,039,512	702,023,153
Interest payable on bank borrowings	417,337,038	155,217,200
Others	4,264,908	11,381,082
	1,309,641,458	868,621,435

(35) Dividends payable

	30 June 2017 (Unaudited)	31 December 2016
Dividends payable to shareholders of the Company	4,330,000,000	30,000,000
Dividends payable to minority interest of subsidiaries	437,942,675	430,673,075
	4,767,942,675	460,673,075

8 Notes to the consolidated financial statements (Cont'd)

(36) Other payables

	30 June 2017 (Unaudited)	31 December 2016
Payable from transfer-out beneficial right (a)	6,447,511,225	3,944,167,534
Other payables due to third parties	2,323,411,136	1,322,067,721
Payables due to related parties (Note 9(3)(b))	1,979,556,196	166,175,000
Payable for fixed assets under construction	1,574,791,523	2,172,356,410
Payable for price adjustment share transfer	622,275,206	641,339,518
Dividend received from associates before declaration	582,000,000	340,000,000
Factoring financing with recourse	509,600,000	509,600,000
Financial assets sold for repurchase	500,000,000	-
Payable for investments	491,941,841	1,450,175,971
Guarantee deposit received	370,144,505	771,473,177
Payable for demolition compensation	226,316,700	378,281,511
Accrued expenses	146,723,773	301,605,778
Aviation services reserves	97,314,181	96,975,364
Payables due to minority interests and their holding companies	47,655,163	317,123,858
Prepaid capital from shareholders	32,500,000	-
Borrowing from shareholders of subsidiaries	30,000,000	772,789,364
Share transfer consideration received in advance	21,000,000	4,851,654,049
Others	1,556,528,506	1,243,335,097
	17,559,269,955	19,279,120,352

(a) The Group's subsidiaries transferred beneficial rights of part of their debt and equity investments to intra-group companies to individual investors. As at 30 June 2017, the principal and interest payables arising from the above transactions was RMB 6,447,511,225, with interest rate from 4.0% to 7.5% per annum (31 December 2016: principal and interest payables of RMB 3,944,167,534, interest rate from 4.6% to 7.5% per annum).

8 Notes to the consolidated financial statements (Cont'd)

(37) Insurance reserve

	31 December 2016	Transfer in from business combination	Increase in current period	Decrease in current period	Exchange difference	30 June 2017 (Unaudited)
Gross						
Unearned premium reserves	2,056,690,701	156,108,292	781,449,745	-	6,787,414	3,001,036,152
Outstanding claim reserves	11,216,770,510	97,920,745	2,246,637,981	(2,446,265,162)	(77,972,173)	11,037,091,901
	13,273,461,211	254,029,037	3,028,087,726	(2,446,265,162)	(71,184,759)	14,038,128,053
Ceded						
Unearned premium reserves	540,004,487	-	-	(6,421,191)	7,004,245	540,587,541
Outstanding claim reserves	2,053,315,414	-	613,160,619	(633,727,826)	(1,454,942)	2,031,293,265
	2,593,319,901	-	613,160,619	(640,149,017)	5,549,303	2,571,880,806

	30 June 2017 (Unaudited)
Unearned premium reserves	3,001,036,152
Outstanding claim reserves	11,037,091,901
	14,038,128,053
Less: Insurance reserves presented in other non-current liabilities (Note 8(43))	(7,644,778,115)
	6,393,349,938

	30 June 2017 (Unaudited)
Unearned premium reserves	540,587,541
Outstanding claim reserves	2,031,293,265
	2,571,880,806
Less: Non-current portion (presented in other non-current assets) (Note 8(26))	(1,407,993,416)
	1,163,887,390

(38) Current portion of non-current liabilities

	30 June 2017 (Unaudited)	31 December 2016
Current portion of long-term payables (Note 8(41))	19,283,370,868	140,825,425
Current portion of long-term borrowings (Note 8(40))	9,559,384,069	3,869,983,029
Current portion of bonds payable (Note 8(42))	1,912,515,808	1,219,556,924
Current portion of other non-current liabilities (Note 8(43))	118,979,752	175,481,212
	30,874,250,497	5,405,846,590

8 Notes to the consolidated financial statements (Cont'd)

(39) Other current liabilities

	30 June 2017 (Unaudited)	31 December 2016
Bonds payable (Note 8(42))	20,506,669,881	21,676,392,668
Others	440,048,829	176,804,151
	20,946,718,710	21,853,196,819

(40) Long-term borrowings

	30 June 2017 (Unaudited)	31 December 2016
Credit borrowings	4,506,319,071	3,053,910,282
Guaranteed borrowings	20,641,309,309	16,916,316,587
Collateralised borrowings	28,939,682,768	22,409,167,821
	54,087,311,148	42,379,394,690
Less: Current portion of long-term borrowings (Note 8(38))	(9,559,384,069)	(3,869,983,029)
	44,527,927,079	38,509,411,661

As at 30 June 2017, the weighted average interest rate of long-term borrowings was 5.19% per annum (31 December 2016: 5.51% per annum).

(41) Long-term payables

	30 June 2017 (Unaudited)	31 December 2016
Due to limited partners of Xingsheng Jiaye Investment's senior tranche (a)	15,000,000,000	15,000,000,000
Due to investors' senior tranche	7,701,000,000	-
Net finance lease payables (b)	1,755,282,585	1,881,516,623
Others	954,461,312	432,532,176
	25,410,743,897	17,314,048,799
Less: Current portion of long-term payables (Note 8(38))	(19,283,370,868)	(140,825,425)
	6,127,373,029	17,173,223,374

(a) Interest will be paid on the 20th day of last month in every calendar quarter and on maturity date with interest rate of 5.41% per annum. The Group pledged land use right of associates as collateral to limited partners of the senior tranche.

	30 June 2017 (Unaudited)	31 December 2016
Minimum lease payables	2,101,078,759	2,267,142,964
Less: unrecognised finance expense	(345,796,174)	(385,626,341)
Net	1,755,282,585	1,881,516,623

8 Notes to the consolidated financial statements (Cont'd)

(42) Bonds payable

Issuer	Type	Guarantee Type	Maturity	Par value (in million)	Issued year	Coupon rate (per annum)	30 June 2017 (Unaudited)
The Company (a)	Corporate bonds	None	3 years	RMB 3,750	2015	4.35%	3,742,087,371
The Company (a)	Corporate bonds	None	3 years	RMB 2,690	2016	4.63%	2,683,536,016
The Company	Private placement notes	None	3 years	RMB 3,000	2016	5.20%	2,993,279,737
The Company (a)	Private placement notes	None	3 years	RMB 1,380	2016	5.38%	1,376,540,727
The Company (a)	Private placement notes	None	3 years	RMB 1,560	2016	5.50%	1,554,350,191
The Company (a)	Corporate bonds	None	3 years	RMB 5,000	2016	4.88%	4,985,148,294
The Company (a)	Corporate bonds	None	3 years	RMB 5,000	2016	4.39%	4,984,016,784
The Company (b)	Private placement notes	None	3 years	RMB 2,500	2016	4.99%	2,493,622,586
The Company (b)	Private placement notes	None	3 years	RMB 3,000	2017	5.80%	2,992,192,156
The Company (b)	Private placement notes	None	3 years	RMB 2,000	2017	5.98%	1,992,809,506
The Company	Debt financing plan	None	1 year	RMB 500	2017	5.10%	499,162,192
CM Drawin Tech (c)	Corporate bonds	None	3 years	HKD 200	2015	-	160,625,499
Boom Up Investments Limited (d)	Corporate bonds	None	5 years	USD 300	2015	3.25%	1,925,835,882
Boom Up Investments Limited (d)	Corporate bonds	None	3 years	USD 500	2016	3.80%	3,364,036,809
CM New Energy (e)	Corporate bonds	Irrevocable joint liability guarantee	3 years	RMB 1,000	2016	4.67%	995,597,514
CMI Leasing (f)	Corporate bonds	None	3 years	RMB 3,000	2016	4.70%	3,105,940,049
CMI Leasing (f)	Corporate bonds	None	3 years	RMB 2,000	2016	4.97%	2,055,416,070
CMI Leasing (g)	Asset Backed Securities	None	3 years	RMB 470	2015	5.05%-5.8%	473,245,287
CMI Leasing (g)	Asset Backed Securities	None	4 years	RMB 530	2016	3.8%-5.5%	493,911,063
CMI Leasing (g)	Asset Backed Securities	None	5 years	RMB 1,240	2016	4.2%-5.3%	1,194,613,365
CMI Leasing (g)	Asset Backed Notes	None	2 years	RMB 760	2017	5.80%	763,623,014
CMI Leasing (g)	Asset Backed Notes	None	3 years	RMB 270	2017	6.30%	271,398,082
CMI Leasing	USD private placement notes	None	1 year	USD 100	2017	4.40%	681,828,306
Sirius Insurance	Senior Notes	None	10 years	USD 400	2016	4.60%	2,657,119,342
Yida	Corporate bonds	None	5 years	RMB 1,000	2015	6.00%	1,008,907,395
Yida	Corporate bonds	None	5 years	RMB 2,000	2016	6.50%	2,017,814,789
Yida	Senior Notes	None	3 years	USD 300	2017	6.95%	1,995,293,766
							53,461,951,792
Less: Current portion (presented in other current liabilities) (Note 8(39))							(20,506,669,881)
Current portion (presented in current portion of non-current liabilities) (Note 8(38))							(1,912,515,808)
							31,042,766,103

8 Notes to the consolidated financial statements (Cont'd)

(42) Bonds payable (Cont'd)

(a) The Company privately placed 3-year corporate bonds or private publication notes. At the end of first and second year of the 3-year period, the issuer has option to adjust the interest rate applicable to the rest period of the bond, and the issuer has call option while the investor has the put option. The Group classified the bonds into current liabilities. As at 30 June 2017, the total amount of RMB 2.62 billion of bonds issued in 2015 and 2016 have been reedemed by the Company.

(b) On 9 December 2016, the Company placed a 3-year private placement note ("PPN") with par value of RMB 2,500 million and coupon rate of 4.99% per annum. At the end of second year of the 3-year period, the issuer has option to adjust the interest rate applicable to the rest period, and the investor has the put option.

On 16 March 2017, the Company placed a 3-year PPN with par value of RMB 3,000 million and coupon rate of 5.80% per annum. At the end of second year of the 3-year period, the issuer has option to adjust the interest rate applicable to the rest period, and the investor has the put option.

On 26 April 2017, the Company placed a 3-year PPN with par value of RMB 2,000 million and coupon rate of 5.98% per annum. At the end of second year of the 3-year period, the issuer has option to adjust the interest rate applicable to the rest period, and the investor has the put option.

(c) CM Drawin Tech issued 3-year zero coupon rate convertible bonds ("Convertible Bonds") of HKD 200 million to external investors on 27 May 2015.

The holders of Convertible Bonds are entitled to convert all or part of bonds into ordinary shares at HKD 0.2 per share in the period from 6 months after bond issuance date to 10 business days before the maturity date. CM Drawin Tech will redeem all outstanding Convertible Bonds at par value upon maturity.

The Convertible Bond was separated into liabilities component and equity component at initial recognition on 27 May 2015. The fair value of liability component was calculated at the present value of the redeemable principal using discounted rate of 8.92%. The fair value of the equity component was determined by using binomial option pricing model.

(d) Boom Up Investments Limited, a subsidiary of CM International, issued a 5-year corporate bond with par value of USD 300 million in Hong Kong Exchange on 24 July 2015. Its coupon rate is 3.25%, and interest will be paid every 6 months and the principal will be paid on maturity date.

Boom Up Investments Limited, a subsidiary of CM International, issued a 3-year corporate bond with par value of USD 500 million in Singapore Exchange on 3 August 2016. Its coupon rate is 3.80%, and interest will be paid every 6 months and the principal will be paid on maturity date.

(e) On 7 November 2016, CM New Energy privately placed a 3-year RMB bond with par value of RMB 1,000 million and coupon rate of 4.67% per annum and the Company provide irrevocable joint liability guarantee. At the end of second year of the 3-year period, the issuer has option to adjust the interest rate applicable to the rest period of the bond, and the investors has the put option.

(f) CMI Leasing privately placed a 3-year RMB bond. At the end of second year of the 3-year period, the issuer has option to adjust the interest rate applicable to the rest period of the bond, and the investors has the put option.

8 Notes to the consolidated financial statements (Cont'd)

(42) Bonds payable (Cont'd)

(g) CMI Leasing issued finance lease receivables backed securities with total par value of RMB 3.65 billion, among which, the par value of senior tranche is RMB 3.40 billion and of subordinate tranche is RMB 0.25 billion. CMI Leasing held all subordinate tranche and a part of senior tranche. As CMI Leasing retained almost all the variable risks and rewards, the part of senior tranche held by external investors are accounted for as liabilities. CMI Leasing provided guarantee to the principal and interests of senior tranche.

On 1 June 2017, CMI Leasing issued finance lease receivables backed notes with total par value of RMB 1.08 billion, among which, the par value of senior tranche is RMB 1.03 billion and of subordinate tranche is RMB 0.05 billion. CMI Leasing held all subordinate tranche. As CMI Leasing retained almost all the variable risks and rewards, the part of senior tranche held by external investors are accounted for as liabilities. CMI Leasing provided guarantee to the principal and interests of senior tranche.

(43) Other non-current liabilities

	30 June 2017 (Unaudited)	31 December 2016
Insurance contract reserves (Note 8(37))	7,644,778,115	7,682,795,628
Financial liabilities at fair value through profit or loss (Note 8(28))	2,246,520,411	359,442,478
Guarantee deposit from leasee	1,449,662,805	1,147,908,322
Capital injection (a)	1,449,443,199	1,449,662,419
Deferred commission income	187,119,364	150,410,560
Payables due to senior tranche investors of the trust plan	-	1,000,780,137
Output VAT to be recognised	-	178,735,170
Others	14,981,720	17,546,778
	12,992,505,614	11,987,281,492
Less: current portion of other non-current liabilities (Note 8(38))	(118,979,752)	(175,481,212)
	12,873,525,862	11,811,800,280

(a) According to the share subscription agreement between CMI Singapore and its investors, the investors have put option which will require CMI Singapore to repurchase the shares in the event that there is no initial public offering of CMI Singapore on the recognized stock exchanges 5 years since the investments. The repurchase price shall be the sum of (a) the subscription price that the investors paid and (b) the total interests calculated based on interest rate of 5% per annum and the period from the subscription date to the date of the payment of the aggregate principal amount. The proceeds from capital injection in full are accounted for as liabilities due to above put option.

8 Notes to the consolidated financial statements (Cont'd)

(44) Capital surplus

	31 December 2016	Increase in current period	Decrease in current period	30 June 2017 (Unaudited)
Capital premium(a)	1,536,632,990	1,181,813	(298,093,773)	1,239,721,030
Share-based payment(b)	133,247,318	3,085,815	-	136,333,133
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	(68,216,459)	-	-	(68,216,459)
Other	-	32,149,882	-	32,149,882
	1,601,663,849	36,417,510	(298,093,773)	1,339,987,586

(a) Increase or decrease in capital premium is the difference between transfer price and identifiable net assets of subsidiaries on disposal date or acquisition date, net of tax, as the Group disposed some equity of subsidiaries without losing control, or purchased some minority interest of subsidiaries.

(b) Share-based payment

The Group set up a trust plan to implement share-based payment. The trust plan subscribed 2 billion shares of the Company as a sponsor shareholder. The subscribed shares will be paid from 30 June 2014 to 30 June 2019 in six instalments, but are entitled to receive dividends based on subscripted shares within the period. The total amount of trust plans is RMB 200 million. As of 30 June 2017, the paid-in capital from the trust plan is RMB 800 million (31 December 2016: RMB 400 million).

8 Notes to the consolidated financial statements (Cont'd)

(44) Capital surplus (Cont'd)

(b) Share-based payment(Cont'd)

(i) First batch share-based payment

According to resolution of Board of Directors in 2014, the Company granted share-based payment to senior management, who purchased 76 million units of trust plan. The units of trust plan can't be transferred to third parties before 30 June 2019. As at 30 June 2017, senior management in service held 76 million units of trust plan.

(ii) Second batch share-based payment

On 20 November 2015, the Company set up a limited partnership to purchase the rest 124 million units of trust plan that are not granted to employees. According to Resolution of Board of Directors of the Company [2015] No. 26 (No. 41 since incorporation) and the Interim Shareholders' Resolution of the Company [2015] No. 2 (No. 4 since incorporation), the Company granted share-based payment to key employees, who purchased shares of the limited partnership corresponding to 50.4 million units of trust plan on November 2015, May 2016 and May 2017. The units of trust plan can't be transferred to third parties before 30 June 2019. As at 30 June 2017, key employees in service held 46.2 million units of trust plan.

(iii) The differences between the fair value of units of trust plan and the present value of consideration by employees on grant date is amortised during the vesting period and recorded as expenses.

(iv) The trust plan and limited partnership set for share-based payment are controlled by the Company, so they are within consolidation scope of the Group's financial statements.

(45) Treasury stock

As at 30 June 2017, the units of trust plan granted to senior management and key employees that can't be transferred to third parties amounted to RMB 488,800,000, and the units of trust plan held by the limited partnership that haven't been granted amounted to RMB 311,200,000. In total, the corresponding RMB 800,000,000 shares were presented as treasury stock in the consolidated financial statements.

8 Notes to the consolidated financial statements (Cont'd)

(46) Other comprehensive income

	30 June 2017 (Unaudited)	31 December 2016
Changes in fair value of available-for-sale financial assets	52,817,797	(181,826,634)
Currency translation differences	970,713,490	973,687,613
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss	61,513,116	(44,223,993)
Others	2,802,487	2,802,487
	1,087,846,890	750,439,473

(a) Other comprehensive income items and related income tax impact

	For the half-year ended 30 June 2017 (Unaudited)			
	Amount before tax	Reclassification of previous other comprehensive income to profit or loss	Income tax	Net amount after tax
Items that may be subsequently reclassified to profit or loss				
- Changes in fair value for available-for-sale financial assets	331,726,689	-	(41,082,397)	290,644,292
- Currency translation differences	(97,246,382)	-	-	(97,246,382)
- Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss	108,195,215	-	-	108,195,215
Total other comprehensive income	342,675,522	-	(41,082,397)	301,593,125

	For the half-year ended 30 June 2016 (Unaudited)			
	Amount before tax	Reclassification of previous other comprehensive income to profit or loss	Income tax	Net amount after tax
Items that may not be subsequently reclassified to profit or loss				
- Change result from remeasurement of net liability and net assets of defined benefit plans	4,267,025	-	-	4,267,025
Items that may be subsequently reclassified to profit or loss				
- Changes in fair value for available-for-sale financial assets	(120,970,104)	787,570,853	22,020,917	688,621,666
- Currency translation differences	463,926,255	-	-	463,926,255
- Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss	(21,138,147)	-	-	(21,138,147)
- Effective portion of cash flow hedging	413,075	-	-	413,075
Total other comprehensive income	326,498,104	787,570,853	22,020,917	1,136,089,874

8 Notes to the consolidated financial statements (Cont'd)

(46) Other comprehensive income (Cont'd)

(b) Change in other comprehensive income items

(Unaudited)	Total equity attributable to shareholders of the Company						Minority interest	Total
	Changes result from remeasurement of net liabilities and net assets of defined benefit plans	Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss	Gains or losses arising from changes in fair value of available-for-sale financial assets	Currency translation differences	Effective portion of cash flow hedging	Subtotal		
1 January 2016	-	-	(868,391,772)	612,891,652	-	(255,500,120)	22,730,137	(232,769,983)
Movements for the half-year ended 30 June 2016	4,267,025	(21,138,147)	685,573,343	459,581,451	413,075	1,128,696,747	7,393,127	1,136,089,874
30 June 2016	4,267,025	(21,138,147)	(182,818,429)	1,072,473,103	413,075	873,196,627	30,123,264	903,319,891
1 January 2017	-	(44,223,993)	(181,826,634)	973,687,613	2,802,487	750,439,473	61,751,785	812,191,258
Movements for the half-year ended 30 June 2017	-	105,737,109	234,644,431	(2,974,123)	-	337,407,417	(35,814,292)	301,593,125
30 June 2017	-	61,513,116	52,817,797	970,713,490	2,802,487	1,087,846,890	25,937,493	1,113,784,383

8 Notes to the consolidated financial statements (Cont'd)

(47) Retained earnings

As at 30 June 2017, included in the retained earnings, RMB 331,454,188 was subsidiaries' surplus reserve attributable to the Company (31 December 2016: RMB 331,454,188).

(48) Revenue

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Revenue from sales of goods		
Revenue from sales of properties	2,953,101,775	134,539,119
Revenue from trade	2,681,445,979	391,106,579
Revenue from electricity	454,808,365	156,236,363
Others	33,158,220	-
	6,122,514,339	681,882,061
Revenue from rendering of services		
Revenue from property management	1,527,612,013	277,249,020
Commission and interest income from finance leases	1,090,345,638	213,951,417
Revenue from business aircraft management and jet charter	531,418,405	537,785,782
Revenue from medical services	355,026,433	42,426,339
Revenue from operating lease	323,699,663	35,193,729
Revenue from construction	161,900,642	-
Revenue from consulting services	88,466,989	176,722,629
Revenue from hotel services	-	41,080,445
Others	90,351,935	42,763,380
	4,168,821,718	1,367,172,741
Earned premium from insurance business		
Gross written premium	5,569,206,848	1,543,118,636
Including: Premium from inward reinsurance	4,272,522,225	1,222,289,354
Less: Premium ceded out	(1,460,875,367)	(369,998,892)
Less: Changes in unearned premium reserve	(787,852,677)	(19,622,817)
	3,320,478,804	1,153,496,927
Revenue from investment business		
Investment income from investment companies	1,316,896,214	235,605,494
Gains or losses from fair value changes of investment companies	(1,825,360,577)	(128,344,652)
Others	92,567,590	21,509,467
	(415,896,773)	128,770,309
	13,195,918,088	3,331,322,038

8 Notes to the consolidated financial statements (Cont'd)

(49) Expenses by nature

Costs, selling expenses and general and administrative expenses classified by nature are as follows:

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Cost of goods sold	(5,289,690,784)	(587,523,465)
Employee benefits expenses	(2,786,341,080)	(953,592,315)
Insurance claims and changes in outstanding claim reserves, net (a)	(1,635,663,231)	(832,049,315)
Commissions, and brokerage fees for insurance and reinsurance business, net	(811,688,230)	(301,840,025)
Interest expense for finance leases	(534,934,500)	-
Cost of business aircraft management and jet charter	(359,760,565)	(359,778,553)
Professional fees	(326,644,590)	(136,966,704)
Rental expenses	(251,683,835)	(148,479,284)
Travelling expenses	(98,198,353)	(52,634,947)
Advertising and promotion expenses	(63,935,238)	(13,208,000)
Entertainment expenses	(62,871,760)	(31,846,194)
Office and meeting expenses	(55,713,600)	(47,849,664)
Other taxes and levies	(31,000,116)	(134,257,141)
Other expenses	(999,307,677)	(292,966,918)
	(13,307,433,559)	(3,892,992,525)

(a) Insurance claims and changes in outstanding claim reserves , net

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Gross insurance claims	2,446,265,162	973,312,394
Less: ceded insurance claims	(633,727,826)	(184,598,586)
Change in gross outstanding claim reserves	(197,441,312)	39,895,390
Less: change in ceded outstanding claim reserves	20,567,207	3,440,117
	1,635,663,231	832,049,315

(50) Taxes and surcharges

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
City maintenance and construction tax	(20,094,379)	(3,306,002)
Stamp duties	(18,856,431)	-
LAT	(9,353,681)	(1,697,761)
Education surcharge	(9,067,231)	(2,685,845)
Business tax	(4,961,025)	(38,866,463)
Others	(27,901,084)	(532,342)
	(90,233,831)	(47,088,413)

8 Notes to the consolidated financial statements (Cont'd)

(51) Finance expense - net

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Interest income	213,822,927	603,826,633
Interest expenses	(2,954,774,388)	(2,016,060,973)
Commission and bank charges	(68,884,745)	(7,124,899)
Exchange gains or losses	(587,437,271)	297,590,525
	(3,397,273,477)	(1,121,768,714)

(52) Asset impairment losses

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Impairment of available-for-sale financial assets	(371,886,797)	(15,042,562)
Impairment of goodwill	(300,000,000)	-
Impairment of long-term receivables	(104,415,035)	(4,607,882)
Decline in the value of inventories	(68,760,010)	(93,122,841)
Reverse/(provide) bad debt provision	22,303,735	(69,646,325)
Others	-	(4,011,539)
	(822,758,107)	(186,431,149)

(53) Net gains from fair value changes

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Investment properties	363,643,756	1,316,106,616
Financial assets at fair value through profit or loss of non-investment companies	(564,420,181)	129,320,646
Financial liabilities at fair value through profit or loss of non-investment companies	(150,414,406)	-
Others	-	1,600,000
	(351,190,831)	1,447,027,262

(54) Investment income

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Gains from disposal of subsidiaries	11,134,152,568	380,459,984
Investment income from joint ventures and associates	240,169,080	170,955,786
Investment income from insurance business	203,714,159	257,202,977
Interest income from loan and receivable by non-investment companies	189,150,028	53,690,195
Investment income from available-for-sale financial assets by non-investment companies	3,496,548	-
Gains or losses from disposal of financial assets at fair value through profit or loss by non-investment companies	(32,325,065)	(91,479,738)
Others	23,730,265	(24,067,345)
	11,762,087,583	746,761,859

8 Notes to the consolidated financial statements (Cont'd)

(55) Non-operating income

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Government subsidies and grants	310,063,814	77,118,849
Tax refund	87,121,939	45,829,167
Pilot transfer income	6,956,563	-
Negative goodwill	-	295,298,458
Others	29,095,961	6,107,680
	433,238,277	424,354,154

(56) Non-operating expenses

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Donation	(18,784,186)	(1,664,000)
Others	(13,673,033)	(19,335,385)
	(32,457,219)	(20,999,385)

(57) Income tax expenses

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Current income tax	2,299,703,566	206,968,781
Deferred income tax	387,220,902	226,470,506
	2,686,924,468	433,439,287

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Total profit	7,389,896,924	680,185,127
Income tax expenses calculated at applicable tax rates	2,061,868,010	170,046,282
Losses carried forward which not recognise deferred tax	541,213,723	195,919,982
Undeductible costs, expenses and losses	250,198,014	63,432,505
Income not subject to tax	(110,121,890)	(99,905,045)
Retained earnings included in the considerations from disposed or to be disposed subsidiaries	241,591,307	125,151,687
Difference of income tax concession from subsidiaries	(95,466,360)	(26,886,152)
Reversal of previously recognised deferred tax assets from losses carried forward	9,807,558	8,163,883
Taxes for dividends and anticipated dividends from subsidiaries	14,412,363	(5,216,524)
Use of losses carried forward which not recognise deferred tax in prior years	(156,799,123)	-
Others	(69,779,134)	2,732,669
	2,686,924,468	433,439,287

8 Notes to the consolidated financial statements (Cont'd)

(58) Notes to cash flow statement

(a) Reconciliation from net profit to cash flows from operating activities

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Net profit	4,702,972,456	246,745,840
Add: Depreciation of fixed assets and amortisation of intangible assets and long-term assets	404,031,662	109,545,520
Losses/(Gains) from fair value changes	351,190,831	(1,447,027,262)
Asset impairment losses	822,758,107	186,431,149
Increase in investment companies' financial assets	(2,739,033,419)	(10,654,099,556)
Losses on disposal of fixed assets, intangible assets and other long-term assets	(262,915)	(475,473)
Investment income	(11,762,087,583)	(746,761,859)
Deferred tax expenses	387,220,902	444,764,130
Finance expenses	3,244,883,576	1,121,768,714
Decrease/(Increase) in inventories	1,787,974,660	(940,443,284)
Negative goodwill	-	(295,298,458)
Share-based payment	29,435,489	33,657,966
(Increase)/Decrease in operating receivables	(17,103,213,891)	2,178,259,508
Increase in operating payables	5,344,712,614	906,826,534
Change in insurance contract reserves	964,726,782	23,712,690
Others	(40,917,942)	(424,934,775)
Net cash flows used in operating activities	(13,605,608,671)	(9,257,328,616)

(b) The Group does not have significant non-cash investing or financing activities in the half-year ended 30 June 2017.

(c) Net increase/(decrease) in cash and cash equivalents

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Cash and cash equivalents at the end of the period	37,228,514,722	18,802,206,256
Less: Cash and cash equivalents at the beginning of the period	(30,495,266,135)	(18,988,688,574)
Net increase/(decrease) in cash and cash equivalents	6,733,248,587	(186,482,318)

8 Notes to the consolidated financial statements (Cont'd)

(58) Notes to cash flow statement (Cont'd)

(d) Cash and cash equivalents

	30 June 2017 (Unaudited)	31 December 2016
Cash at bank and on hand (Note 8(1))	44,951,670,237	36,584,509,905
Less: Restricted cash at bank	(7,723,155,515)	(6,089,243,770)
Cash and cash equivalents	37,228,514,722	30,495,266,135

(e) Net proceeds from disposal of subsidiaries

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Consideration received from the disposal	15,178,373,000	1,141,772,704
Cash and cash equivalents received from disposal	8,502,789,199	914,094,623
Less: Cash and cash equivalents held by disposed subsidiaries	(114,093,390)	(572,388,359)
Net cash received from disposal	8,388,695,729	341,706,264

(f) Cash paid relating to other operating activities

Cash paid relating to other operating activities in the cash flow statement mainly includes:

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Guarantee deposit paid	2,818,210,173	100,126,055
Intercompany payments	2,028,833,006	-
Reinsurance accounts paid	1,533,567,681	-
Expenses paid	844,494,419	394,134,397
Prepayment for investments of investment companies	478,000,000	-
Loans issued by financial leasing companies	366,000,000	-
Others	1,465,337,572	279,512,593
	9,534,442,851	773,773,045

9 Related parties and related party transactions

(1) Shareholders and subsidiaries

The Company does not have controlling shareholder or shareholders which have significant influence on the Company. The related parties of the Group mainly include subsidiaries, joint ventures and associates. The general information and other related information of the subsidiaries is set out in Note 6; and the general information and other related information of associates and joint ventures is set out in Note 8(18). The related party transactions are mainly among companies within the Group and among subsidiaries, joint ventures and associates within the Group in current year.

(2) Related party transactions between the Company and its subsidiaries

(a) Pricing policy

Related party transactions are negotiated by both parties involved with reference to the market price.

(b) Significant intercompany balances and transactions with subsidiaries have been offset in the consolidated financial statements, details of major transactions and balances as follows:

Period/Year-end balance

	30 June 2017 (Unaudited)	31 December 2016
Loans to related parties	17,618,411,886	17,225,032,892
Long-term receivables	576,000,000	416,011,513
Other receivables	183,738,205	83,334,216
Dividends receivable	3,886,344,857	4,510,580,875
Interest receivable	1,019,669,936	662,447,225
Prepayments	6,305,500	6,305,500
Accounts receivable	9,575,984	13,808,748
Borrowings from related parties	(8,846,838,457)	(9,500,188,457)
Other payables	(4,251,681,476)	(4,273,590,015)
Financial liabilities at fair value through profit and loss	(556,216,052)	-
Interest payable	(314,606,551)	(35,257,440)
Accounts payable	(3,841,902)	(407,276)

Transaction during the period

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Revenue-dividend income from subsidiaries	3,909,399,289	271,570,382
Revenue-revenue from consulting services	-	2,805,288
Interest income	367,728,721	348,306,238
General and administrative expenses	(45,352,444)	(16,613,993)
Interest expenses	(291,460,720)	(129,701,490)

9 Related parties and related party transactions (Cont'd)

(2) Related party transactions between the Company and its subsidiaries (Cont'd)

(c) The Company provides guarantee for its subsidiaries

As at 30 June 2017, the amount of borrowings guaranteed by the Company for its subsidiaries was RMB 25,480,541,586 (31 December 2016: RMB 34,565,741,136) and the amount of bonds payable guaranteed for its subsidiaries was RMB 995,597,514 (31 December 2016: RMB 994,700,600).

As at 30 June 2017, the Company guaranteed and undertook the put option consideration of capital injection from investors when CMI Singapore was unable to fulfil the put option (Note(9)(43)(a)) (31 December 2016: same).

(d) The Company provides keep well deed for its subsidiaries

As at 30 June 2017, the amount of bonds payable which the Company provided keepwell deed for its subsidiaries was RMB 5,289,872,691 (31 December 2016: RMB 5,395,276,355).

(3) Significant related party transactions between the Group and its joint ventures or associates

(a) Pricing policy

Related party transactions are negotiated by both parties involved with reference to the market price.

(b) Significant transactions and balances are as follows:

Period/Year-end balance

	30 June 2017 (Unaudited)	31 December 2016
Dividends receivable	4,737,726,610	-
Interest receivable	266,003,060	1,400,000
Other receivables	8,869,293,521	2,782,673,161
Other non-current assets	16,166,999,282	-
Other payables	(1,979,556,196)	(166,175,000)
Long-term borrowings	-	(201,632,819)

Transaction during the period

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Revenue	401,242	-
Interest income	955,752,073	348,306,238
Interest expenses	(1,416,667)	(129,701,490)

(c) The Company provides guarantee for its joint ventures or associates

As at 30 June 2017 the amount of borrowings guaranteed by the Group for joint ventures and associates was RMB 1,355,878,400 (31 December 2016: RMB 1,263,352,819).

10 Commitments

(1) Capital commitments

Capital expenditures contracted for by the Group at the balance sheet date but are not yet necessary to be recognised on the balance sheet are as follows:

	30 June 2017 (Unaudited)	31 December 2016
Buildings and constructions	3,372,985,068	5,429,693,380
Purchase of assets under operating leases	3,299,768,916	169,124,060
Purchase of assets used for financing leases	1,409,700,000	-
Investments	236,940,000	456,587,758
Construction in progress	48,810,564	2,067,451,172
Demolition compensation	11,029,210	3,641,506,886
Others	84,762,270	-
	8,463,996,028	11,764,363,256

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	30 June 2017 (Unaudited)	31 December 2016
Within 1 year	262,256,371	262,824,337
1 to 2 years	152,182,643	172,289,314
2 to 3 years	89,919,541	87,167,790
Over 3 years	235,962,311	252,837,342
	740,320,866	775,118,783

11 Financial instrument and risk

The Group's activities expose it to a variety of risks: insurance risk, market risk (primarily foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management policies focus on the unpredictability of markets and seeks to minimise potential adverse effects on the Group's financial performance. Relevant risks and risk management policies are as follows:

(1) Insurance risk

(a) Insurance risk

The risk of insurance contract arises from the possibility that the underwritten event occurs and the uncertainty of the claim payments. It is the nature of insurance contract that determines the randomness and unpredictability of the occurance. As for the insurance contract pricing and providing insurance reserve in accordance with probability theory, the primary risk that the Group exposed to is the actual indemnity exceed insurance liabilities provided.

The increase of insurance risk mainly results from the low diversification, including risk unit, risk type, risk amount and industries covered by the insurance contract, etc. The Group develops relevant assumptions about the insurance risk, and provides insurance contract reserves. See Note 8(37) for more details.

Experience shows that the possibility of actual indemnity deviates from expected indemnity decreases while more contracts in the insurance portfolio. And the variability of the liabilities in the insurance portfolio is less likely to be affected by any subset of the portfolio while the diversification of insurance portfolio improved. The Group established underwriting strategy to write sufficient insurance policies in any subset of the portfolio so as to less the variability of insurance risks by diversification. The Group manages insurance risk through the underwriting strategy, reinsurance arrangements and claim management.

Meanwhile, the Group also reinforces the underwriting and claim management to reduce the insurance risk.

(i) The Company’s insurance concentration risk at the carrying amount of insurance contract reserves after reinsurance categorized by line was listed as follows:

	30 June 2017 (Unaudited)	31 December 2016
Property insurance	2,691,090,715	2,602,309,208
Liability insurance	1,482,904,950	1,824,305,156
Asbestos and environmental insurance	1,554,349,708	1,250,560,467
Accident and health insurance	1,554,254,657	1,078,729,464
Catastrophe insurance	967,158,137	866,356,803
Aviation and aerospace insurance	771,923,004	843,290,765
Marine insurance	676,517,956	693,266,244
Credit insurance	634,283,732	526,286,999
Agricultural insurance	264,220,853	198,054,305
Others	869,543,535	796,981,899
	11,466,247,247	10,680,141,310

11 Financial instrument and risk (Cont'd)

(1) Insurance risk (Cont'd)

(a) Insurance risk (Cont'd)

(ii) The Company's insurance concentration risk at the carrying amount of insurance contract reserves after reinsurance by region was listed as follows:

	30 June 2017 (Unaudited)	31 December 2016
U.S.	5,815,639,641	6,033,987,166
Europe	2,890,473,231	2,366,506,050
Canada, Caribbean area, Bermuda and Latin America	985,786,049	878,296,879
Asia and other areas	1,774,348,326	1,401,351,215
	11,466,247,247	10,680,141,310

(b) Development of claim

The information of development of gross claim by the underwriting year was as follows: (Unit: RMB million)

	2013	2014	2015	2016	For the half-year ended 30 June 2017	Total
Estimated accumulative claims						
At the end of the current period	2,650	2,307	2,306	3,013	874	
1 year later	3,848	3,858	3,884	4,175		
2 years later	3,735	3,991	4,022			
3 years later	3,656	3,969				
4 years later	3,641					
Estimated accumulative claims	3,641	3,969	4,022	4,175	874	16,681
Accumulative claims paid	(3,362)	(3,486)	(2,897)	(1,633)	(22)	(11,400)
Claims not paid	279	483	1,125	2,542	852	5,281
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						5,756
Total						11,037

11 Financial instrument and risk (Cont'd)

(1) Insurance risk (Cont'd)

(b) Development of claim (Cont'd)

The information of development of net claim by the underwriting year was as follows: (Unit: RMB million)

	2013	2014	2015	2016	For the half-year ended 30 June 2017	Total
Estimated accumulative claims						
At the end of the current period	1,901	1,677	1,723	2,320	654	
1 year later	2,779	2,931	2,928	3,261		
2 years later	2,713	3,093	3,086			
3 years later	2,647	3,081				
4 years later	2,639					
Estimated accumulative claims	2,639	3,081	3,086	3,261	654	12,721
Accumulative claims paid	(2,450)	(2,714)	(2,169)	(1,149)	5	(8,477)
Claims not paid	189	367	917	2,112	659	4,244
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						4,762
Total						9,006

(2) Market risk

(a) Foreign exchange risk

Foreign exchange risk is the risk of loss resulting from foreign exchange rate volatility. The fluctuation of exchange rate of RMB against currencies of other countries or regions where the Group operates will influence the Group's financial position and operating performance. The Group monitors the balance of assets and liabilities, and transactions denominated in foreign currencies to minimise its exposure to foreign exchange risk. The foreign currency risk of the Group mainly comes from fluctuation in the USD/RMB, HKD/RMB, EUR/RMB, GBP/RMB and SKR/RMB exchange rates.

11 Financial instrument and risk (Cont'd)

(2) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

As at 30 June 2017 and 31 December 2016, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies were summarised as below:

	30 June 2017 (Unaudited)			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial assets denominated in foreign currency				
- Cash at bank and on hand	15,079,111,454	3,167,765,967	649,775,014	18,896,652,435
- Financial assets at fair value through profit or loss	24,518,705,437	7,529,371,834	4,506,928,427	36,555,005,698
- Loan and receivables	-	5,980,373,665	-	5,980,373,665
- Accounts receivable	203,749,666	342,045,174	-	545,794,840
- Interest receivable	242,184,152	804,564	-	242,988,716
- Premium receivables	2,318,170,995	7,214,879	1,439,078,577	3,764,464,451
- Reinsurance receivables	616,222,669	1,917,879	382,539,875	1,000,680,423
- Reinsurance reserves	1,785,588,114	-	786,292,692	2,571,880,806
- Other receivables	7,078,408,201	1,296,323,878	192,317,667	8,567,049,746
- Available-for-sale financial assets	-	2,720,909,763	-	2,720,909,763
	51,842,140,688	21,046,727,603	7,956,932,252	80,845,800,543

	30 June 2017 (Unaudited)			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial liabilities denominated in foreign currency				
- Short-term borrowings	(4,307,433,006)	(998,680,189)	-	(5,306,113,195)
- Financial liabilities at fair value through profit and loss	(1,595,084,435)	(15,947,366)	-	(1,611,031,801)
- Accounts payable	(73,636,587)	(23,090,687)	(4,774,039)	(101,501,313)
- Interest payable	(241,233,028)	(7,840,944)	(1,080,951)	(250,154,923)
- Other payables	(3,272,486,937)	(2,636,705,548)	(179,232,787)	(6,088,425,272)
- Reinsurance accounts payable	(452,328,821)	-	(716,685,624)	(1,169,014,445)
- Insurance contract reserves	(9,692,049,848)	(22,280,473)	(4,068,023,210)	(13,782,353,531)
- Long-term borrowings	(10,626,323,840)	(1,288,214,200)	(789,187,985)	(12,703,726,025)
- Long-term payables	(1,120,238,055)	(202,970,653)	-	(1,323,208,708)
- Bonds payable	(10,624,114,105)	(160,625,499)	-	(10,784,739,604)
	(42,004,928,662)	(5,356,355,559)	(5,758,984,596)	(53,120,268,817)

11 Financial instrument and risk (Cont'd)

(2) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

	31 December 2016			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial assets denominated in foreign currency				
- Cash at bank and on hand	10,167,489,525	5,264,676,220	43,673,137	15,475,838,882
- Financial assets at fair value through profit or loss	24,490,590,672	7,145,111,385	5,879,569,114	37,515,271,171
- Loan and receivables	-	6,100,793,082	-	6,100,793,082
- Accounts receivable	56,462,029	93,873,902	-	150,335,931
- Dividends receivable	2,627,257	-	-	2,627,257
- Interest receivable	81,340,152	6,973,747	48,015,326	136,329,225
- Premium receivables	2,737,599,068	-	-	2,737,599,068
- Reinsurance receivables	812,268,758	-	-	812,268,758
- Reinsurance reserves	1,920,370,605	-	641,687,533	2,562,058,138
- Other receivables	1,239,463,381	27,673,000	4,134,089	1,271,270,470
- Available-for-sale financial assets	230,662,187	2,334,325,851	68,770,567	2,633,758,605
	41,738,873,634	20,973,427,187	6,685,849,766	69,398,150,587

	31 December 2016			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial liabilities denominated in foreign currency				
- Short-term borrowings	(1,657,322,088)	-	-	(1,657,322,088)
- Financial liabilities at fair value through profit and loss	(35,470,560)	-	-	(35,470,560)
- Notes payable	(25,740,515)	-	-	(25,740,515)
- Accounts payable	(50,330,354)	(3,318,330)	-	(53,648,684)
- Interest payable	(196,952,165)	(22,976,363)	-	(219,928,528)
- Other payables	(3,430,030,931)	(1,508,315,600)	(32,546,908)	(4,970,893,439)
- Reinsurance accounts payable	(1,131,384,334)	-	-	(1,131,384,334)
- Insurance contract reserves	(9,845,194,230)	(17,592,267)	(3,387,818,118)	(13,250,604,615)
- Long-term borrowings	(4,682,475,000)	(801,525,686)	(180,408,304)	(5,664,408,990)
- Long-term payables	(1,226,344,253)	(196,504,192)	-	(1,422,848,445)
- Bonds payable	(8,118,165,169)	(158,709,096)	-	(8,276,874,265)
	(30,399,409,599)	(2,708,941,534)	(3,600,773,330)	(36,709,124,463)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the pre-tax impact on profit and equity (due to translation of foreign currency financial statements for overseas operations, as well as monetary assets and liabilities). The correlation of variables will have a significant effect on determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

11 Financial instrument and risk (Cont'd)

(2) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

		30 June 2017 (Unaudited)		31 December 2016	
	Change in variables	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity before tax	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity before tax
USD	+10% against RMB	699,413,591	983,721,203	507,285,573	1,133,946,404
HKD	+10% against RMB	109,526,884	1,569,037,204	139,189,979	1,826,448,565
Others	+10% against RMB	(3,456,367)	219,794,766	-	308,507,644
		805,484,108	2,772,553,173	646,475,552	3,268,902,613
USD	-10% against RMB	(699,413,591)	(983,721,203)	(507,285,573)	(1,133,946,404)
HKD	-10% against RMB	(109,526,884)	(1,569,037,204)	(139,189,979)	(1,826,448,565)
Others	-10% against RMB	3,456,367	(219,794,766)	-	(308,507,644)
		(805,484,108)	(2,772,553,173)	(646,475,552)	(3,268,902,613)

(b) Interest rate risk

Interest rate risk is the risk of fluctuation of the fair value or future cash flows of financial instrument due to market interest rate changes. Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest rate risk.

The Group's interest rate risk arises from debt instruments such as cash at bank, bonds, asset-backed securities, entrusted loans, asset management plans investing in debt securities, borrowings from bank, payables to the limited partners of the senior tranche of the consolidated structured entities, bonds payable etc. The Group's finance department at its headquarters continuously monitors the interest rate position of the Group.

The analysis below is performed based on floating interest-bearing assets and liabilities, showing the pre-tax impact on profit and equity due to changes in interest rate, assuming the yield curve moved in parallel with the changes in market interest rate:

		30 June 2017 (Unaudited)		31 December 2016	
	Change in interest rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity before tax	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity before tax
Long-term receivables	+ 50 basis points	149,223,119	149,223,119	113,882,939	113,882,939
Short-term borrowings	+ 50 basis points	(100,674,404)	(100,674,404)	(70,410,274)	(70,410,274)
Long-term borrowings	+ 50 basis points	(143,712,639)	(143,712,639)	(99,030,425)	(99,030,425)
		(95,163,924)	(95,163,924)	(55,557,760)	(55,557,760)
Long-term receivables	- 50 basis points	(149,223,119)	(149,223,119)	(113,882,939)	(113,882,939)
Short-term borrowings	- 50 basis points	100,674,404	100,674,404	70,410,274	70,410,274
Long-term borrowings	- 50 basis points	143,712,639	143,712,639	99,030,425	99,030,425
		95,163,924	95,163,924	55,557,760	55,557,760

11 Financial instrument and risk (Cont'd)

(3) Credit risk

Credit risk refers to the risk of loss arising from a borrower's or counterparty's failure to meet the contractual obligation or adverse changes in credit conditions.

The Group's maximum credit risk exposure are as follows:

	30 June 2017 (Unaudited)	31 December 2016
Cash at bank (a)	40,753,739,200	31,522,874,363
Other cash at bank and on hand (a)	4,189,998,010	5,056,877,146
Financial assets at fair value through profit or loss (c)		
- Corporate bonds	7,733,236,037	10,578,585,011
- Mortgage-backed security and asset-backed securities	7,344,210,690	8,088,431,785
- Government, government agency, and municipal bonds	3,067,097,433	3,564,715,371
- Debt instruments	419,540,656	2,774,357,907
- Others	121,939,200	-
Available-for-sale financial assets (c)		
- Debt instruments	381,522,007	380,805,636
Loan and receivables (c)	20,768,773,102	10,664,303,165
Notes receivable (b)	578,535,925	30,510,274
Dividends receivable (b)	4,790,380,142	7,073,969
Interest receivable (b)	473,249,288	187,615,611
Accounts receivable (b)	3,097,280,777	1,950,852,583
Premium receivables (b)	3,869,097,249	2,737,599,068
Reinsurance receivables (b)	1,033,631,367	812,268,758
Other receivables (b)	23,050,939,681	9,205,324,279
Long-term receivables (c)	32,281,161,200	21,695,154,867
Other non-current assets (b)	15,000,000,000	-
Total	168,954,331,964	109,257,349,793

(a) The Group is subjected to an insignificant risk as cash at bank of the Group is deposited in domestic and overseas large or medium size banks and other cash balances are deposited in brokerage accounts and third-party payment institutions.

11 Financial instrument and risk (Cont'd)

(3) Credit risk (Cont'd)

(b) For operating receivables such as accounts receivable, other receivables and premium receivables, the credit records of the customers are regularly monitored and updated by the Group. In respect of customers with bad or declining credit records, the Group will take necessary actions to ensure the overall credit risk is at an acceptable level. As at 30 June 2017, RMB 106,844,835 was provided for impairment of the above operating receivables.

(c) Sovereign bonds, corporate bonds, mortgage-backed securities, asset-backed securities and other debt instruments categorized by credit rating from Standard & Poor's, Moody or Fitch are as below:

	AAA	AA	A	BBB	CCC	Not rated	Total
Financial assets at fair value through profit or loss							
- Corporate bonds	1,049,003,321	1,221,720,178	2,575,699,773	2,777,623,934	56,551,980	52,636,851	7,733,236,037
- Mortgage-backed security and asset-backed securities	3,403,989,531	2,983,829,957	294,301,221	241,873,076	54,191,190	366,025,715	7,344,210,690
- Government bonds	407,155,178	1,096,759,034	1,374,420,113	-	1,207,544	187,555,564	3,067,097,433
- Debt instruments	-	-	-	-	-	419,540,656	419,540,656
Available-for-sale financial assets							
- Debt instruments	-	-	-	-	-	381,522,007	381,522,007
Loan and receivable	-	-	-	-	-	20,768,773,102	20,768,773,102
Long-term receivables	-	-	-	-	-	32,281,161,200	32,281,161,200
Total	4,860,148,030	5,302,309,169	4,244,421,107	3,019,497,010	111,950,714	54,457,215,095	71,995,541,125

For unrated debt investments and finance lease receivables, the Group requires the counterparties to provide credit enhancements such as guarantees and assets for pledge or collateral when necessary according to the credit assessment at investment, and monitors the credit records on a regular basis.

As at 30 June 2017, RMB 258,698,394 was provided for impairment of the above loan and receivables and long-term receivables (31 December 2016: RMB 155,074,826).

11 Financial instrument and risk (Cont'd)

(4) Liquidity risk (Cont'd)

Liquidity risk refers to the risk that the Group cannot raise sufficient amount of money or trade assets with reasonable price in order to convert into cash to repay due debts.

Cash flow forecasting is performed by each subsidiary within the Group and aggregated by the finance department of the Company. The Company's finance department monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	30 June 2017 (Unaudited)					
	On demand	Within 1 year (include 1 year)	1 to 2 years (include 2 years)	2 to 5 years (include 5 years)	Over 5 years	Total
Short-term borrowings	-	(42,372,390,539)	-	-	-	(42,372,390,539)
Financial liabilities at fair value through profit and loss	-	(586,766,563)	(35,512,225)	(2,206,476,852)	(4,531,334)	(2,833,286,974)
Notes payable	-	(362,607,427)	-	-	-	(362,607,427)
Accounts payable	-	(4,223,865,310)	-	-	-	(4,223,865,310)
Other payables	-	(17,571,613,963)	-	-	-	(17,571,613,963)
Dividends payable	-	(4,767,942,674)	-	-	-	(4,767,942,674)
Bonds payable	-	(25,030,751,781)	(14,216,885,504)	(19,286,011,634)	(3,270,680,320)	(61,804,329,239)
Long-term payables	-	(20,069,279,858)	(4,387,228,571)	(1,524,426,995)	(588,125,967)	(26,569,061,391)
Long-term borrowings	-	(11,053,520,731)	(20,566,801,901)	(19,982,731,005)	(9,368,329,272)	(60,971,382,909)
Reinsurance accounts payable	-	(1,169,014,445)	-	-	-	(1,169,014,445)
Other liabilities	-	(559,028,581)	(223,835,199)	(2,412,259,846)	(331,150,571)	(3,526,274,197)
	-	(127,766,781,872)	(39,430,263,400)	(45,411,906,332)	(13,562,817,464)	(226,171,769,068)

11 Financial instrument and risk (Cont'd)

(4) Liquidity risk (Cont'd)

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2016					
	On demand	Within 1 year (include 1 year)	1 to 2 years (include 2 years)	2 to 5 years (include 5 years)	Over 5 years	Total
Short-term borrowings	-	(34,496,796,002)	-	-	-	(34,496,796,002)
Financial liabilities at fair value through profit and loss	-	(515,380,826)	(359,442,478)	-	-	(874,823,304)
Notes payable	-	(368,922,341)	-	-	-	(368,922,341)
Accounts payable	-	(3,794,625,240)	-	-	-	(3,794,625,240)
Other payables	(742,550,800)	(18,595,340,513)	-	-	-	(19,337,891,313)
Dividends payable	-	(460,673,075)	-	-	-	(460,673,075)
Bonds payable	-	(24,618,107,232)	(7,789,626,006)	(15,369,870,076)	(3,361,092,813)	(51,138,696,127)
Long-term payables	-	(1,039,691,757)	(2,729,051,746)	(16,896,386,911)	(604,767,771)	(21,269,898,185)
Long-term borrowings	-	(6,048,820,405)	(12,807,529,994)	(19,228,712,134)	(9,589,994,831)	(47,675,057,364)
Reinsurance accounts payable	-	(1,131,384,334)	-	-	-	(1,131,384,334)
Other liabilities	-	(54,430,486)	(1,264,381,520)	(2,110,665,948)	(430,434,366)	(3,859,912,320)
	(742,550,800)	(91,124,172,211)	(24,950,031,744)	(53,605,635,069)	(13,986,289,781)	(184,408,679,605)

12 Fair value measurement

The level of fair value measurement must be decided by the lowest level of input that is significant to the overall fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

12 Fair value measurement (Cont'd)

(1) Assets and liabilities continuously measured at fair value

As at 30 June 2017, the assets and liabilities continuously measured at fair value by the above three levels were analysed below:

(Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
- Equity instruments	15,215,812,628	9,093,169,592	13,055,450,714	37,364,432,934
- Debt instruments	2,573,065,411	15,723,556,486	389,402,119	18,686,024,016
- Derivative financial instruments	-	24,939,528	478,156,770	503,096,298
	17,788,878,039	24,841,665,606	13,923,009,603	56,553,553,248
Available-for-sale financial assets				
- Equity instruments	2,056,654,569	173,340,900	788,713,823	3,018,709,292
- Debt instruments	-	-	381,522,007	381,522,007
	2,056,654,569	173,340,900	1,170,235,830	3,400,231,299
Total financial assets	19,845,532,608	25,015,006,506	15,093,245,433	59,953,784,547
Investment properties				
- Buildings	-	-	17,260,263,908	17,260,263,908
Total non-financial assets	-	-	17,260,263,908	17,260,263,908
Total assets	19,845,532,608	25,015,006,506	32,353,509,341	77,214,048,455

12 Fair value measurement (Cont'd)

(1) Assets and liabilities continuously measured at fair value (Cont'd)

As at 30 June 2017, the assets and liabilities continuously measured at fair value by the above three levels were analysed below (Cont'd):

(Unaudited)	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives	-	17,522,367	584,219,634	601,742,001
- Other limited partners' interest in the consolidated structured entity	-	-	676,065,462	676,065,462
- Preference shares	-	-	684,121,597	684,121,597
- Contigent consideration in business combination	-	-	807,508,480	807,508,480
- Others	-	660,499	63,188,935	63,849,434
Total financial liabilities	-	18,182,866	2,815,104,108	2,833,286,974

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. Valuation techniques include discounted cash flow analysis and using comparable company model, etc. Inputs to valuation techniques include risk-free rate, benchmark interest rates, foreign exchange rates, rates of credit premium, liquidity premium, EBITDA multiplier, liquidity discount, etc.

12 Fair value measurement (Cont'd)

(1) Assets and liabilities continuously measured at fair value (Cont'd)

As at 31 December 2016, the assets and liabilities continuously measured at fair value by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
- Equity instruments	7,180,233,496	10,850,312,261	12,493,643,592	30,524,189,349
- Debt instruments	2,503,127,189	19,593,435,696	2,909,527,189	25,006,090,074
- Derivative financial instruments	-	1,041,388,833	149,201,739	1,190,590,572
	9,683,360,685	31,485,136,790	15,552,372,520	56,720,869,995
Available-for-sale financial assets				
- Equity instruments	1,965,263,860	437,332,675	1,256,787,680	3,659,384,215
- Debt instruments	-	380,805,636	-	380,805,636
	1,965,263,860	818,138,311	1,256,787,680	4,040,189,851
Total financial assets	11,648,624,545	32,303,275,101	16,809,160,200	60,761,059,846
Investment properties				
- Land use rights	-	-	22,600,000,000	22,600,000,000
- Buildings	-	-	17,097,827,534	17,097,827,534
Total non-financial assets	-	-	39,697,827,534	39,697,827,534
Total assets	11,648,624,545	32,303,275,101	56,506,987,734	100,458,887,380

12 Fair value measurement (Cont'd)

(1) Assets and liabilities continuously measured at fair value (Cont'd)

As at 31 December 2016, the assets and liabilities continuously measured at fair value by the above three levels were analysed below (Cont'd):

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives	-	-	491,402,503	491,402,503
- Other limited partners' interest in the consolidated structured entity	-	243,959,308	103,990,933	347,950,241
- Others	-	-	35,470,560	35,470,560
Total financial liabilities	-	243,959,308	630,863,996	874,823,304

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. Valuation techniques include discounted cash flow analysis and using comparable company model, etc. Inputs to valuation techniques include risk-free rate, benchmark interest rates, foreign exchange rates, rates of credit premium, liquidity premium, EBITDA multiplier, liquidity discount, etc.

12 Fair value measurement (Cont'd)

(1) Assets and liabilities continuously measured at fair value (Cont'd)

Movement of level 3 assets is analysed below:

(Unaudited)	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Investment properties	Financial liabilities at fair value through profit or loss
1 January 2017	15,552,372,520	1,256,787,680	39,697,827,534	630,863,996
Transfer in from business combination	-	716,371	-	10,000
Purchases	2,475,619,680	558,266,371	461,145,574	1,822,817,425
Sales	(2,103,962,146)	(443,301,954)	(1,659,156)	(2,504,990)
Transfer out due to disposal of subsidiaries	(100,000,000)	-	(22,711,121,685)	-
Reclassify to construction in progress	-	-	(588,878,315)	-
Transfer out of level 3	(2,338,057,992)	(249,105,471)	-	-
Fair value changes through other comprehensive income	-	62,141,635	-	-
Fair value changes through profit or loss	428,472,293	654,717	363,643,756	142,484,699
Exchange difference	(91,434,752)	(15,923,519)	39,306,200	(22,012,046)
30 June 2017	13,923,009,603	1,170,235,830	17,260,263,908	2,571,659,084
Changes in unrealised profit or loss during the period arising from assets held as at 30 June 2017				
- Gains from changes in fair value	428,129,256	-	58,433,606	60,213,448

12 Fair value measurement (Cont'd)

(1) Assets and liabilities continuously measured at fair value (Cont'd)

Movement of level 3 assets is analysed below (Continued):

(Unaudited)	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Investment properties	Total
1 January 2016	6,477,498,917	706,514,344	25,428,696,000	32,612,709,261
Transfer-in from business combination	513,438,578	-	-	513,438,578
Purchases	3,317,863,959	660,500,000	558,899,080	4,537,263,039
Sales	(385,386,914)	(722,692,981)	-	(1,108,079,895)
Transfer out due to disposal of subsidiaries	-	-	(1,275,466,234)	(1,275,466,234)
Transfer into level 3	1,088,602,779	-	-	1,088,602,779
Fair value changes through other comprehensive income	80,984,983	181,162	-	81,166,145
Fair value changes through profit or loss	938,067,952	2,190,660	1,141,567,154	2,081,825,766
30 June 2016	12,031,070,254	646,693,185	25,853,696,000	38,531,459,439
Changes in unrealised profit or loss during the period arising from assets held as at 30 June 2016				
- Gains from changes in fair value	947,811,184	-	1,141,567,154	2,089,378,338

Gains or losses are recognised respectively in revenue, profit arising from changes in fair value, investment income, etc. in the income statement.

The Group's post-investment management department is responsible for the valuation of financial assets and liabilities and commissions external independent values to assess fair value of the Group's investment properties.

12 Fair value measurement (Cont'd)

(1) Assets and liabilities continuously measured at fair value (Cont'd)

Major unobservable inputs in Level 3 are as follows:

(Unaudited)	Fair value as at 30 June 2017	Valuation technique	Unobservable inputs		
			Name	Range/weighted average number	Relations with fair value
Financial assets at fair value through profit or loss					
- Equity instruments	1,244,880,556	Income approach	Discount rate	2.3%-11%	Negative related
	1,089,452,395	Market approach	PE Multiplier	27-48.59	Positive related
			Liquidity discount	26%-32%	Negative related
- Debt instruments	389,402,119	Income approach	Discount rate	1%-18%	Negative related
- Derivative financial instruments	471,498,069	Monte Carlo simulation	Discount rate	15%	Negative related
Available-for-sale financial assets					
- Equity instruments	199,000,000	Income approach	Discount rate	2.0%-4.65%	Negative related
- Debt instruments	381,522,007	Income approach	Discount rate	2.44%-9%	Negative related
Investment properties					
			Lease rate of return	4%-6%	Negative related
- Buildings	17,260,263,908	Income approach	Reversionary rate of return	4.5%-6.5%	Negative related
			Market unit rental price (RMB/Square meter)	10-508	Positive related
Financial liabilities at fair value through profit or loss					
- Derivatives	546,189,711	Income approach	Discount rate	3.5%	Negative related
- Contingent consideration in business combination	535,855,040	Monte Carlo simulation	Discount rate	2.7%-3.22%	Negative related

12 Fair value measurement (Cont'd)

(1) Assets and liabilities continuously measured at fair value (Cont'd)

Major unobservable inputs in Level 3 are as follows (Continued):

	Fair value as at 31 December 2016	Valuation technique	Unobservable inputs		
			Name	Range/weighted average number	Relations with fair value
Financial assets at fair value through profit or loss					
- Equity instruments	2,534,726,698	Income approach	Discount rate	3.2%-15%	Negative related
	1,107,549,928	Market approach	PE Multiplier	27-48.59	Positive related
			Liquidity discount	26%-32%	Negative related
- Debt instruments	2,270,560,520	Income approach	Discount rate	4%-18%	Negative related
- Derivative financial instruments	101,161,481	Income approach	Discount rate	3%-17%	Negative related
Available-for-sale financial assets					
- Equity instruments	464,186,502	Income approach	Discount rate	2%-6.2%	Negative related
Investment properties					
- Land use rights	22,600,000,000	Market approach	Market unit price (RMB/square meter)	51,363	Positive related
			Adjustment factor	0.9886	Positive related
			Lease rate of return		
- Buildings	17,097,827,534	Income approach	Reversionary rate of return	4%–6%	Negative related
			Market unit rental price (RMB/Square meter/Month)	4.5%-6.5%	Negative related
				10-508	Positive related
Financial liabilities at fair value through profit or loss					
- Derivatives	491,402,503	Income approach	Discount rate	2.44%-3.05%	Negative related

Note: As at 30 June 2017, financial instruments whose fair value was determined using initial recognised fair value, recent transaction prices, independent third party quote price or inputs not developed by the Group including: financial assets of RMB 11,317,490,287 and financial liabilities of RMB 1,489,614,333, were not included in the disclosure above.

12 Fair value measurement (Cont'd)

(2) Financial assets and financial liabilities not measured at fair value

The Group's financial assets and liabilities measured at amortised cost mainly include loan and receivable, accounts receivable, other receivables, long-term receivables, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, etc.

As at 30 June 2017, there was no significant difference between carrying amount and fair value.

13 The Group's maximum risk exposure to unconsolidated structured entities

The Group uses structured entities in the ordinary course of business for various purposes, eg: to invest through structured entities, to generate fees from managing assets on behalf of external investors, etc.

The following table shows total assets of the various types of unconsolidated structured entities, amount of funding provided by the Group and the Group's maximum exposure to these unconsolidated structured entities as at 30 June 2017. The Group's maximum exposure represents the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum risk exposure contains uncertainties, and its amount is the sum of the Group's investment carrying amount. The Group does not have the obligation or intention to provide financial support to the unconsolidated structured entities and does not provide liquidity support during the period.

	30 June 2017 (Unaudited)			
	Total scale	Investment amount	Maximum risk exposure	Nature of holding interest
Funds	Note(a)	9,217,402,978	9,217,402,978	Investment income
Asset management plans - one to one	2,197,675,220	2,197,675,220	2,197,675,220	Investment income
Asset management plans - one to many	Note(a)	85,270,873	85,270,873	Investment income
Bank wealth management products	Note(a)	23,000,000	23,000,000	Investment income
Individual trust products	407,657,398	407,657,398	407,657,398	Investment income
		11,931,006,469	11,931,006,469	

	31 December 2016			
	Total scale	Investment amount	Maximum risk exposure	Nature of holding interest
Funds	Note(a)	9,167,138,733	9,167,138,733	Investment income
Asset management plans - one to one	1,638,925,892	1,638,925,892	1,638,925,892	Investment income
Asset management plans - one to many	Note(a)	2,153,600,553	2,153,600,553	Investment income
Bank wealth management products	Note(a)	264,050,000	264,050,000	Investment income
Individual trust products	1,536,221,522	1,536,221,522	1,536,221,522	Investment income
Collective trust products	Note(a)	666,642,003	666,642,003	Investment income
		15,426,578,703	15,426,578,703	

Note (a): These products' total size is non-public information.

14 Capital management

The objective of the Group's capital management policy is to guarantee the Group's going concern so as to provide returns to shareholders and benefit other stakeholders, while maintaining the optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividends paid to shareholders, return capital to shareholders, and issue new shares or trade assets to reduce debts.

The subsidiary Sirius Insurance is required to monitor the solvency ratio on a regular basis pursuant to relevant requirements of external regulators. As at 30 June 2017, there was no violation of capital requirements of Sirius Insurance.

15 Notes to the Company's financial statements

(1) Cash at bank and in hand

	30 June 2017 (Unaudited)	31 December 2016
Cash at bank	9,162,151,210	7,804,536,767
Including: Restricted cash at bank (a)	1,158,403,565	1,098,403,565
Other cash balances	986,839	985,114
	9,163,138,049	7,805,521,881

(a) As at 30 June 2017, restricted cash at bank included in the amount of RMB 460,000,000 which deposited for the purpose of applying for unconditional (31 December 2016: RMB 400,000,000 at) and irrevocable bank acceptance notes and in the amount of RMB 698,403,565 which deposited for the purpose of subsidiary's bank borrowings(31 December 2016: RMB 698,403,565).

(2) Financial assets at fair value through profit or loss

	30 June 2017 (Unaudited)	31 December 2016
Financial assets held for trading		
- Money market fund	109,248,702	894,155,284
Financial assets designated at fair value through profit or loss		
- Assets management plans	428,970,642	622,258,595
- Bank wealth management products	-	250,050,000
- Others	85,904,167	85,904,167
	624,123,511	1,852,368,046

The following table shows the total assets of the various types of unconsolidated structured entities and the amount of funding provided by the Company to these unconsolidated structured entities. The table also shows the Company's maximum exposure to the unconsolidated structured entities representing the Company's maximum possible risk exposure that could occur as a result of the Company's arrangements with structured entities.The maximum risk exposure contains uncertainties, and its amount is the sum of the Group's investment carrying amount. The Company do not have the obligation or intention to provide financial support to the unconsolidated structured entities and do not provide liquidity support in the period.

15 Notes to the Company's financial statements (Cont'd)

(2) Financial assets at fair value through profit or loss (Cont'd)

	30 June 2017 (Unaudited)			
	Total assets	Investment amount	Maximum risk exposure	Nature of holding interest
Money market fund	Note (a)	109,248,702	109,248,702	Investment income
Asset management plans - one to one	125,699,769	125,699,769	125,699,769	Investment income
Asset management plans - one to many	Note (a)	303,270,873	303,270,873	Investment income
		538,219,344	538,219,344	

	31 December 2016			
	Total assets	Investment amount	Maximum risk exposure	Nature of holding interest
Money market fund	Note (a)	894,155,284	894,155,284	Investment income
Asset management plans - one to one	119,142,559	119,142,559	119,142,559	Investment income
Asset management plans - one to many	Note (a)	503,116,036	503,116,036	Investment income
Bank wealth management products	Note (a)	250,050,000	250,050,000	Investment income
		1,766,463,879	1,766,463,879	

Note (a): These products' total size is non-public information.

(3) Dividends receivable

	30 June 2017 (Unaudited)	31 December 2016
Dividends due from CM Bund	4,239,010,493	4,239,010,493
Dividends due from Asia Asset Management	1,700,000,000	-
Dividends due from CM International	997,115,102	-
Dividends due from CM JYI	523,970,000	-
Dividends due from CM Future	271,570,382	271,570,382
Dividends due from CMI Leasing	203,689,373	-
Dividends due from CMIH	100,000,000	-
Dividends due from CM New energy	90,000,000	-
	8,125,355,350	4,510,580,875

(4) Interest receivable

	30 June 2017 (Unaudited)	31 December 2016
Interest receivable due from related parties (Note 9 (2)(b))	1,257,678,829	662,447,225
Others	42,474,935	31,630,967
	1,300,153,764	694,078,192

15 Notes to the Company's financial statements (Cont'd)

(5) Other receivables

	30 June 2017 (Unaudited)	31 December 2016
Loan due from subsidiaries (Note 9(2)(b))	17,618,411,886	17,225,032,892
Loan due from associates (Note 9(3)(b))	5,097,758,365	-
Receivables due from related parties (Note 9(2)(b))	183,738,205	63,334,216
Receivables from disposal of investments	1,686,000,000	-
Receivables due from third parties	118,000,000	-
Tender deposit	105,904,167	105,904,167
Rental deposit	28,992,528	27,097,078
Receivables from profits distribution from Xingsheng Jiaye Investment	12,468,752	-
Others	18,062,686	17,665,230
	24,869,336,589	17,439,033,583
Less: Provision for bad debts	(300,000,000)	-
	24,569,336,589	17,439,033,583

Other receivables and related provision for bad debts are analysed below:

	30 June 2017 (Unaudited)			31 December 2016		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	24,456,752,894	99.54%	(300,000,000)	17,326,449,888	99.35%	-
1 to 2 years	-	-	-	112,583,695	0.65%	-
2 to 3 years	112,583,695	0.46%	-	-	-	-
	24,569,336,589	100.00%	(300,000,000)	17,439,033,583	100.00%	-

15 Notes to the Company's financial statements (Cont'd)

(6) Long-term equity investments

	30 June 2017 (Unaudited)	31 December 2016
Subsidiaries	69,303,308,557	70,101,412,031
Associates	5,801,264,800	-
	75,104,573,357	70,101,412,031

	31 December 2016	Increase in current period	Disposal in current period	30 June 2017 (Unaudited)
Subsidiaries using cost method				
CMI Singapore	11,288,518,124	-	-	11,288,518,124
CM Capital	10,000,000,000	-	-	10,000,000,000
Asia Asset Management	10,000,000,000	-	-	10,000,000,000
CM JYI	9,748,417,905	-	(1,137,315,422)	8,611,102,483
CM Bund	8,500,000,000	-	(8,500,000,000)	-
CM New Energy	8,000,000,000	-	-	8,000,000,000
CMI Hong Kong	2,896,976,000	-	-	2,896,976,000
CMI Leasing	2,725,000,000	-	-	2,725,000,000
CM Future	2,680,000,000	-	-	2,680,000,000
CM Jet	1,753,000,000	-	-	1,753,000,000
CMIH	1,226,500,000	-	-	1,226,500,000
China Minsheng Air Travel Investment Co., Ltd	745,000,000	120,000,000	-	865,000,000
Xingsheng Jiaye Investment (Note7(2))	490,000,000	-	-	490,000,000
CM Keytech	46,000,000	81,500,000	-	127,500,000
China Minsheng Chuangye Investment Management Co., Ltd	2,000,000	31,000,000	-	33,000,000
CMI(Guangxi)	-	30,000,000	-	30,000,000
CMI Health	-	45,000,000	-	45,000,000
Leasing Group	-	5,050,000,000	-	5,050,000,000
Beijing AMC	-	3,481,711,950	-	3,481,711,950
China Minsheng Financial Service (Shenzhen) Investment Co.Ltd.	2	-	(2)	-
	70,101,412,031	8,839,211,950	(9,637,315,424)	69,303,308,557

15 Notes to the Company's financial statements (Cont'd)

(6) Long-term equity investments (Cont'd)

Investment in associates are set out below:

	31 December 2016	Transfer in/increase	Share of net profit/(loss) under equity method	30 June 2017 (Unaudited)
CM Bund(a)	-	4,877,811,945	-	4,877,811,945
Taihe Assets	-	920,000,000	3,452,855	923,452,855
	-	5,797,811,945	3,452,855	5,801,264,800

(a) CM Bund was transferred from subsidiary to associate at 29 June 2017, which was regarded as using equity method from the date of incorporation. The share of profit before 1 January 2017, amounting to RMB 35,949,551, was included in retained earnings. The share of loss from 1 January 2017 to 29 June 2017, amounting to RMB 34,525,312, was included in investment income in current period.

General information of the significant associated enterprises：

	Primary operating place	Place of registration	Shareholding ratio (%)	Voting rights (%)	Whether strategic investment to the Group's operating activities
CM Bund	PRC	Shanghai	49.00%	49.00%	Yes
Taihe Assets	PRC	Shandong	46.00%	46.00%	Yes

Key financial information of CM Bund and Taihe Assets:

	CM Bund (RMB '000)	Taihe Assets (RMB '000)
Current assets	14,604,340	2,010,757
Including: cash and cash equivalents	41,670	13,415
Non-current assets	23,302,479	299
Total Assets	37,906,819	2,011,056
Current liabilities	25,923,641	3,550
Non-current liabilities	1,742,562	-
Total liabilities	27,666,203	3,550
Minority interest	-	-
Equity attributable to shareholders of the Company	10,240,616	2,007,506
Share of net assets calculated based on invested percentage	5,017,902	923,453
Adjustments		
-Unrealized profit from downstream transactions	(140,090)	-
Carrying amount of investments in associates	4,877,812	923,453
Fair value of the associates with quoted price	N/A	N/A

15 Notes to the Company's financial statements (Cont'd)

(6) Long-term equity investments (Cont'd)

	1 January 2017/The date of incorporation or acquisition to 30 June 2017 (Unaudited)	
	CM Bund (RMB '000)	Taihe Assets (RMB '000)
Revenue	-	-
Net profit	-	7,506
Other comprehensive income	-	-
Total comprehensive income	-	7,506
Dividends received from associates	-	-

(7) Long-term receivables

	30 June 2017 (Unaudited)	31 December 2016
Loan due from related parties (Note 9 (2)(b))	576,000,000	416,011,513

(8) Long-term prepaid expenses

	30 June 2017 (Unaudited)	31 December 2016
Lease held improvement	75,639,925	91,712,252
Others	272,844,277	545,587,150
	348,484,202	637,299,402

(9) Deferred tax assets and liabilities

(a) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	30 June 2017 (Unaudited)	31 December 2016
Deferred tax assets, net	496,557,639	721,055,010

15 Notes to the Company's financial statements (Cont'd)

(9) Deferred tax assets and liabilities (Cont'd)

(b) The balances of deferred tax assets and deferred tax liabilities without taking into consideration of offsetting are as follows:

Deferred tax assets

	30 June 2017 (Unaudited)		31 December 2016	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Employee benefits payable	150,397,694	601,590,776	162,829,990	651,319,960
Deductible carried forward losses	-	-	532,738,119	2,130,952,477
Share-based payment	34,083,283	136,333,132	26,724,411	106,897,643
Elimination unrealized profit with associates	35,022,430	140,089,720	-	-
Changes in fair value of financial liabilities at fair value through profit or loss	139,054,013	556,216,052	-	-
Asset impairment losses	75,000,000	300,000,000	-	-
Others	64,295,865	257,183,460	-	-
	497,853,285	1,991,413,140	722,292,520	2,889,170,080

Deferred tax liabilities

	30 June 2017 (Unaudited)		31 December 2016	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Changes in fair value of financial assets at fair value through profit or loss	1,295,636	5,182,544	1,237,510	4,950,039

The balance of deferred tax liabilities is estimated to be reversed within 1 year.

(10) Short-term borrowings

	30 June 2017 (Unaudited)	31 December 2016
Credit borrowings	25,659,942,767	18,140,000,000

As at 30 June 2017, the weighted average interest rate of short-term borrowings was 4.71%.

15 Notes to the Company's financial statements (Cont'd)

(11) Financial liabilities at fair value through profit or loss

	30 June 2017 (Unaudited)	31 December 2016
Derivative instruments (Note 9 (2)(b))	556,216,052	-

(12) Employee benefits payable

	30 June 2017 (Unaudited)	31 December 2016
Short-term employee benefits payable (a)	601,590,738	651,319,960
Defined contribution plans payable (b)	-	-
	601,590,738	651,319,960

(a) Short-term employee benefits

	31 December 2016	Accrual	Payment	30 June 2017 (Unaudited)
Wages and salaries, bonus, allowances and subsidies	651,171,790	84,463,984	(135,275,324)	600,360,450
Staff welfare	-	9,855,560	(9,855,560)	-
Social security contributions	-	846,145	(846,145)	-
Including: Medical insurance	-	757,215	(757,215)	-
Work injury insurance	-	17,571	(17,571)	-
Maternity insurance	-	71,359	(71,359)	-
Housing funds	-	880,412	(880,412)	-
Other short-term employee benefits	148,170	1,090,343	(8,225)	1,230,288
	651,319,960	97,136,444	(146,865,666)	601,590,738

(b) Defined contribution plans

	31 December 2016	Accrual	Payment	30 June 2017 (Unaudited)
Basic pensions	-	1,566,631	(1,566,631)	-
Unemployment insurance	-	62,616	(62,616)	-
	-	1,629,247	(1,629,247)	-

(13) Taxes payable

	30 June 2017 (Unaudited)	31 December 2016
Corporate income tax payable	611,864,792	-
Individual income tax payable	21,582,873	3,176,311
Stamp tax payable	3,855,614	10,149,691
Others	3,150,237	1,456,786
	640,453,516	14,782,788

16 Notes to the Company's financial statements (Cont'd)

(14) Interest payable

	30 June 2017 (Unaudited)	31 December 2016
Interest payable on bonds issued	752,732,803	586,762,149
Interest payable due to related parties (Note 9(2)(b))	314,606,551	35,264,012
Interest payable on bank borrowings	36,393,722	27,389,476
Others	173,284	-
	1,103,906,360	649,415,637

(15) Other payables

	30 June 2017 (Unaudited)	31 December 2016
Borrowings from related parties (Note 9 (2)(b))	8,846,838,457	9,500,188,457
Payables due to related parties (Note 9 (2)(b))	4,251,681,476	4,272,511,564
Prepaid capital investment from shareholders	32,500,000	-
Share transfer consideration received in advance	1,000,000	1,890,000,000
Others	126,021,509	157,434,762
	13,258,041,442	15,820,134,783

(16) Other current liabilities

	30 June 2017 (Unaudited)	31 December 2016
Bonds payable (Note 15 (18))	19,824,841,575	21,676,392,668

(17) Long-term borrowings

	30 June 2017 (Unaudited)	31 December 2016
Credit borrowings	1,698,000,000	700,000,000
Less: Current portion of long-term borrowings	(554,000,000)	(2,000,000)
	1,144,000,000	698,000,000

As at 30 June 2017, the weighted average interest rate of long-term borrowings was 5.09% per annum.

15 Notes to the Company's financial statements (Cont'd)

(18) Bonds payable

Type	Guarantee type	Maturity	Par value (in million)	Issued year	Coupon rate (per annum)	30 June 2017 (Unaudited)
Corporate bonds	None	3 years	RMB 3,750	2015	4.35%	3,742,087,371
Corporate bonds	None	3 years	RMB 2,690	2016	4.63%	2,683,536,016
Corporate bonds	None	3 years	RMB 3,000	2016	5.20%	2,993,279,737
Corporate bonds	None	3 years	RMB 1,380	2016	5.38%	1,376,540,727
Corporate bonds	None	3 years	RMB 1,560	2016	5.50%	1,554,350,191
Corporate bonds	None	3 years	RMB 5,000	2016	4.88%	4,985,148,294
Corporate bonds	None	3 years	RMB 5,000	2016	4.39%	4,984,016,784
Corporate bonds	None	3 years	RMB 2,500	2016	4.99%	2,493,622,586
Corporate bonds	None	3 years	RMB 3,000	2017	5.80%	2,992,192,156
Corporate bonds	None	3 years	RMB 2,000	2017	5.98%	1,992,809,506
Corporate bonds	None	1 years	RMB 500	2017	5.10%	499,162,192
						30,296,745,560
Less: Current portion (presented in other current liabilities) (Note 15(16))						(19,824,841,575)
						10,471,903,985

(19) Share capital

The paid-in capital of the Company was increased by RMB 0.4 billion during the period of the financial statements and the industrial and commercial registration for changes was completed. As at 30 June 2017, the Company's paid-in capital was RMB 39.3 billion.

(20) Capital surplus

	31 December 2016	Increase in current period	Decrease in current period	30 June 2017 (Unaudited)
Capital premium(a)	-	25,428,089	-	25,428,089
Other capital surplus	106,897,643	29,435,490	-	136,333,133
	106,897,643	54,863,579	-	161,761,222

(a) The subsidiary within the scope of consolidation of the Group, Beijing AMC transferred from CMI Capital to the Company, the difference between transfer price and net assets of Beijing AMC at the transfer date is recorded in capital premium.

(21) Surplus reserve

	31 December 2016	Increase in current period	Decrease in current period	30 June 2017 (Unaudited)
Statutory surplus reserve	564,895,267	-	-	564,895,267

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase equity after approval from the appropriate authorities.

15 Notes to the Company's financial statements (Cont'd)

(22) Revenue

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Dividend income from subsidiaries	3,909,399,289	271,570,382
Investment income	6,272,491	12,624,833
Gains/(losses) from changes in fair value of financial assets at fair value through profit or loss	5,232,504	(6,300,474)
Revenue from consulting services	-	2,805,288
Rental income	1,752,813	-
	3,922,657,097	280,700,029

(23) General and administrative expenses

General and administrative expenses classified by nature are as follows:

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Employee benefits expenses	(400,928,451)	(153,688,228)
Rental expenses	(68,830,651)	(44,160,060)
Depreciation and amortisation	(27,377,230)	(22,457,150)
Rental expenses for transportation	(17,787,711)	(326,150)
Entertainment expenses	(15,833,262)	(6,106,804)
Professional fees	(16,921,047)	(14,887,237)
Traveling fees	(7,574,031)	(12,140,766)
Advertising and promotion expenses	(6,191,323)	(6,161,746)
Office and meeting expenses	(3,577,689)	(12,748,741)
Stamp duties	-	(3,265,823)
Other expenses	(6,167,918)	(6,207,455)
	(571,189,313)	(282,150,160)

(24) Finance expenses - net

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Interest expenses	(1,486,825,221)	(861,227,171)
Interest income	612,009,126	378,159,035
Commission and bank charges	(655,163)	(2,448,255)
Exchange gains	(4,850,291)	(280,864)
	(880,321,549)	(485,797,255)

15 Notes to the Company's financial statements (Cont'd)

(25) Losses from fair value changes

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Changes in fair value of financial liabilities at fair value through profit or loss	(556,216,052)	-

(26) Investment income

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Investment income from joint ventures and associates	(31,072,457)	-
Disposal of subsidiaries' shares	4,307,684,578	1,074,186,795
	4,276,612,121	1,074,186,795

(27) Non-operating income

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Government subsidies and grants	191,900,000	43,100,482
Tax refund	14,727,273	-
Others	688,027	287,532
	207,315,300	43,388,014

15 Notes to the Company's financial statements (Cont'd)

(28) Income tax expenses

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Current income tax	613,728,586	-
Deferred income tax	248,109,665	74,619,840
	861,838,251	74,619,840

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the financial statements to the income tax expenses is listed below:

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Total profit	6,074,185,080	615,454,830
Income tax expenses calculated at applicable tax rates	1,518,546,270	153,863,708
Income not subject to tax	(658,294,294)	(69,182,749)
Recognition of deductible losses of previously unrecognised deferred tax asset	-	(11,588,716)
Undeductible cost, expenses or loss	1,586,275	1,527,597
	861,838,251	74,619,840

15 Notes to the Company's financial statements (Cont'd)

(29) Notes to cash flow statement

(a) Reconciliation from net profit to cash flows from operating activities

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Net profit	5,212,346,829	540,834,990
Add: Depreciation and amortisation	27,377,230	22,457,150
Asset impairment provision	300,000,000	-
Losses from fair value changes	556,216,052	-
Losses on disposal of fixed assets, intangible assets and other long-term assets	-	(268,506)
Share-based payment	29,435,489	30,840,648
Finance expenses	921,328,635	512,920,933
Investment income	(8,182,947,425)	(1,345,757,177)
Deferred tax expenses	248,109,665	74,619,840
Decrease in operating receivables	1,414,966,516	1,172,039,553
Increase/(decrease) in operating payables	535,932,927	(787,831,443)
Others	304	(264)
Net cash flows from operating activities	1,062,766,222	219,855,724

(b) The Company does not have significant non-cash investing or financing activities.

(c) Net increase/(decrease) in cash and cash equivalents

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Cash and cash equivalents at the end of the period	8,004,734,484	2,596,514,094
Less: Cash and cash equivalents at the beginning of the period	(6,707,118,316)	(1,367,017,790)
Net increase in cash and cash equivalents	1,297,616,168	1,229,496,304

(d) Cash and cash equivalents

	30 June 2017 (Unaudited)	31 December 2016
Cash at bank and on hand (Note 15(1))	9,163,138,049	7,805,521,881
Less: Restricted cash at bank	(1,158,403,565)	(1,098,403,565)
Cash and cash equivalents at the end of the period/year	8,004,734,484	6,707,118,316

15 Notes to the Company's financial statements (Cont'd)

(29) Notes to cash flow statement (Cont'd)

(e) Cash paid relating to other operating activities

Cash paid relating to other operating activities in the cash flow statement mainly includes:

	For the half-year ended 30 June 2017 (Unaudited)	For the half-year ended 30 June 2016 (Unaudited)
Receivables due from third parties	118,000,000	-
Rental expenses	31,106,626	26,370,108
Travelling expenses	25,361,742	12,140,766
Donation and sponsor	17,500,000	-
Entertainment expenses	15,833,262	6,106,804
Professional fees	16,921,047	14,887,237
Advertising and promotion expenses	6,191,323	6,161,746
Office and meeting expenses	3,577,689	12,748,741
Employee reservation fund	515,316	16,104,936
Low priced and easily worn articles	-	3,102,016
Others	24,193,088	39,906,946
	259,200,093	137,529,300

16 Assets pledged or collateralized

The Group's assets which are pledged or collateralized for borrowings and other financing are as follows:

	30 June 2017 (Unaudited)	31 December 2016
Cash at bank and on hand	3,610,652,698	5,098,075,833
Financial assets at fair value through profit or loss	3,497,370,151	2,775,508,978
Notes receivable	-	2,085,236
Accounts receivable	393,063,096	268,208,156
Prepayment	249,655,940	-
Inventories	5,850,777,798	19,341,829,989
Current portion of non-current assets	3,175,039,832	2,029,191,378
Available-for-sale financial assets	-	55,329,512
Long-term receivables	11,162,274,038	7,211,587,300
Long-term equity investments	8,137,346,702	2,542,795,677
Investment properties	16,342,994,426	39,331,848,342
Fixed assets	3,397,679,555	2,485,476,219
Construction in progress	289,699,950	1,202,001,210
Intangible assets	125,711,276	46,343,361
Total	56,232,265,462	82,390,281,191

17 Subsequent events

In August 2017, the Group's subsidiary Shanghai Kerui Property Management Development Co. Ltd. issued asset-backed securities amounting to RMB 2 billion through China Minsheng - Kerui Property Individual Trust Product and China Minsheng - Kerui Property trust beneficial rights assets-backed plan, the coupon rate of which is 6% per annum, and the principal will be repaid in instalments within 6 years, and is guaranteed by the Company and CM Future. The holder has the put option at the end of the third year.

18 Reclassification

Some comparable financial statement items have been reclassified according to current period's presentation.

Report of the Auditor

PwC ZT Shen Zi (2017) No. 22117
(Page 1 of 2)

To the Board of Directors of China Minsheng Investment Co., Ltd.:

We have audited the accompanying financial statements of China Minsheng Investment Co., Ltd. ("the Company") which comprise the consolidated and company's balance sheets as at 31 December 2016, the consolidated and company's income statements, the consolidated and company's cash flow statements, the consolidated and company's statements of changes in shareholders' equity for the year then ended and notes to the financial statements.

Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Report of the Auditor (Continued)

PwC ZT Shen Zi (2017) No. 22117
(Page 2 of 2)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial positions of the Company as at 31 December 2016, and their financial performances and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China

27 April 2017

CONSOLIDATED BALANCE SHEET
AS AT 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ASSETS	Notes	31 December 2016	31 December 2015 (Restated)	1 January 2015 (Restated)
Current assets				
Cash at bank and on hand	9(1)	36,584,509,905	25,136,387,871	4,154,195,533
Financial assets at fair value through profit or loss	9(2)	36,397,929,835	10,680,123,455	18,167,012,356
Loan and receivable	9(3)	4,700,489,160	1,177,686,695	-
Notes receivable		30,510,274	540,000	-
Accounts receivable	9(4)	1,950,852,583	241,345,574	134,402,309
Prepayment	9(5)	1,119,918,464	3,173,067,188	42,050,580
Dividends receivable		7,073,969	-	-
Interest receivable	9(6)	187,615,611	52,704,064	-
Premium receivable	9(7)	2,737,599,068	-	-
Reinsurance receivables	9(8)	327,693,107	-	-
Reinsurance reserves	9(36)	1,183,515,750	-	-
Other receivables	9(9)	9,205,324,279	3,603,481,486	1,429,880,015
Inventories	9(10)	33,283,745,165	21,839,883,664	12,199,944,519
Assets classified as held for sale	9(11)	3,517,445,974	9,654,151,449	-
Current portion of non-current assets	9(12)	5,123,748,221	1,553,027,054	-
Other current assets	9(13)	2,434,548,222	857,935,225	96,749,986
Total current assets		138,792,519,587	77,970,333,725	36,224,235,298
Non-current assets				
Available-for-sale financial assets	9(14)	2,561,159,076	2,901,872,906	-
Long-term receivables	9(15)	16,703,720,516	4,454,559,923	-
Long-term equity investments	9(16)	15,148,491,736	4,244,551,847	-
Investment properties	9(17)	39,697,827,534	25,428,696,000	18,530,000,000
Fixed assets	9(18)	8,398,114,438	1,627,779,506	241,622,420
Construction in progress	9(19)	5,566,533,909	5,877,618,624	14,337,471
Intangible assets	9(20)	2,527,055,973	515,845,771	813,745
Biological assets		2,199,385	-	-
Goodwill	9(21)	4,874,427,938	1,229,466,090	556,086,382
Long-term prepaid expenses	9(22)	1,053,166,061	1,334,420,279	292,144,519
Deferred tax assets	9(23)	3,689,355,451	1,105,846,548	88,393,874
Other non-current assets	9(24)	33,455,329,853	20,325,874,023	495,904,360
Total non-current assets		133,677,381,870	69,046,531,517	20,219,302,771
TOTAL ASSETS		272,469,901,457	147,016,865,242	56,443,538,069

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.

CONSOLIDATED BALANCE SHEET (CONT'D)
AS AT 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 December 2016	31 December 2015 (Restated)	1 January 2015 (Restated)
Current liabilities				
Short-term borrowings	9(25)	33,552,050,448	26,614,010,881	3,030,000,000
Financial liabilities at fair value through profit and loss	9(26)	515,380,826	-	-
Notes payable	9(27)	368,922,341	299,795,343	-
Accounts payable	9(28)	3,794,625,240	751,255,513	24,439,883
Advances from customers	9(29)	4,690,701,072	2,167,959,103	90,147,643
Employee benefits payable	9(30)	2,115,547,973	770,976,961	305,189,590
Taxes payable	9(31)	2,913,804,121	3,656,166,242	981,858,030
Interest payable	9(32)	868,621,435	164,445,836	4,863,169
Dividends payable	9(33)	460,673,075	1,655,587,389	-
Other payables	9(34)	19,279,120,352	12,410,081,171	1,911,909,727
Reinsurance payable	9(35)	1,131,384,334	-	-
Insurance contract reserves	9(36)	5,590,665,583	-	-
Liabilities classified as held for sale	9(11)	178,189,394	7,398,019,636	-
Current portion of non-current liabilities	9(37)	5,405,846,590	6,031,619,124	-
Other current liabilities				
-Bonds payable	9(38)	21,676,392,668	4,632,957,960	-
-Others	9(38)	176,804,151	17,164,262	-
Total current liabilities		102,718,729,603	66,570,039,421	6,348,408,042
Non-current liabilities				
Long-term borrowings	9(39)	38,509,411,661	9,299,090,315	200,000,000
Long-term payables	9(40)	17,173,223,374	15,624,903,709	6,673,770,173
Deferred tax liabilities	9(41)	8,831,741,660	3,903,001,178	1,659,771,692
Bonds payable		21,400,851,414	2,610,420,611	-
Other non-current liabilities	9(42)			
-Insurance contract reserves	9(42)	7,682,795,628	-	-
-Others		4,129,004,652	838,657,285	55,583,221
Total non-current liabilities	9(39)	97,727,028,389	32,276,073,098	8,589,125,086
Total liabilities		200,445,757,992	98,846,112,519	14,937,533,128
SHAREHOLDERS' EQUITY				
Paid-in capital		38,900,000,000	34,200,000,000	33,200,000,000
Capital surplus	9(43)	1,601,663,849	314,060,146	257,333,273
Less: Treasury stock	9(44)	(400,000,000)	(200,000,000)	-
Other comprehensive income	9(45)	750,439,473	(255,500,120)	(6,925,917)
Surplus reserves		564,895,267	400,000,000	69,035,755
Retained earnings	9(46)	9,510,546,397	6,908,224,645	6,027,222,221
Total equity attributable to shareholders of the Company		50,927,544,986	41,366,784,671	39,546,665,332
Minority interest		21,096,598,479	6,803,968,052	1,959,339,609
TOTAL SHAREHOLDERS' EQUITY		72,024,143,465	48,170,752,723	41,506,004,941
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		272,469,901,457	147,016,865,242	56,443,538,069

The accompanying notes form an integral part of these financial statements.

President: Chief Finance Officer: Director of finance department:

CHINA MINSHENG INVESTMENT CO., LTD.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM	Notes	For the year ended 31 December 2016	For the year ended 31 December2015 (Restated)
Revenue	9(47)	19,514,817,924	4,663,620,204
Less: Cost of sales	9(48)	(15,036,371,688)	(1,427,034,436)
Taxes and surcharges	9(49)	(491,403,274)	(66,600,125)
Selling expenses	9(48)	(303,728,765)	(69,548,459)
General and administrative expenses	9(48)	(3,979,806,199)	(2,470,611,462)
Finance expenses - net	9(50)	(2,265,219,110)	(507,989,120)
Asset impairment losses	9(51)	(521,029,766)	(95,288,811)
Add: Net gains from fair value changes	9(52)	1,661,146,149	1,779,439,436
Investment income	9(53)	2,036,422,965	305,221,457
Including: Share of profit of associates and joint ventures		821,571,205	165,452,467
Operating profit		614,828,236	2,111,208,684
Add: Non-operating income	9(54)	3,514,957,816	3,302,857,247
Less: Non-operating expenses	9(55)	(151,409,587)	(131,367,509)
Total profit		3,978,376,465	5,282,698,422
Less: Income tax expenses	9(56)	(301,879,931)	(641,359,504)
Net profit		3,676,496,534	4,641,338,918
Net profit attributable to shareholders of the company		2,767,217,019	4,730,020,803
Minority interest		909,279,515	(88,681,885)

CONSOLIDATED INCOME STATEMENT (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM	Notes	For the year ended 31 December 2016	For the year ended 31 December 2015 (Restated)
Other comprehensive income, net of tax		1,044,961,241	(224,225,792)
Other comprehensive income attributable to shareholders of the Company, net of tax		1,005,939,593	(248,574,203)
Items that may be subsequently reclassified to profit and loss			
-Share of other comprehensive income of the investees accounted for using equity method which will be reclassified subsequently to profit or loss		(44,223,993)	-
-Currency translation differences		360,795,961	619,817,569
-Changes in fair value of available-for-sale financial assets		686,565,138	(868,391,772)
-Others		2,802,487	-
Other comprehensive income attributable to minority interest, net of tax		39,021,648	(24,348,411)
Total comprehensive income		4,721,457,775	4,417,113,126
Total comprehensive income attributable to shareholders of the Company		3,773,156,612	4,481,446,600
Total comprehensive income attributable to minority interest		948,301,163	(64,333,474)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM	Notes	For the year ended 31 December 2016	For the year ended 31 December 2015
Cash flows from operating activities			
Cash receipts from sales of goods and the rendering of services		10,900,827,430	2,213,429,835
Cash receipts from financial leases		4,862,256,863	804,421,573
Cash receipts from insurance premium		4,906,130,961	-
Refund of taxes and surcharges		171,386,239	7,841,137
Cash receipts from investment companies' investment income		757,399,213	7,761,940
Cash receipts from investment companies' disposal of investments		31,997,396,394	32,243,925,923
Cash receipts from financial leasing companies' borrowings		13,692,819,918	-
Cash receipts relating to other operating activities		5,125,695,349	1,110,300,892
Sub-total of cash inflows		72,413,912,367	36,387,681,300
Cash payments for goods purchased and services received		(7,540,905,624)	(1,779,464,100)
Cash payments for financial leases		(17,366,191,761)	(7,099,019,024)
Cash payments for insurance claims		(2,457,383,149)	-
Cash payments for insurance commission and brokerage fee		(1,074,012,863)	-
Cash payments to and on behalf of employees		(3,528,571,132)	(1,428,221,100)
Payments of taxes and levies		(1,405,973,529)	(730,645,632)
Cash payments for investment companies' purchase of financial assets		(40,424,605,284)	(37,750,677,187)
Cash repayments of financial leasing companies' borrowings		(4,129,075,839)	-
Cash payments for financial leasing companies' interest of borrowings		(304,663,155)	-
Cash payments relating to other operating activities	9(57)	(8,887,130,479)	(2,899,316,786)
Sub-total of cash outflows		(87,118,512,815)	(51,687,343,829)
Net cash used in operating activities		(14,704,600,448)	(15,299,662,529)
Cash flows from investing activities			
Cash receipts from investment income		1,706,089,267	126,592,034
Cash receipts from disposal of investments		24,925,613,981	3,396,060,710
Net cash receipts from acquisition of subsidiaries and other business units		809,291,040	1,983,173,260
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		39,927,917	-
Net cash receipts from disposal of subsidiaries and other business units		2,015,191,776	-
Cash receipts relating to other investing activities		726,717,322	105,727,300
Sub-total of cash inflows		30,222,831,303	5,611,553,304
Net cash payments for investments of associates and joint ventures		(3,804,918,129)	(3,769,680,186)
Net cash payments for acquisition of subsidiaries and other business units		(17,291,603,964)	(463,610,104)
Cash payments for investments		(33,824,165,159)	(10,612,604,795)
Cash payments to acquire fixed assets, intangible assets and other long-term assets		(6,373,264,119)	(3,812,407,877)
Cash payments relating to other investing activities		(1,577,561,922)	(692,669,575)
Sub-total of cash outflows		(62,871,513,293)	(19,350,972,537)
Net cash used in investing activities		(32,648,681,990)	(13,739,419,233)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM	Notes	For the year ended 31 December 2016	For the year ended 31 December 2015
Cash flows from financing activities			
Cash receipts from capital contributions		12,690,877,505	7,822,500,000
Including: Capital contributions by minority interest of subsidiaries		12,690,877,505	2,190,000,000
Cash receipts from borrowings		49,978,779,535	41,655,581,363
Cash receipts form asset-backed securities issued		2,300,000,000	1,016,723,468
Cash receipts from bonds issued		35,594,076,935	6,539,249,096
Cash receipts from deposits pledged for financing activities		2,694,284,855	-
Cash receipts relating to other financing activities		5,232,355,483	10,184,029,336
Sub-total of cash inflows		108,490,374,313	67,218,083,263
Cash repayments of borrowings		(43,733,172,816)	(13,777,000,720)
Cash payments for interest or distribution of dividends and profits		(5,144,721,559)	(3,986,561,339)
Cash payments for deposits pledged for financing activities		(200,074,865)	(3,937,691,843)
Cash payments relating to other financing activities		(1,025,869,326)	(2,402,481,787)
Sub-total of cash outflows		(50,103,838,566)	(24,103,735,689)
Net cash generated from financing activities		58,386,535,747	43,114,347,574
Net effect of foreign exchange rate changes on cash and cash equivalents		473,324,252	759,227,229
Net increase in cash and cash equivalents	9(57)	11,506,577,561	14,834,493,041
Add: Cash and cash equivalents at the beginning of the year		18,988,688,574	4,154,195,533
Cash and cash equivalents at the end of the year		30,495,266,135	18,988,688,574

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM	Equity attributable to shareholders of the Company						Minority interest	Total shareholders' equity
	Paid-in capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserve	Retained earnings		
Balance as at 1 January 2016	34,200,000,000	314,060,146	(200,000,000)	(255,500,120)	400,000,000	6,908,224,645	6,803,968,052	48,170,752,723
Movements for the year ended 31 December 2016								
Total comprehensive income								
Net profit	-	-	-	-	-	2,767,217,019	909,279,515	3,676,496,534
Other comprehensive income	-	-	-	1,005,939,593	-	-	39,021,648	1,044,961,241
	-	-	-	1,005,939,593	-	2,767,217,019	948,301,163	4,721,457,775
Capital contributions and withdrawal by shareholders								
Share-based payment	-	86,892,454	(200,000,000)	-	-	-	22,637,504	(90,470,042)
Capital contributions from shareholders	4,700,000,000	-	-	-	-	-	-	4,700,000,000
Capital contributions from minority interest	-	(163,446,957)	-	-	-	-	4,779,346,957	4,615,900,000
Disposal of subsidiaries	-	-	-	-	-	-	(338,597,950)	(338,597,950)
Acquisition of subsidiaries	-	-	-	-	-	-	7,003,319,956	7,003,319,956
Profit distribution								
Appropriation to surplus reserves	-	-	-	-	164,895,267	(164,895,267)	-	-
Profit distribution to shareholders	-	-	-	-	-	-	(249,353,558)	(249,353,558)
Equity transactions with minority interest	-	1,432,374,665	-	-	-	-	2,126,976,355	3,559,351,020
Changes in capital surplus of investees accounted for using equity method	-	(68,216,459)	-	-	-	-	-	(68,216,459)
Balance as at 31 December 2016	38,900,000,000	1,601,663,849	(400,000,000)	750,439,473	564,895,267	9,510,546,397	21,096,598,479	72,024,143,465

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM	Equity attributable to shareholders of the Company						Minority interest	Total shareholders' equity
	Paid-in capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserve	Retained earnings		
Balance as at 31 December 2014	33,200,000,000	257,333,273		(6,925,917)	69,035,755	3,911,182,223	1,847,969,083	39,278,594,417
Change in accounting policies	-	-		-	-	2,116,039,998	111,370,526	2,227,410,524
Balance as at 1 January 2015(Restated)	33,200,000,000	257,333,273	-	(6,925,917)	69,035,755	6,027,222,221	1,959,339,609	41,506,004,941
Movements for the year ended 31 December 2015								
Total comprehensive income								
Net profit	-	-	-	-	-	4,730,020,803	(88,681,885)	4,614,338,918
Other comprehensive income	-	-	-	(248,574,203)	-	-	24,348,411	(224,225,792)
	-	-	-	(248,574,203)	-	4,730,020,803	(64,333,474)	4,417,113,126
Capital contributions and withdrawal by shareholders								
Share-based payment	-	46,354,864	(200,000,000)	-	-	-	-	(153,645,136)
Capital contributions from shareholders	1,000,000,000	-	-	-	-	-	-	1,000,000,000
Profit distribution								
Appropriation to surplus reserves	-	-	-	-	330,964,245	(330,964,245)	-	-
Profit distribution to shareholders	-	-	-	-	-	(3,516,700,000)	-	(3,516,700,000)
Disposal of subsidiaries	-	-	-	-	-	-	750,000,000	750,000,000
Acquisition of subsidiaries	-	-	-	-	-	-	5,108,400,347	5,108,400,347
Equity transactions with minority interest	-	10,372,009	-	-	-	(1,354,134)	(949,438,430)	(940,420,555)
Balance as at 31 December 2015(Restated)	34,200,000,000	314,060,146	(200,000,000)	(255,500,120)	400,000,000	6,908,224,645	6,803,968,052	48,170,752,723

The accompanying notes form an integral part of these financial statements.

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2016

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ASSETS	Notes	31 December 2016	31 December 2015
Current assets			
Cash at bank and on hand	16(1)	7,805,521,881	2,265,346,490
Financial assets at fair value through profit or loss	16(2)	1,852,368,046	1,286,006,770
Accounts receivable		16,026,843	3,035,474
Loans and receivable		-	400,000,000
Prepayment		6,305,500	6,685,996
Dividends receivable	16(3)	4,510,580,875	-
Interest receivable	16(4)	694,078,192	248,593,173
Other receivables	16(5)	17,439,033,583	8,086,215,430
Other current assets	16(6)	1,863,794	9,949,768
Total current assets		32,325,778,714	12,305,833,101
Non-current assets			
Long-term equity investments	16(7)	70,101,412,031	63,698,782,273
Long-term receivables		416,011,513	91,546,700
Fixed assets		20,374,584	21,129,536
Construction in progress		8,692	2,981,037
Long-term prepaid expenses	16(8)	637,299,402	919,860,369
Deferred tax assets	16(9)	721,055,010	572,622,054
Total non-current assets		71,896,161,232	65,306,921,969
TOTAL ASSETS		104,221,939,946	77,612,755,070

The accompanying notes form an integral part of these financial statements.

COMPANY BALANCE SHEET (CONT'D)
AS AT 31 DECEMBER 2016
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 December 2016	31 December 2015
Current liabilities			
Short-term borrowings	16(10)	18,140,000,000	14,380,000,000
Accounts payable		407,276	1,190,760
Employee benefits payable	16(11)	651,319,960	295,531,138
Taxes payable	16(12)	14,782,788	1,000,399,627
Interests payable	16(13)	649,415,637	154,558,565
Dividends payable		30,000,000	1,460,000,000
Other payables	16(14)	15,820,134,783	23,451,747,290
Current portion of non-current liabilities		2,000,000	-
Other current liabilities	16(15)	21,676,392,668	3,983,597,960
Total current liabilities		56,984,453,112	44,727,025,340
Non-current liabilities			
Long-term borrowings	16(16)	698,000,000	-
Bonds payable	16(17)	5,483,636,518	-
Total non-current liabilities		6,181,636,518	-
Total liabilities		63,166,089,630	44,727,025,340
SHAREHOLDERS' EQUITY			
Paid-in capital	16(18)	38,900,000,000	34,200,000,000
Capital surplus	16(19)	106,897,643	46,354,864
Surplus reserves	16(20)	564,895,267	400,000,000
Retained earnings/(accumulated losses)		1,484,057,406	(1,760,625,134)
TOTAL SHAREHOLDERS' EQUITY		41,055,850,316	32,885,729,730
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		104,221,939,946	77,612,755,070

The accompanying notes form an integral part of these financial statements.

COMPANY INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM	Notes	For the year ended 31 December 2016	For the year ended 31 December 2015
Revenue	16(21)	4,592,264,520	2,929,052,720
Less: Tax and surcharges		(16,341,083)	(26,116,414)
General and administrative expenses	16(22)	(1,301,856,142)	(1,390,243,697)
Finance expenses - net	16(23)	(1,102,717,193)	(228,477,135)
Add: Investment income	16(24)	834,186,794	-
Operating profit		3,005,536,896	1,284,215,474
Add: Non-operating income	16(25)	49,686,214	5,833,200
Less: Non-operating expenses		(24,797,920)	(53,600,000)
Total profit		3,030,425,190	1,236,448,674
Less: Income tax expense	16(26)	379,152,617	312,568,637
Net profit		3,409,577,807	1,549,017,311
Other comprehensive income, net of tax		-	-
Total comprehensive income		3,409,577,807	1,549,017,311

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM	Notes	For the year ended 31 December 2016	For the year ended 31 December 2015
Cash flows from operating activities			
Cash receipts from sales of goods or rendering of services		9,487,492	-
Refund of taxes and surcharges		482	5,833,000
Cash receipts from disposal of financial assets		21,521,368,378	25,584,099,335
Cash receipts relating to other operating activities		1,361,907,394	33,691,075
Sub-total of cash inflows		22,892,763,746	25,623,623,410
Cash payments for goods purchased and services received		(16,622,599)	(18,600,000)
Cash payments to and on behalf of employees		(939,035,835)	(1,090,691,026)
Payments of taxes and levies		(49,759,405)	(204,407,688)
Cash payments for purchase of financial assets		(21,950,046,000)	(13,076,000,000)
Cash payments relating to other operating activities	16(27)	(320,634,027)	(2,423,729,737)
Sub-total of cash outflows		(23,276,097,866)	(16,813,428,451)
Net cash (used)/ generated from operating activities		(383,334,120)	8,810,194,959
Cash flows from investing activities			
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		1,093,282	-
Cash receipts from investment income		-	2,501,736,463
Cash receipts from disposal of parts of subsidiaries' equities		4,375,000,000	140,000,000
Cash receipts relating to other investing activities		970,708,641	2,248,522,232
Sub-total of cash inflows		5,346,801,923	4,890,258,695
Cash payments to increase capital in subsidiaries		(8,383,442,964)	(39,468,438,237)
Cash payments to acquire fixed assets, intangible assets and other long-term assets		(33,778,985)	(117,687,121)
Cash payments relating to other investing activities		(10,955,041,736)	-
Sub-total of cash outflows		(19,372,263,685)	(39,586,125,358)
Net cash used in investing activities		(14,025,461,762)	(34,695,866,663)

The accompanying notes form an integral part of these financial statements.

COMPANY CASH FLOW SATEMENT (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM	Notes	For the year ended 31 December 2016	For the year ended 31 December 2015
Cash flows from financing activities			
Cash receipts from capital contributions		200,000,000	5,632,500,000
Cash receipts from borrowings		24,700,000,000	24,210,000,000
Cash receipts from bond issued		23,418,250,000	3,984,000,000
Cash received relating to other financing activities		-	7,077,159,000
Sub-total of cash inflows		48,318,250,000	40,903,659,000
Cash repayments of borrowings		(20,490,000,000)	(12,860,000,000)
Cash payments for distribution of dividends		(1,430,000,000)	(2,140,000,000)
Cash payments for interest		(1,223,634,786)	(510,728,800)
Cash payments for deposits pledged for financing activities		(200,074,865)	(498,328,700)
Cash payments relating to other financing activities		(5,225,644,783)	(1,053,085,600)
Sub-total of cash outflows		(28,569,354,434)	(17,062,143,100)
Net cash generated from financing activities		19,748,895,566	23,841,515,900
Net effect of foreign exchange rate changes on cash and cash equivalents		842	-
Net increase/(decrease) in cash and cash equivalents	16(27)	5,340,100,526	(2,044,155,804)
Add: Cash and cash equivalents at the beginning of the year		1,367,017,790	3,411,173,594
Cash and cash equivalents at the end of the year		6,707,118,316	1,367,017,790

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM	Paid-in capital	Capital surplus	Surplus reserve	Retained earnings	Total shareholders' equity
Balance as at 1 January 2016	34,200,000,000	46,354,864	400,000,000	(1,760,625,134)	32,885,729,730
Movements for the year ended 31 December 2016					
Total comprehensive income					
Net profit	-	-	-	3,409,577,807	3,409,577,807
	-	-	-	3,409,577,807	3,409,577,807
Capital contributions and withdrawal by shareholders					
Capital contributions by shareholders	4,700,000,000	-	-	-	4,700,000,000
Share-based payment	-	60,542,779	-	-	60,542,779
Profit distribution					
Appropriation to surplus reserves	-	-	164,895,267	(164,895,267)	-
Balance as at 31 December 2016	38,900,000,000	106,897,643	564,895,267	1,484,057,406	41,055,850,316

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ITEM	Paid-in capital	Capital surplus	Surplus reserve	Retained earnings	Total shareholders' equity
Balance as at 1 January 2015	33,200,000,000	-	69,035,755	621,321,800	33,890,357,555
Movements for the year ended 31 December 2015					
Total comprehensive income					
Net profit	-	-	-	1,549,017,311	1,549,017,311
	-	-	-	1,549,017,311	1,549,017,311
Capital contributions and withdrawal by shareholders					
Capital contributions from shareholders	1,000,000,000	-	-	-	1,000,000,000
Share-based payment	-	46,354,864	-	-	46,354,864
Profit distribution					
Appropriation to surplus reserves	-	-	330,964,245	(330,964,245)	-
Profit distribution to shareholders	-	-	-	(3,600,000,000)	(3,600,000,000)
Balance as at 31 December 2015	34,200,000,000	46,354,864	400,000,000	(1,760,625,134)	32,885,729,730

The accompanying notes form an integral part of these financial statements.

1 General information

China Minsheng Investment Co., Ltd. ("the Company") is a limited liability company incorporated in Shanghai, the People's Republic of China on 9 May 2014. The registered capital is RMB 50 billion. As at 31 December 2016, the Company's paid-in capital is RMB 38.9 billion (31 December 2015: RMB 34.2 billion).

The approved business scope of the Company and its subsidiaries (together "the Group") includes equity investment, equity investment management, business consulting, financial consulting, industrial investment, asset management, investment consulting, finance leases, property insurance and reinsurance, real estate development, property lease, property management, business flight, jet charter, architecture industrialisation, medical services and other approved services.

Details of major subsidiaries which are included in the consolidated financial statements are disclosed in Note 7. The new subsidiaries which are included in the consolidated financial statements during this year are disclosed in Note 6.

The financial statements were authorised for issuance by the Company's Board of Directors on 26 April 2017.

2 Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standard for Business Enterprises - Basic Standard*, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as "the Accounting Standard for Business Enterprises" or "CAS").

The financial statements are prepared on a going concern basis.

3 Summary of significant accounting policies and accounting estimates

(1) Statement of compliance with Accounting Standard for Business Enterprises

The financial statements of the Company for the year ended 31 December 2016 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and company's financial positions as of 31 December 2016 and the consolidated and company's financial performances, cash flows and other information for the year ended 31 December 2016.

(2) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

Except for real estate business, the operating cycle of other business is short, therefore within twelve-month is classification benchmark for current asset and current liability. The operating cycle of real estate business is normally more than twelve months from property development to property sales depending on development projects therefore within the operating cycle is the classification benchmark for current asset and current liability.

(3) Functional currency and presentation currency

The functional currency of the Company and the Group's subsidiaries in Mainland China is Renminbi (RMB). The functional currency of the Group's overseas subsidiaries is currency of primary economic environment in which they operate. The presentation currency of this financial statements is Renminbi (RMB).

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(4) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash and cash equivalents is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated into RMB using the spot exchange rate at the balance sheet date. Other than 'retained earnings', items under 'shareholders' equity' are translated into RMB using the spot exchange rates on the transaction dates. The income and expense items included in the income statements of overseas operations are translated using the spot exchange rates or average exchange rate which is a reasonable approximation on the transaction dates. The differences arising from the above translation are presented separately in other comprehensive income. The cash flows of overseas operations are translated into RMB using the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash and cash equivalents is presented separately in the cash flow statement.

(5) Cash and cash equivalents

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

(6) Financial instruments

The term "financial instruments" refers to the contracts under which the financial assets of an enterprise are formed and the financial liability or equity instruments of any other entity are formed.

<u>Classification of financial assets</u>

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets is determined based on the Group's intention and ability to hold the financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of selling in the near term; (2) being part of a portfolio of identified financial instruments which the Group manages together and there is objective evidence that the Group manages the portfolio for short-term profit-taking recently; or (3) a derivative but is not designated as an effective hedging instrument, a financial guarantee contract, or linked to an equity instrument type of investments which is not quoted in an active market and its fair value cannot be reliably measured, and its settlement requires the delivery of such equity instrument.

3 Summary of significant accounting policies and accounting estimates (Cont’d)

(6) Financial instrument (Cont'd)

Classifications of financial assets (Cont'd)

(a) Financial assets at fair value through profit or loss (Cont'd)

Equity, debt security, asset management products, bank wealth management products and trusts hold by the Group are designated at fair value through profit or loss at inception if these financial assets’ risk and performance are evaluated and reported to management and the Board of Directors on a fair value basis in accordance with the Group’s documented investment strategy. These financial assets at fair value through profit or loss that the Group expect to hold for more than one year after the reporting period are included in other non-current assets.

(b) Receivables

Receivables, including loan and receivable, accounts receivable and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the balance sheet if management intends to dispose of them within 12 months after the balance sheet date.

(d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that management has the positive intention and ability to hold to maturity. Held-to-maturity investments with maturities over 12 months when the investments were made but are due within 12 months at the balance sheet date are included in the current portion of non-current assets; held-to maturity investments with maturities no more than 12 months when the investments were made are included in other current assets.

Recognition and measurement of financial assets

A financial asset is recognised on the balance sheet at its fair value when the Group becomes a party to the contractual agreement of a financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initially recognised amounts.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains or losses arising from change in the fair value of financial assets at fair value through profit or loss are recognised in current period’s profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(6) Financial instrument (Cont'd)

Recognition and measurement of financial assets (Cont'd)

Gains or losses arising from change in fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from translation of monetary financial assets. When such financial assets are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are recycled into profit or loss for the current period. Interest from available-for-sale debt instruments are calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the investee on available-for-sale equity instruments are recognised as investment income in the profit or loss for the current period.

Impairment of financial assets

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

If there is objective evidence that an impairment loss on available-for-sale financial assets incurred, the cumulative losses arising from the decline in fair value that had been recognised in other comprehensive income are transferred out from equity and charged into the income statement. For a debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the previously recognised impairment loss is reversed into profit or loss for the current period. For an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised in other comprehensive income.

If an impairment loss incurred on available-for-sale financial assets measured at cost, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The impairment loss is not allowed to be reversed when the value is recovered in a subsequent period.

Derecognition of financial assets

The Group derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

When such financial assets are derecognised, the differences between the carrying amount and the sum of the consideration received and any cumulative gain or loss which has been previously recognised in other comprehensive income (related with available-for-sale financial assets) are recognised in profit or loss of the current period.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(6) Financial instrument (Cont'd)

Classification and measurement of financial liabilities

Financial liabilities of the Group are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The classification of financial liabilities is determined by the Group at initial recognition. In the case of financial liabilities at fair value through profit or loss, the related transaction costs incurred are recognised in profit or loss for the current period. For other financial liabilities, the related transaction costs are included in their initially recognised amounts.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated at fair value through profit or loss at inception. A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) it has been assumed principally for the purpose of repurchasing in the near term; (2) being part of a portfolio of identified financial instruments which the Group manages together and there is objective evidence that the Group manages the portfolio for short-term profit-taking recently; or (3) a derivative but is not designated as an effective hedging instrument, a financial guarantee contract, or linked to an equity instrument type of investments which is not quoted in an active market and its fair value cannot be reliably measured, and its settlement requires the delivery of such equity instrument.

The portion of consolidated structured entities that are not held by the Group are designated as financial liabilities at fair value through profit or loss, as these structured entities' risk and performance are evaluated and reported to management and the Board of Directors on a fair value basis in accordance with the structured entities' documented investment strategy. These financial liabilities at fair value through profit or loss maturing more than one year after the reporting period are included in other non-current liabilities.

(b) Other financial liabilities

Other financial liabilities are measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the current obligation is discharged.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(6) Financial instrument (Cont'd)

Derivative and embedded derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. Gains or losses arising from change in the fair value of derivative instruments of the Group at fair value through profit or loss are recognised in current period's profit or loss.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that all or some of the cash flows of the hybrid instrument vary in a way similar to a stand-alone derivatives. An embedded derivative, related to a hybrid instrument that is not designated as financial asset or financial liability at fair value through profit or loss, shall be separated from the host contract and accounted for as a separate derivative if, and only if:

- The economic characteristics and risks are not closely related to those of the related host contract
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative

The Group will designate the hybrid financial instruments as financial assets or liabilities at fair value through profit or loss when they can't be separately measured initially or subsequently.

Convertible bonds

Convertible bonds comprise of the liability and equity components, which is classified by the Group at initial recognition. The liability component is classified as liability and initially recognised at the fair value, calculated using the market interest rate of a similar liability that does not have an equity conversion option, and subsequently measured at amortised cost using the effective interest method. The equity component is initially recognised as the difference between the proceeds received from the convertible bonds as a whole and the amount of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds.

On conversion of the bonds into shares, the amount transferred to 'Share capital' is calculated as the par value of the shares multiplied by the number of shares converted. The difference between the carrying value of the related component of the converted bonds and the amount transferred to 'Share capital' is recognised in 'Capital surplus'.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market prices for assets and liabilities. For financial instruments where there is no active market, the fair value is determined by using valuation techniques.

When a valuation technique is used to establish the fair value of a financial instrument, the Group chooses the inputs of the assets and liabilities with the same attributes in related transactions between knowledgeable and willing parties, and maximises the use of relevant observable inputs when available, including market interest rate, foreign exchange rate, share price or share price index. Under the situation where there are no observable inputs available or impractical to be obtained, unobservable inputs will be used.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(7) Receivables

Receivables comprise loan and receivable, accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

Receivables with amounts that are individually significant are subject to individual assessment for impairment. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made at the difference between its carrying amount and the present value of its estimated future cash flows.

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

When the Group transfers the accounts receivable to the financial institutions without recourse, the difference between the proceeds received from the transaction and their carrying amounts and the related taxes is recognised in profit or loss for the current period.

(8) Inventories

(a) Classification

Inventories include raw materials, work in progress, finished goods, turnover materials, land held for development, properties under development, and completed properties held for sale. They are measured at the lower of cost and net realisable value. Land held for development represents land obtained for property development and sale subsequently. Properties under development represents properties under development and for sale subsequently.

(b) Valuation

Inventories are recorded at their cost on acquisition. Land use right which is either purchased or acquired by paying land use right granting fee is included in land held for development, separately listed under inventories. It is then transferred to properties under development in full during the construction stage. After construction is completed, the properties under development are transferred to completed properties held for sale.

Development cost of properties comprise cost of land use rights, construction costs, borrowing costs eligible for capitalisation incurred during the construction period and other direct or indirect development cost.

Cost of properties sold is determined on the construction area-proportion basis according to the actual total cost of each project.

(c) Method for determining the cost

Cost is determined using the weighted average method. The cost of finished goods and work in progress comprise raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Inventories (Cont'd)

(d) Basis for determining net realisable values of inventories and method for making provision for decline in the value of inventories

If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes.

(e) The Group adopts the perpetual inventory system.

(f) Amortisation methods of low value consumables and packaging materials

Turnover materials include low value consumables and packaging materials. Low value consumables are amortised into expenses based upon numbers of usage, and the packaging materials are expensed when issued.

(9) Finance lease receivable and unearned finance income

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the Group recognises the minimum lease payments receivable by the Group, the initial direct costs and the unguaranteed residual value in the finance lease receivable. The difference between (a) the aggregate of the minimum lease payments and the unguaranteed residual value and (b) the aggregate of their present values is recognised as unearned finance income. Finance lease receivable net of unearned finance income which represents the Group's net investment in the finance lease is presented as long-term receivables. Unearned finance income is allocated over the lease term based on a pattern reflecting a constant periodic return on the Group's net investment in the finance lease.

Finance lease receivable is derecognised when the rights to receive cash flows from finance lease receivable have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(10) Long-term equity investments

Long-term equity investments comprise investments in its subsidiaries, joint ventures and associates.

(a) Subsidiaries

Subsidiaries are the investees over which the Company is able to exercise control. Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements.

Investment in subsidiary is measured at initial investment cost, cash dividend or profit distribution declared is recognised in the profit or loss of the current period.

(b) Joint ventures and associates

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangements having rights to the net assets of the arrangements. Associates are the investees that the Group has significant influence on their financial and operating decisions.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(10) Long-term equity investments (Cont'd)

(b) Joint ventures and associates (Cont'd)

The joint ventures and associates that are held by the Group, managed on fair value basis, evaluated and reported to the key management are designated as financial assets at fair value through profit or loss at initial recognition. Other investments in joint ventures and associates are accounted for using the equity method. Where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

Under the equity method of accounting, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in shareholders' equity of the investee other than those arising from its net profit or loss, other comprehensive income and profit distribution, the Group records its proportionate share directly into capital surplus and adjusts the carrying amount. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gain or losses are recognised. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

Refer to Note 3(18) for impairment test and measurement for long-term equity investments

(11) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing and buildings that is being constructed or developed for future use for leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

The Group adopts the fair value model for subsequent measurement of investment properties. Buildings and land use rights are not depreciated or amortised. The investment properties are revaluated on each balance sheet date, difference between the fair value and the carrying amount is included in the profit or loss of the current period.

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible asset at the date of the transfer. The fair value of such investment property as at the transfer date is deemed as the cost of the fixed asset or intangible asset. The difference between fair value and carrying amount of the investment property is recognised in profit or loss. When an owner-occupied property is used for earning rental income or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at the date of the transfer at its fair value. If the fair value of the investment property is less than the carrying amount of the fixed asset or intangible asset, the differences are recognised in profit or loss for the current period. If the fair value of the investment property is more than the carrying amount of the fixed asset or intangible asset, the differences are recognised in other comprehensive income.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(12) Fixed assets

Fixed assets comprise buildings, machinery and equipment, motor vehicles, computers and electronic equipment and office equipment. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	5 - 50 years	0% - 10%	1.80% - 20.00%
Machinery and equipment	5 - 25 years	0% - 15%	3.40% - 20.00%
Motor vehicles	4 - 10 years	0% - 5%	9.50% - 25.00%
Computer and electronic equipment	3 years	-	33.33%
Office equipment	3 - 7 years	0% - 10%	12.86% - 33.33%

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(13) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

(14) Goodwill

Goodwill is recognised at the excess of the cost of a business combination involving enterprises not under common control over the interest in the fair value of the acquirees' identifiable net assets acquired in the business combination as at the acquisition date. Refer to Note 3(18) for goodwill impairment.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(15) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for pilots' introduction and development, improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(16) Intangible assets

Intangible assets, when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured, are recognised and measured initially at cost. Identifiable intangible assets, acquired in a business combination and whose fair value can be reliably measured, are separately recognised and measured at fair value.

The useful lives of intangible assets are determined based on the terms in which intangible assets can bring economic benefits to the Group. An intangible asset should be regarded as having an indefinite useful life if there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The estimated useful lives of intangible assets with finite life are set as below:

	Estimated useful lives
Land use rights	50 - 70 years
Computer software	3 - 10 years
Licenses with expected useful lives	10 years
Customer relationships	5 - 25 years

Intangible assets with indefinite useful life include licenses with indefinite useful life, trademarks and Lloyd's Capacity.

Intangible assets with finite life are subsequently amortised on the straight-line basis over the useful economic life. Intangible assets with indefinite useful lives are not amortised. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed and adjusted when necessary by the Group at least at each financial year end.

Refer to Note 3(18) for impairment test and measurement of intangible assets.

(17) Development expenditure

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(17) Development expenditure (Cont'd)

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset, and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(18) Impairment of assets

Impairment of long-term assets other than deferred tax assets and financial assets are as follows:

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. Goodwill from a business combination and intangible assets with indefinite useful lives are tested for impairment at least on an annual basis, no matter whether there is any indication exists. Intangible assets that are not yet available for their intended use are tested for impairment on an annual basis.

The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The recoverable amount is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the one that is able to generate cash inflows that are independent from those of other assets or groups of assets.

In conducting the test, the carrying value of goodwill that is separately presented in the financial statements is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Where the recoverable amount of an asset or an asset group is lower than its carrying amount, the asset is considered to written down to its recoverable amount. A provision for impairment and an impairment loss are recognised in profit or loss in the current period at the amount by which the asset's carrying amount exceeds its recoverable amount.

Once the above asset impairment loss is recognised, it will not be reversed in the subsequent periods.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(19) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of fixed assets, inventories and investment properties that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

(20) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently stated at amortised cost using the effective interest method. Borrowings of which the period is within one year (inclusive) are classified as the short-term borrowings, and the others are classified as long-term borrowings.

(21) Employee benefits

Employee benefits refers to all forms of consideration given by the Group in exchange for service rendered by employees or for the termination of employment, including short-term employee benefits, post-employment benefits, etc.

(a) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences. The employee benefits are recognised in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable. Non-monetary benefits are measured at their fair value.

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and Defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include basic pensions and unemployment insurance, both of which belong to the defined contribution plans.

Basic pensions

Employees of the Group participate in the defined basic pension insurance plan set up and administered by local labour and social protection authorities. Basic pensions are provided for monthly according to stipulated bases and proportions to local labour and social security institutions. When employees retired, local labour and social security institutions have a duty to pay the basic pension insurance to them. The amounts payable are recognised as liabilities based on the above provisions in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(22) Share-based payment

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is recognised, together with a corresponding increase in capital surplus in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The repurchase obligation of restricted shares are accounted for as liabilities and treasury stocks if the vesting condition are not met under terms of incentive scheme.

(23) Repurchase payable

Sale for repurchase is a business that the Group sell specific assets at certain price and repurchase such assets at mature date with the predetermined price under the contract or agreement, to get the fund from the counterparty. Repurchase payable are recorded at the actual amount from sale of assets, the difference between the proceeds and payables is measured using the effective interest over the repurchase period and recognised in finance expenses.

(24) Provisions

Provisions for product warranties, onerous contracts etc. are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(25) Treasury Stock

The Shares of the Company held by the Group are presented as treasury stock. The repurchase obligation of restricted shares are presented as treasury stock if the vesting conditions are not met under terms of incentive plan.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(26) Insurance Contract

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts are classified as direct insurance contracts and reinsurance contracts. The significance of insurance risk as determined by the Group is mainly dependent on the magnitude of its potential effect.

(a) Unbundle of insurance contract

Some insurance and reinsurance contracts contain both an insurance component and other non-insurance component. The Group chooses to unbundle those components, if the insurance component and the non-insurance component are distinct and separately measurable. The unbundled insurance component is accounted for as insurance contract, and the unbundled non-insurance component is accounted for as investment contract or service contract. If the insurance component and non-insurance component are not distinct and separately measurable, the Group will perform significant insurance risk testing. The whole contract is accounted for as an insurance contract if the contract transfers significant insurance risk, otherwise the whole contract is accounted for as an investment contract or service contract.

(b) Revenue from insurance contract

Revenue is recognised for insurance or reinsurance contract that transfers significant insurance risk when: (i) the insurance contracts are issued and related insurance risk is undertaken by the Group; (ii) it is probable that related economic benefits will flow to the Group; and (iii) related income can be reliably measured.

Premium income in respect of insurance contracts are recognised as revenue when the insurance risk is undertaken and the amount is determined. Premiums income in respect of reinsurance contracts include an estimate for written premiums of the current period and adjustments to estimates of premiums written in previous years at period end.

(c) Reinsurance

The Group undertakes inward and outward reinsurance in the normal course of operations.

(i) Inward reinsurance business

Refer to Note 3(26)(b) for revenue recognition of inward reinsurance business. During the period of recognizing reinsurance premium income, the Group determines reinsurance expenses according to the reinsurance contracts and recognizes the expenses through profit or loss.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(26) Revenue from and cost of insurance contract (Cont'd)

(c) Reinsurance (Cont'd)

(ii) Outward reinsurance business

Outward reinsurance arrangements do not relieve the Group from its obligations to primary insurance contract. When recognizing premium income from primary insurance contracts, the Group calculates to determine the amount of premium ceded and reinsurers' share of expenses and recognize them through profit or loss according to reinsurance contracts. When calculating unearned premium reserves, claim reserves of primary insurance contracts, the Group estimates the reinsurance related cash flows according to the reinsurance contracts, considers the risk margin when determining the amount of insurance contract reserves to be recovered from reinsurers, and recognizes reinsurers' share of insurance contract liabilities. When primary insurance contract liabilities are reduced for actual payment of claims and claim expenses, reinsurers' share of primary insurance contract liabilities are reduced accordingly. In the meantime, the Group calculates to determine the amount of claim expenses to be recovered from the reinsurers according to the reinsurance contracts and recognizes the amount through profit or loss.

As a cedent, the Group presents in the statement of financial position the assets arising from outward reinsurance business and the liabilities arising from primary insurance contracts separately instead of offsetting the assets and liabilities. The Group also presents in the statement of income the income including loss and commission recovered derived from outward reinsurance contracts and the loss and commission incurred for primary insurance contracts separately instead of offsetting the income and expenses.

(27) Insurance contract liabilities

The insurance contract liabilities of the Group include unearned premium reserves and claim reserves.

(a) Principles

(i) Measurement unit

When measuring insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of similar nature as a measurement unit. Insurance contract liabilities are measured based on a reasonable estimate of amount of payments when the Group fulfils the relevant obligations under the insurance contracts.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(27) Insurance contract liabilities (Cont'd)

(a) Principles (Cont'd)

(ii) Expected future cash flows

The amount of payment when the Group fulfils the relevant obligations under the insurance contracts is the difference between expected future cash outflows and inflows under such contracts, i.e., the expected future net cash outflows. Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfill the obligations under the insurance contracts and mainly include: (i) Guaranteed benefits under the insurance contracts, including claims, etc; (ii) Non-guaranteed benefits under the insurance contracts arising from constructive obligations; (iii) Reasonable expenses necessary for policy administration and claims handling, including policy maintenance expenses, claim expenses, etc. Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges. A reasonable estimate of expected future net cash flows is determined based on information currently available as at the end of the reporting period.

(iii) Margin

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the income statement over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin.

Risk margin represents provision for the uncertainty associated with the future net cash flows.

At inception of an insurance contract, any ‘day-one’ gain is not recognised in the income statement, but included in the insurance contract liabilities as a residual margin. The residual margin is calculated net of certain acquisition costs, mainly consisting of commission expenses on insurance operations. The Group amortizes the residual margin which is embedded in the unearned premium reserves on a time basis during the whole insurance coverage period and records it in profit or loss. At inception of an insurance contract, any ‘day-one’ loss is recognised in the income statement.

(iv) Time value

When measuring insurance contract liabilities, the time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. The discount rates used in the measurement of time value of money is determined with reference to information currently available as at the end of the reporting period.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(27) Insurance contract liabilities (Cont'd)

(b) Unearned premium reserves

The unearned premium reserves are provided for unexpired insurance obligations of property and casualty and short term life insurance contracts.

Unearned premium reserves are measured using the unearned premium approach. At inception of the insurance contracts, unearned premium reserves are measured based on written premiums, with deductions of acquisition cost mainly consisting of commissions. Subsequent to initial recognition, unearned premium reserves are measured on a 1/365 basis.

(c) Claim reserves

Claim reserves are insurance contract liabilities provided for insurance claims of the property and casualty and short term life insurance contracts. Claim reserves include incurred and reported reserves, incurred but not reported ('IBNR') reserves and claim expense reserves.

Incurred and reported reserves are measured at amounts not higher than the sum insured of the insurance contracts, using the case-by-case estimate method and average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

IBNR are measured according to the nature and distribution of insurance risks, claims development, experience data, etc., using the chain ladder method, the Bornhuetter-Ferguson method, the loss ratio method and the average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

Claim expense reserves are measured based on a reasonable estimate of ultimate necessary claim expenses in the future by using the case-by-case estimate method and ratio allocation method as well as margins.

(d) Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed on the unearned premium reserves and claim reserves. If the insurance contract liabilities re-calculated with the insurance actuarial methods exceeds their carrying amounts on date of the liability adequacy test, an additional provision is made for the respective insurance contract liabilities based on the difference and charged in the statement of income. Otherwise, no adjustment is made for the respective insurance contract liabilities.

(28) Financial guarantee contract

The financial guarantee contracts provided by the financial guarantee companies in the Group are accounted for using insurance contract accounting policies.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(29) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(30) Revenue recognition

For preparation of the financial statements, investment income and fair value changes from financial assets that are held or disposed by investment companies within the Group are presented as revenue, while other investment income and fair value changes are presented separately in the income statement. As an investment holding company, dividend income from subsidiaries is presented as revenue in the Company's income statement.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

(a) Refer to Note 3(6) for the recognition and measurement of investment income and fair value changes from financial assets that are held or disposed.

(b) Refer to Note 3(26) for the recognition and measurement of revenue from insurance contract.

(c) Other revenue

(i) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer (for example, the Group has delivered products to the location where the buyer operates and the buyer has confirmed the acceptance of the products.). Value added tax or other goods turnover tax are excluded from revenue which is net of commercial discount.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(30) Revenue recognition (Cont'd)

(c) Other revenue (Cont'd)

(ii) Rending of services

The Group provides business aircraft management, air charter, property management, insurance brokerage, staff outsource and consulting service. Revenue is recognised in the current period when the services are provided according to the contract terms.

(iii) Sales of properties

Revenue from sales of goods is recognised when (1) the primary risks and rewards of ownership of the goods are transferred to the purchasers; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) revenue and the associated costs incurred or to be incurred can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group.

Revenue from sales of properties is recognised when (1) the properties are completed and passed the acknowledgement tests; (2) sale contracts are signed; (3) the properties has been transferred to the purchasers; (4) all the conditions of recognition of revenue from sales of goods above are met.

Receipts from selling properties in advance of recognising revenue is presented as advances from customer in the balance sheet.

(iv) Operating lease of properties

Operating lease revenue of investment properties is recognised using the straight-line method over lease period. Operating lease period is lessee's irrevocable properties lease period in accordance with contract. During such period, lessee has the right to decide whether to pay to extend lease period at starting stage of lease, which is reasonable to determine whether lessee will renew the lease.

(v) Revenue from construction of intelligent network infrastructure

When the profit of construction contract can be reliably estimated, revenue and cost of the contract are recognised separately during the contract period. The revenue and cost in corresponding period are determined by using percentage-of-completion method. When the profit of construction contract can't be reliably estimate, revenue of the contract is determined to the extent of the incurred cost that will be recovered in the future.

(vi) Revenue from hotel management service

Revenue from hotel management service comes from hotel room rent provided by hotel and relative restaurant service. Revenue is recognised when the service is provided or the goods are sold.

(vii) Revenue from medical service

The Group provide clients with clinic and inpatient medical services, of which the revenue is recognised when corresponding service is provided.

(viii) Revenue from power

Revenue from power refers to the electricity fees net of tax derived from sales of power. Revenue from power is recognised when the power is sold to customers.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(30) Revenue recognition(Cont'd)

(c) Other revenue (Cont'd)

(ix) Transfer of asset use rights

Interest income is recognised on a time-proportion basis using the effective interest method.

Income from an operating lease is recognised on a straight-line basis over the period of the lease.

Interest income from a finance lease is recognised in each period over the entire period using the effective interest method.

(x) Dividend income

Dividend income is recognised when the right to receive dividend payment is established.

(31) Government Grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy and etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets will be recorded as deferred income and recognised evenly in profit or loss over the useful lives of the related assets. However, the government grants measured at their nominal amounts will be directly recorded in profit and loss for the current period.

Government grants related to income will be recorded as deferred income and recognised in profit or loss in the period in which the related expenses are recognised if the grants are intended to compensate for future expenses or losses, and otherwise recognised in profit or loss for the current period if the grants are used to compensate for expenses or losses that have been incurred.

(32) Leases

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. A lease is an operating lease other than a finance lease.

(a) Operating leases

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

(b) Finance leases

The leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge and is amortised using the effective interest method over the period of the lease. A long-term payable is recorded at the amount equal to the minimum lease payments less the unrecognised finance charge.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(33) Profit distribution

Cash dividend of non-restricted shares is recognised as a liability when approved by the shareholders' meeting.

The Group estimates, the number of awarded shares that are expected to vest under the incentive schemes, and accounted for the cash dividend of restricted shares as follows. Revocable cash dividend of restricted shares that are expected to vest is recognised as dividend payable meanwhile the treasury stock is reduced, while revocable cash dividend of restricted share that are not expected to vest is not accounted for as profit distribution. Irrevocable cash dividend of restricted shares that are expected to vest is recognised as dividend payable, while irrevocable cash dividend of restricted shares that are not expected to vest is charged as an expense of the current period.

(34) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(35) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangements.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(35) Preparation of consolidated financial statements (Cont'd)

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' equity and the portion of a subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to the Company are recognised as minority interest and presented separately in the consolidated financial statements under equity, net profits and total comprehensive income respectively. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to shareholders of the parent. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to shareholders of the parent and minority interest in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to shareholders of the parent and minority interests in accordance with the allocation proportion of the parent in the subsidiary.

When the Group disposes minority interest which does not results in loss of control, the difference between fair value of the consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary from the acquisition combination date is treated as an adjustment to capital surplus. If the capital surplus is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

The Group will not record any additional goodwill to reflect its subsequent purchases of additional shares in subsidiary if there is no change in control. The difference between the amount by which the minority interest is decreased and the fair value of the consideration paid is recognised in equity and attributed to the shareholders of the Company. If the capital surplus (Capital premium or stock premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

If the Group, as a reporting entity, and the Company or subsidiaries, as separate reporting entities, have different views on the accounting treatment of the same transaction, the transaction should be adjusted and accounted for based on the Group's perspective.

(36) Held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale when all of the following conditions are satisfied: (1) the non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such non-current asset or disposal group; (2) the Group has made a resolution and obtained appropriate approval for disposal of the non-current asset or the disposal group; (3) the Group has signed an irrevocable transfer agreement with the transferee; and (4) the transfer is to be completed within one year.

Non-current assets (except for financial assets, investment properties measured at fair value and deferred tax assets) that meet the recognition criteria for held for sale are recognised at the amount equal to the lower of the fair value less costs to sell and the carrying amount. Any excess of the original carrying amount over the fair value less the costs to sell is recognised as asset impairment losses.

Such non-current assets and assets and liabilities included in disposal groups classified as held for sale are classified as current assets and current liabilities respectively, and are separately presented in the balance sheet.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and is separately identifiable operationally and for financial reporting purposes, and satisfies one of the following conditions: (1) represents a separate major line of business or geographical area of operations; (2) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; and (3) is a subsidiary acquired exclusively with a view to resale.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(37) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system. The reportable segments are determined and disclose based on operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

(38) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(a) Determination of fair value of financial instruments

The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique that is appropriate under the current circumstances and that there are sufficient observable market data and other information available. Common valuation techniques mainly are market approach and income approach, including references to prices used in the recent market transactions between knowledgeable and willing parties, current fair value for similar instruments, discounted cash flow analysis, and option pricing model etc.

When a valuation technique is used to establish the fair value of a financial instrument, the Group chooses the inputs of the assets and liabilities with the same attributes in related transactions between knowledgeable and willing parties, and maximises the use of relevant observable inputs when available, including market interest rate, foreign exchange rate, share price or share price index. Under the situation where there are no observable inputs available or impractical to be obtained, unobservable inputs will be used. For example, the estimation by taking into account of factors such as its counterparty and its own credit risk, market volatility, liquidity adjustments, etc.

Using different valuation techniques or inputs may result in a material difference in the estimated fair value.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(38) Critical accounting estimates and judgements (Cont'd)

(b) Classification and fair value of investment property

For the land use right corresponding to buildings include residential, commercial and office buildings, the Group classifies the portion for commercial and office buildings which held for leasing purpose into investment properties. The corresponding cost is estimated on proportion of fair value at the purchase date on total cost of land use right. If the actual situation goes different, the result will have significant differences.

For investment properties, the Group commissions external valuers to assess fair value. Valuation methods include rental income model and comparable market method. Input values include rent growth rate, capitalisation rate and unit price, etc. Using different valuation techniques or inputs may result in a material difference in the estimated fair value.

(c) Accounting estimates on impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of the asset groups with goodwill and combination of such asset groups is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates.

If management revises the gross margin that is used in the calculation of the future cash flows of such asset groups and combination of asset groups, and the revised gross margin is lower than the one currently used, the Group would need to recognise further impairment against goodwill.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognise further impairment against goodwill.

(d) Impairment of loan and receivable

At the balance sheet date, the Group assesses whether there is any indication that expected future cash flows from loan and receivable decrease so as to determine whether a provision for impairment should be recorded. The indication that expected future cash flows decrease includes adverse change of borrower's solvency, national and regional economic trends and conditions, etc. The management regularly review the methods and assumptions used to estimate future cash flows so as to minimise the difference between expected loss and actual loss.

(e) Income taxes

The Group is subject to income taxes under various jurisdictions. During the ordinary course of business, there are often uncertainties in the final tax treatment for many transactions and matters. Significant judgement is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) Judgement on whether the Group controls the structured entity

In determining if the Group has control over a structured entity, it requires that management make an overall assessment and conclude whether the Group is the principal or it is acting as an agent of another party based on all facts and circumstances. If the Group is the principal, and has the ability to affect those returns through its power over the entity, then it has control over the structured entity. In determining whether the Group is the principal, the factors that are to be considered include asset managers' decision-making scope over the structured entity, the actual rights enjoyed by other party, risk exposure to variable returns due to remuneration and having other rights to receive income from the structured entity. The Group will re-assess if there is a change to the relevant facts and circumstances which leads to a change to any of these factors.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(38) Critical accounting estimates and judgements (Cont'd)

(g) Recognition of deferred tax

Taxable losses are recognised as deferred tax assets to the extent of future taxable income. The Group has used a lot of judgement to estimate the time and amount of taxable income to be generated in the future, so as to determine the amount of deferred tax asset from deductible carrying forward taxable losses. If the Group's actual operation differs from estimation, amount of deferred tax will be affected.

(h) Property development cost

Significant estimate and judgement is used when property development cost is estimated based on expected total development cost and percentage of completion. The carrying amount of inventories and cost of goods sold will be adjusted if actual development cost differs from the estimation.

(i) Provision for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realisable value that was estimated with assumption. If the management revises the assumption such as unit price, costs and expenses to be incurred in completion, the estimation of net realisable value will be affected. Such difference will impact on provisions for impairment of inventories.

(j) Revenue recognition of properties sold

In common commercial environment, the Group enter into property sale contract with a customer. The Group need enter into contract with a customer and a bank when the customers need apply bank mortgage loan to pay the entire contract amount. Under such contract, the customer will normally make the down payments of 30% consideration while the Group need to provide joint and several liable guarantee for the mortgage loan with guarantee term from 6 months to 2 years, until the customer obtains property ownership certificate and pledges to bank.

Under above arrangement, the maximum guarantee exposure of the Group is the customer's outstanding mortgage loan, and the bank has recourse towards the Group only if the mortgage loan is overdue.

Based on the historical experience of similar arrangement, the Group believe that within guarantee term the probability that the Group assumes liability towards the bank when the mortgage loan is overdue while the customer doesn't have the ability to repay the loan is very small, and the Group has recourse the payments from the customer or exercise the right to dispose the properties according to contract terms if such circumstance takes place. Therefore, the Group believes the financial guarantee has no impact on revenue recognition of properties sold.

3 Summary of significant accounting policies and accounting estimates (Cont'd)

(38) Critical accounting estimates and judgements (Cont'd)

(k) Significant insurance risk tests

(i) Insurance contract

The Group makes significant judgments on whether the contract transfers insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing significant insurance risk tests. If the insurance risk ratio of a policy is equal or greater than 5% at one or more points in time during the policy coverage period, the Group classifies it as an insurance contract. If a property and casualty insurance or a short term life insurance policy obviously meets the criteria for significant insurance risk transfer, the Group directly classifies it as an insurance contract.

(ii) Reinsurance contract

When determining whether a reinsurance policy transfers significant insurance risks, judgment is made on a comprehensive understanding of the commercial substance of the reinsurance policy and other relevant contracts and agreements. If the reinsurance risk ratio of the reinsurance policy is greater than 1%, the Group classifies it as a reinsurance contract. If a reinsurance policy obviously transfers a significant insurance risk, the Group directly classifies it as a reinsurance contract without calculating the reinsurance risk ratio.

(l) Reinsurance premium income

For reinsurance contracts, the Group estimates the ultimate premium collected by cedants, and calculates the Group's share of the premiums according to the reinsurance contract terms. The estimation is based on the information provided by the cedant, as well as the historical premium development pattern.

(m) Valuation of insurance contract liabilities

At the end of the reporting period, when measuring the insurance contract liabilities, the Group needs to make a reasonable estimate of amounts of the payments which the Group is required to make in fulfilling the obligations under the insurance contracts, based on information currently available at the end of the reporting period. The Group shall make an estimate of the assumptions used in the measurement of insurance contract liabilities. Such assumptions shall be determined based on information currently available at the end of the reporting period. To determine these assumptions, the Group selects proper risk margins according to both uncertainties and degree of impact of expected future cash outflows.

The major assumptions needed in measuring claim reserves include the claim development factor and expected claim ratio, which can be used to forecast trends of future claims so as to estimate the ultimate claim expenses. The loss development factors and expected loss ratio of each measurement unit are based on the Group's historical claim development experiences and claims paid, with consideration of adjustments to company policies like underwriting policies, level of premium rates, claim management and the changing trends of external environments such as macroeconomic regulations, and legislation. In the measurement of claim reserves, the Group applies the cost of capital approach to determine risk margins.

To determine the discount rate, the Group considers the risk free rate, credit premium, liquidity premium, tax and other factors.

4 Change in significant accounting policies

In order to measure the cost of investment properties and inventories more accurately to enable financial statement users access to more reliable accounting information, the Group changes the allocation method for the cost of land use rights of to-be-developed buildings, including inventories and investment properties, from allocation in proportion to the building area to allocation according to the fair value at the purchase date.

For the above changes in accounting policies, the Group adopted retrospective adjustment method, and the financial statements for comparative period have been restated. The impact of changes on the financial statements is as follows:

Balance sheet item	31 December 2015 Before changes	31 December 2015 After changes	Impacts from changes in accounting policies
Inventories	18,866,417,897	21,839,883,664	2,973,465,767
Deferred tax liabilities	3,159,634,736	3,903,001,178	743,366,442
Retained earnings	4,789,630,286	6,908,224,645	2,118,594,359
Minority interest	6,692,463,086	6,803,968,052	111,504,966

Balance sheet item	1 January 2015 Before changes	1 January 2015 After changes	Impacts from changes in accounting policies
Inventories	9,230,063,820	12,199,944,519	2,969,880,699
Deferred tax liabilities	917,301,517	1,659,771,692	742,470,175
Retained earnings	3,911,182,223	6,027,222,221	2,116,039,998
Minority interest	1,847,969,083	1,959,339,609	111,370,526

Income statement item	For the year ended 31 December 2015 Before changes	For the year ended 31 December 2015 After changes	Impacts from changes in accounting policies
Net Gains from fair value changes	1,775,854,368	1,779,439,436	3,585,068
Income tax expenses	(640,463,237)	(641,359,504)	(896,267)
Net profit attributable to minority interest	(88,816,325)	(88,681,885)	134,440

5 Taxation

The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax rate	Tax base
Enterprise income tax (a)	0 - 35%	Taxable income
Value-added tax ("VAT") (b)	6%/11%/17%	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)
Business tax (b)	3%/5%	Taxable turnover amount
Land appreciation tax ("LAT") (c)	At progressive rates from 30% to 60%	Land value appreciation amount
Real estate tax	1.2% 12%	70% - 80% of original cost of real estate Rental income

(a) Enterprise income tax rate of the Group's subsidiaries in mainland China is 25%, of the subsidiaries in Hong Kong is 16.5%, of the subsidiaries in Singapore is 17%, of the subsidiaries in Sweden is 22%, of the subsidiaries in the US is 35%, of the subsidiaries in Cayman Islands, British Virgin Islands and Bermuda which are qualified for tax exemption is 0.

According to "Measures of Enterprise income tax of real estate development business", an estimated gross margin (5%-15%) of consideration from properties sold less cost, expenses and other deductible items is taxable income. The enterprise income tax paid for advances from customers is presented as other current assets, and will be recognised as tax expenses once advances recognised as revenue.

(b) Different VAT and business tax rates are applicable to various sources of revenue.

In accordance with the "Notice on Implementing the Pilot Program of Levying Value-added Tax in Lieu of Business Tax in an All-Around manner" (Cai Shui [2016] No. 36) issued by the Ministry of Finance and the State Administration of Taxation on 24 March 2016, all the industries (including finance, real estate, architecture etc.) are subjected to VAT since 1 May 2016.

(c) LAT applies according to "Provisional regulations of the People's Republic of China on Land Appreciation Tax". LAT is levied on certain gains realised from property transactions at progressive rates from 30% to 60%, based on the land value appreciation amount which is the consideration received from the transfer or disposition of properties less deductible cost including cost of land use right, costs of property development and construction, borrowing cost, taxes and other deductible items.

When advances from customers are received, prepaid LAT at 1.5%-5% of consideration receivable is paid and presented as other current assets. When relating revenue is recognised, LAT is recognised and calculated at progressive rates from 30% to 60%, business taxes and surcharges and other accounts payable are separately recognised.

6 Changes of the scope of consolidation

(1) Business combination not under common control in the current year

Primary acquiree	Consideration of business combination	Interest acquired	Acquisition Method	Acquisition date	Basis for determining acquisition date
Sirius International Insurance Group ("Sirius Insurance" , or "SIIG")	16,639,893,080	100%	Share transfer	18 April 2016	Trade date
Yida China Holdings Limited ("Yida")	2,673,056,320	53.02%	Share transfer	18 November 2016	Trade date
Shandong Ruigao Investment Co., Ltd ("Shandong Ruigao")	140,348,775	77%	Share transfer	2 November 2016	Trade date
Shanghai Richtech Shangfang Property Management Co., Ltd ("Richtech Shangfang")	252,000,000	67%	Share transfer	4 August 2016	Trade date
Shanghai Kerui Property Management Development Co., Ltd ("Kerui Property")	235,138,000	51%	Share transfer	30 September 2016	Trade date

Net assets and goodwill from acquisition in current year:

Consideration of business combination	Sirius Insurance (a)	Yida (b)	Shandong Ruigao (c)	Richtech Shangfang (d)	Kerui Property (e)	Others (f)	Total
- Cash paid	16,639,893,080	2,673,056,320	140,348,775	252,000,000	235,138,000	2,067,597,804	22,008,033,979
Total consideration	16,639,893,080	2,673,056,320	140,348,775	252,000,000	235,138,000	2,067,597,804	22,008,033,979
Less: Fair value of the share of identifiable net assets acquired	(14,066,619,279)	(5,324,463,380)	114,547,535	(62,614,116)	(20,400,000)	(2,230,402,937)	(21,589,952,177)
Goodwill	2,573,273,801	(2,651,407,060)	254,896,310	189,385,884	214,738,000	(162,805,133)	418,081,802

6 Changes of the scope of consolidation (Cont'd)

(1) Business combination not under common control in the current year (Cont'd)

(a) Assets, liabilities and cash flows related to the acquisition of Sirius Insurance Group on acquisition date are as follows:

	Fair value Acquisition date	Carrying amount Acquisition date
Cash at bank and on hand	3,289,627,011	3,289,627,011
Financial assets at fair value through profit or loss	20,797,708,106	20,797,708,106
Premium receivable	3,131,405,781	3,131,405,781
Reinsurance receivables	674,367,467	674,367,467
Reinsurance reserves	2,637,924,699	2,637,924,699
Interest receivable	108,139,001	108,139,001
Accounts receivable	1,764,776,591	1,764,776,591
Prepayment	1,865,023	1,865,023
Other receivables	393,494,231	393,494,231
Other current assets	(20,929,298)	(20,929,298)
Fixed assets	142,171,560	142,171,560
Intangible assets	1,399,399,200	32,393,500
Deferred tax assets	1,929,250,221	1,929,250,221
Less: Accounts payable	(4,034,746)	(4,034,746)
Interest payable	(7,666,783)	(7,666,783)
Notes payable	(24,039,953)	(24,039,953)
Reinsurance payable	(1,227,249,211)	(1,227,249,211)
Insurance contract reserves	(13,761,949,473)	(13,686,569,798)
Taxes payable	(7,261,087)	(7,261,087)
Employee benefits payable	(518,358,519)	(518,358,519)
Bonds payable	(2,657,271,693)	(2,590,541,083)
Other payables	175,736,746	175,736,746
Dividends payable	(171,464,348)	(171,464,348)
Other current liabilities	(304,699,811)	(304,699,811)
Deferred tax liabilities	(2,017,812,927)	(1,765,544,114)
Net assets attributable to the shareholders of Sirius Insurance Group	15,723,127,788	14,750,501,186
Less: Minority interest	(1,656,508,509)	(1,656,508,509)
Net assets acquired	14,066,619,279	13,093,992,677

6 Changes of the scope of consolidation (Cont'd)

(1) Business combination not under common control in the current year (Cont'd)

(a) Assets, liabilities and cash flows related to the acquisition of Sirius Insurance on acquisition date are as follows (Cont'd):

Consideration paid in cash	16,639,893,080
Less: Cash and cash equivalents of the subsidiary acquired	(3,289,627,011)
Net cash outflow on acquisition of the subsidiary	13,350,266,069

Sirius Insurance's revenue, net profit, and cash flows from operating activities and net cash flows for the period from the acquisition date to 31 December 2016 are as follows:

Revenue	4,215,769,444
Net profit	770,859,105
Cash flows from operating activities	(249,189,683)
Net cash flows	(967,645,185)

Most assets and liabilities of Sirius Insurance are measured at fair value, or the carrying amount has no significant difference with fair value. The Group used valuation techniques to determine the fair value of identifiable intangible assets. The valuation method and critical assumptions applied are as follows:

(i) The customer relationships are valued using income approach. The assumption of annual customer retention rate is 89%, and the discount rate range applied is from 10% to 11.5%.

(ii) The trademark is valued using income approach. The assumption of royalty rate is 1%, and the discount rate used is 11%.

(iii) The insurance license and Lloyd's Capacity are valued using market approach.

6 Changes of the scope of consolidation (Cont'd)

(1) Business combination not under common control in the current year (Cont'd)

(b) Assets, liabilities and cash flows related to the acquisition of Yida on acquisition date are as follows:

	Fair value	Carrying amount	
	Acquisition date	Acquisition date	31 December 2015
Cash at bank and on hand	2,218,962,514	2,218,962,514	3,310,718,764
Accounts receivable	1,381,044,743	1,381,044,743	597,033,235
Dividends receivable	40,543,011	40,543,011	-
Other receivables	1,779,727,930	1,779,727,930	3,065,291,322
Prepayment	1,249,319,417	1,249,319,417	617,452,277
Inventory	14,298,698,013	13,601,005,064	8,761,697,249
Other current assets	-	-	96,101,737
Available-for-sale financial assets	24,531,242	24,531,242	24,531,173
Long-term equity investments	2,940,336,162	2,702,899,623	2,970,670,584
Fixed assets	255,071,154	87,931,964	99,191,015
Disposal of fixed assets	12,923	12,923	-
Investment properties	11,546,058,393	11,546,058,393	11,486,300,329
Intangible assets	5,650,466	5,650,466	10,844,592
Long-term prepaid expenses	9,264,600	9,264,600	-
Deferred tax assets	117,740,698	117,740,698	140,838,691
Other non-current assets	2,525,138,985	2,525,138,985	3,337,517,065
Less: Short-term borrowings	(2,697,200,000)	(2,697,200,000)	(8,263,348,998)
Financial liabilities at fair value through profit and loss	(637,838,669)	(637,838,669)	(399,520,752)
Accounts payable	(2,727,611,018)	(2,727,611,018)	(2,163,635,565)
Employee benefits payable	(101,304,038)	(101,304,038)	-
Other payables	(1,822,243,083)	(1,822,243,083)	(953,641,289)
Taxes payable	(888,040,510)	(888,040,510)	(888,922,085)
Advances from customers	(3,599,792,936)	(3,599,792,936)	(2,772,743,152)
Interest payable	(68,852,075)	(68,852,075)	-
Dividends payable	(105,763,524)	(105,763,524)	-
Current portion of non-current liabilities	(854,926,400)	(854,926,400)	-
Long-term borrowings	(12,407,690,591)	(12,407,690,591)	(7,967,686,646)
Bonds payable	(27,908,299)	(27,908,299)	-
Long-term payables	-	-	(97,970,000)
Deferred income	-	(285,166,946)	-
Deferred tax liabilities	(1,977,762,901)	(1,640,438,938)	(1,602,232,757)
Net assets attributable to the shareholders of Yida China Holdings Limited	10,475,166,207	9,425,054,546	9,408,486,789
Less: Minority interest	(5,150,702,827)	(4,559,864,290)	N/A
Net assets acquired	5,324,463,380	4,865,190,256	N/A

6 Changes of the scope of consolidation (Cont'd)

(1) Business combination not under common control in the current year (Cont'd)

(b) Assets, liabilities and cash flows related to the acquisition of Yida on acquisition date are as follows (Cont'd):

Consideration paid in cash	2,673,056,320
Less: Cash and cash equivalents of the subsidiary acquired	(1,071,385,874)
Net cash outflow on acquisition of the subsidiary	1,601,670,446

Yida's revenue, net profit, and cash flows from operating activities and net cash flows for the period from the acquisition date to 31 December 2016 are as follows:

Revenue	3,063,631,250
Net profit	460,077,810
Cash flows from operating activities	1,767,664,084
Net cash flows	784,653,239

The fair value and carrying value of most of Yida's assets and liabilities have no significant difference. The fair value of acquired inventory at the acquisition date are determined using market approach, hypothetical development method and residual method. The fair value of acquired identifiable fixed assets at the acquisition date are determined using income approach. The fair value of acquired identifiable long-term equity investments at the acquisition date are determined using income approach. The critical assumptions applied are as follows:

The unit price of the unsold property is estimated by market price. The estimated profit under hypothetical development method is based on market conditions. Estimated income from unsigned contracts under income approach is based on market conditions.

6 Changes of the scope of consolidation (Cont'd)

(1) Business combination not under common control in the current year (Cont'd)

(c) Assets, liabilities and cash flows related to the acquisition of Shangdong Ruigao on acquisition date are as follows:

	Fair value	Carrying amount	
	Acquisition date	Acquisition date	31 December 2015
Cash at bank and on hand	19,805,335	19,805,335	992
Other receivables	53,418,250	53,418,250	19,837
Prepayment	1,197,370	1,197,370	-
Inventory	8,103,050	6,212,594	-
Long-term equity investments	-	-	239,161,112
Fixed assets	124,151,865	73,947,962	-
Goodwill	-	207,100,926	-
Construction-in-progress	8,265,306	8,265,306	-
Intangible assets	27,518,200	17,372,469	-
Deferred tax assets	261	261	261
Less: Short-term borrowings	(24,070,000)	(24,070,000)	-
Accounts payable	(45,359,893)	(45,359,893)	-
Employee benefits payable	(15,597,055)	(15,597,055)	-
Other payables	(257,182,244)	(257,182,245)	(224,233,857)
Taxes payable	(3,036,043)	(3,036,043)	-
Advances from customers	59,033	59,033	-
Deferred tax liabilities	(15,560,023)	-	-
Net assets attributable to the shareholders of Shangdong Ruigao	(118,286,588)	42,134,271	14,948,345
Less: Minority interest	3,739,053	(26,742,811)	N/A
Net assets acquired	(114,547,535)	15,391,460	N/A

Consideration paid in cash	140,348,775
Less: Cash and cash equivalents of the subsidiary acquired	(19,805,335)
Net cash outflow on acquisition of the subsidiary	120,543,440

Shangdong Ruigao’s revenue, net profit, and cash flows from operating activities and net cash flows for the period from the acquisition date to 31 December 2016 are as follows:

Revenue	37,186,775
Net profit	1,427,042
Cash flows from operating activities	(170,394,537)
Net cash flows	57,427,180

The fair value of the assets and liabilities of Shangdong Ruigao at the acquisition date are determined by the Group using valuation techniques. The valuation method and critical assumptions applied are as follows:

The valuation method for fixed assets is replacement cost method, and the critical assumptions used include total replacement cost and residue ratio. The valuation method for intangible assets is income approach, and the critical assumptions used include price of land use rights and adjustment factors.

6 Changes of the scope of consolidation (Cont'd)

(1) Business combination not under common control in the current year (Cont'd)

(d) Assets, liabilities and cash flows related to the acquisition of Richtech Shangfang on acquisition date are as follows:

	Fair value	Carrying amount	
	Acquisition date	Acquisition date	31 December 2015
Cash at bank and on hand	27,803,541	27,803,541	55,360,620
Accounts receivables	107,282,919	107,282,919	63,728,526
Prepayment	(2,942,723)	(2,942,723)	(3,062,331)
Other receivables	71,255,139	71,255,139	73,577,738
Long-term equity investments	108,970	108,970	108,970
Fixed assets	1,846,158	1,846,158	2,082,108
Intangible assets	81,050,000	-	-
Goodwill	-	700,000	700,000
Long-term prepaid expenses	435,561	435,561	697,469
Less: Accounts payable	(40,748,682)	(40,748,682)	(29,657,947)
Advances from customers	(33,194,988)	(33,194,988)	(15,972,115)
Taxes payable	(1,440,660)	(1,440,660)	(13,712,368)
Dividends payable	(25,137,249)	(25,137,249)	-
Other payables	(72,256,806)	(72,256,806)	(88,384,557)
Deferred tax liabilities	(20,262,500)	-	-
Net assets attributable to the shareholders of Richtech Shangfang	93,798,680	33,711,180	45,466,113
Less: Minority interest	(31,184,564)	(22,586,491)	N/A
Net assets acquired	62,614,116	11,124,689	N/A

Consideration paid in cash	252,000,000
Less: Cash and cash equivalents of the subsidiary acquired	(27,803,541)
Net cash outflow on acquisition of the subsidiary	224,196,459

Richtech Shangfang's revenue, net profit, and cash flows from operating activities and net cash flows for the period from the acquisition date to 31 December 2016 are as follows:

Revenue	145,797,822
Net profit	12,619,168
Cash flows from operating activities	109,966,085
Net cash flows	64,809,043

The fair value and carrying value of most of Richtech Shangfang's assets and liabilities have no significant difference. The fair value of acquired identifiable intangible assets at the acquisition date are determined by income approach. The critical assumptions applied are as follows:

The Group assumes the terms of licenses of Richtech Shangfang could be extended after getting approval of regulators and assumes the contracts established with customers are effective and exercisable. The Group keeps market competence and has the abilities to retain current customer to continue current business model and operation size. No event that will result in adverse impact to future development and profit was expected.

The useful lives of above identifiable intangible assets are 10 years. The discounted rate used in the model is 16.5%, which was developed using CAPM model.

6 Changes of the scope of consolidation (Cont'd)

(1) Business combination not under common control in the current year (Cont'd)

(e) Assets, liabilities and cash flows related to the acquisition of Kerui Property on acquisition date are as follows:

	Fair value	Carrying amount	
	Acquisition date	Acquisition date	31 December 2015
Cash at bank and on hand	98,175,161	98,175,161	77,959,117
Accounts receivables (Note)	101,674,823	134,992,115	118,381,922
Prepayment (Note)	16,634,375	51,173,645	45,171,737
Other receivables (Note)	81,664,779	53,879,433	127,899,100
Inventory	209,614	209,614	247,578
Other current assets	6,000,000	6,000,000	26,000,000
Long-term equity investments	-	2,931,948	2,421,948
Investment properties (Note)	-	82,673,378	85,688,691
Fixed assets	38,141,551	38,141,551	39,205,717
Intangible assets	42,664,668	3,654,668	896,564
Long-term prepaid expenses	27,963	27,963	198,302
Deferred tax assets	1,207	1,207	1,207
Less: Short-term borrowings (Note)	-	(16,000,000)	(46,000,000)
Accounts payable	(26,445,325)	(26,445,325)	(58,535,860)
Advances from customers	(34,119,300)	(34,119,300)	(53,438,229)
Employee benefits payable	(469,047)	(469,047)	135,399
Taxes payable	(15,718,905)	(15,718,905)	(12,267,652)
Dividends payable	(1,444,800)	(1,444,800)	-
Other payables	(249,702,388)	(249,702,388)	(241,698,715)
Long-term borrowings (Note)	-	(32,400,060)	(39,000,105)
Deferred tax liabilities	(12,714,337)	(2,961,837)	(7,321,424)
Minority interest	(4,580,039)	(4,580,039)	(7,645,249)
Net assets attributable to the shareholders of Kerui Property	40,000,000	88,018,982	58,300,048
Less: Minority interest	(19,600,000)	(58,972,719)	N/A
Net assets acquired	20,400,000	29,046,263	N/A

Consideration paid in cash	235,138,000
Less: Cash and cash equivalents of the subsidiary acquired	(98,175,161)
Net cash outflow on acquisition of the subsidiary	136,962,839

6 Changes of the scope of consolidation (Cont'd)

(1) Business combination not under common control in the current year (Cont'd)

(e) Assets, liabilities and cash flows related to the acquisition of Kerui Property on acquisition date are as follows (Cont'd) :

Kerui Property's revenue, net profit, and cash flows from operating activities and net cash flows for the period from the acquisition date to 31 December 2016 are as follows:

Revenue	188,850,730
Net profit	15,436,441
Cash flows from operating activities	30,873,842
Net cash flows	(16,824,501)

The fair value and carrying value of Kerui Property assets and liabilities have no significant difference. The fair value of acquired identifiable intangible assets at the acquisition date are determined by income approach. The critical assumptions applied are as follows:

The Group assumes the terms of licenses of Kerui Property could be extended after getting approval of regulators and assumes the contracts established with customers are effective and exercisable. The Group keeps market competence and has the abilities to retain current customer relationship to continue current business model and operation size. No event that will result in adverse impact to future development and profit was expected.

The useful lives of above identifiable intangible assets are 10 years. The discounted rate used in the model is 16%, which was developed using CAPM model.

(Note) According to the share purchase agreement between the Group and former shareholders("seller"), the investment properties (including the real estate not yet obtained licenses presented in accounts receivable or prepayments on the acquisition date) and bank borrowings through Kerui Property owned by seller still belong to the seller. As a result, the identifiable net assets on acquisition date did not contain investment properties and bank borrowings above.

The seller committed that the net assets of Kerui Property excluding the investment property and bank borrowings are no less than RMB 40 million on the transaction date. Otherwise the seller would compensate the Group by adjusting other receivables.

(f) The net amount of goodwill includes positive goodwill of RMB 200,793,924 and negative goodwill RMB 363,599,057. The negative goodwill are from the acquisition of Dalian Software Park Anbo Development Limited Company, Dalian Software Park Shitong Development Limited Company, Yujiang Jinyu Limited Company, Gaoan Jinjian Power Limted Company, Weifang Tian'en Ronghui Intergrated Energy Limited Company, Changfeng Hongyang New Energy Power Limited Company, Dezhou Xiangyu Solar Power Limited Company, Sanhe Jingjiao Aireport Co., Ltd., and China New Town Development Co., Ltd. The negative goodwill from above and from acquisition of Yida (Note 6(1)(b)) with total amount of RMB 3,015,006,116 was recognised as non-operating income.

6 Changes of the scope of consolidation (Cont'd)

(2) Change of scope of consolidation due to other reasons

The subsidiaries set up by the Group during the year ended 31 December 2016 and capital paid as at 31 December 2016 are as follows:

Name	Interest (%)		Capital paid
	Direct	Indirect	
Yusheng Management Consulting Service (Shanghai) Co., Ltd.		75.00%	2,000,000
Haocheng Co., Ltd.		100.00%	200,724,107
Beijing CM Asset Management Co., Ltd.		100.00%	2,005,000,000
CM Yufeng (Wuzhong) Farming Co., Ltd.		100.00%	59,860,000
CM Guangfu Ningxia Yanchi Co., Ltd.		100.00%	463,360,000
CM New Energy (Shanghai) Investment Co., Ltd.		100.00%	197,100,000
Weifang CM Solar Power Co., Ltd.		100.00%	47,340,000
Dezhou Xiangyu Solar Energy Co., Ltd.		100.00%	33,615,000
Yujiang County Yujin Power Supply Co., Ltd.		100.00%	31,600,000
CM Cross-border Investment Management Consulting (Shenzhen) Co., Ltd.		90.00%	USD 1,000,000
CM Chuangye (Tianjin) Investment Management Co., Ltd. ("CM Chuangye")	100.00%		2,000,000
Tianjin Minying Enterprise Management Co., Ltd.	100.00%		-
Yunjin (Shanghai) Investment Management Co., Ltd.		67.50%	2,500,000
CM Caizhi Co., Ltd.		75.00%	100,000,000
CM Medical Invesmtent Co., Ltd.		75.85%	2,000,000,000
Yanchi CM Rongyan Poverty Alleviation Financial Guarantee Co., Ltd		83.33%	300,000,000
CM New Energy (Jiangshan) Photovoltaic Technology Co., Ltd.		100.00%	500,000
CM Baoding New Energy Technology Co., Ltd.		100.00%	500,000
CM New Energy (Longyou) Photovoltaic Technology Co., Ltd.		100.00%	500,000
CM Guangfu (Ningxia) Investment Co., Ltd		100.00%	12,000,000
CM New Energy Power Engineering Co., Ltd.		100.00%	20,020,000
CM Photovoltaic Yanchi Agricultural and Husbandry Co. Ltd.		100.00%	3,000,000
Haining CM New Energy Co. Ltd.		100.00%	21,600,000
Beijing CM Zhizhong Energy Technology Co., Ltd.		55.00%	10,000,000
Hai Kuo Shipping 1307 Limited		70.56%	USD 1
Hai Kuo Shipping 1308 Limited		70.56%	USD 1
China Minsheng Air Travel Investment Co., Ltd.	100.00%		745,000,000
CM Tianhe (Tianjin) Investment Management Co., Ltd.		100.00%	2,000,000
China Minsheng Keytech Investment Holding (Tianjin) Co. Ltd.	100.00%		46,000,000
China Minsheng Xiangshan (Tianjin) Culture Development Co.Ltd		52.41%	300,000,000

7 Interest in other entities

(1) Interest in subsidiaries

(a) Main subsidiaries

	Place of registration	Primary operating place	Nature of business	Interest (%) Direct	Interest (%) Indirect	Voting rights (%)
China Minsheng Future Holding Group Co., Ltd. (Formerly known as "China Minsheng Property Co., Ltd.", "CM Future")	Shanghai	China Mainland	Property and investment management	67.00%	8.00%	75.00%
China Minsheng Investment Capital Management Co., Ltd. ("CMI Capital")	Shanghai	China Mainland	Investment management	100.00%	-	100.00%
China Minsheng Jiaye Investment Co., Ltd. ("CMJYI")	Shanghai	China Mainland	Industrial investment	78.57%	-	78.57%
China Minsheng Bund Property Development Co., Ltd.("CM Bund")	Shanghai	China Mainland	Real estate development	85.00%	7.86%	95.00%
Minsheng (Shanghai) Asset Management Co., Ltd. ("Minsheng Asset Management")	Shanghai	China Mainland	Investment and asset management	100.00%	-	100.00%
China Minsheng New Energy Group Investment Co., Ltd.(Formerly known as "China Minsheng New Energy Investment Co., Ltd.", "CM New Energy")	Beijing	China Mainland	Photovoltaic power generation	100.00%	-	100.00%
CM International General Aviation Corporation Co., Ltd. ("CM Jet")	Beijing	China Mainland	General aviation chartered airplane etc.	100.00%	-	100.00%
CM International Capital Limited ("CM International")	Hong Kong	Hong Kong	Investment management	100.00%	-	100.00%
CM International Holding Ltd("CMI Singapore")	Singapore	Singapore	Investment management	90.00%	-	90.00%
CM International Financial Leasing Co., Ltd. ("CMI Leasing")	Tianjin	China Mainland	Finance leases	60.56%	10.00%	70.56%
CM Huaheng investment Limited ("CMIH")	Beijing	China Mainland	Investment management	100.00%	-	100.00%
SRE Group Limited ("SRE Group")	Bermuda	China Mainland/ Hong Kong	Property development, property leasing and hotel management	-	47.76%	60.78%
China Minsheng Financial Holding Corporation Limited (i) ("CM Financial")	Hong Kong	Hong Kong	Security trading, consulting and asset management	-	49.84%	49.84%
Sirius International Insurance Group	Bermuda	U.S.A	Insurance and reinsurance business	-	90.00%	100.00%
Yida China Holdings Limited	Cayman	China Mainland/Hong Kong	Real estate development and property leasing	-	48.01%	61.10%

(i) As at 31 December 2016, Minsheng Asset Management, the Group's subsidiary, was the largest shareholder of CM Financial with interest of 49.84%. Other shareholders are dispersed. The Group has de facto control over CM Financial and consolidates its financial statements.

7 Interest in other entities (Cont'd)

(1) Interest in subsidiaries (Cont'd)

(a) Main subsidiaries (Cont'd)

(ii) The proportion of shareholding in the above table is the sum of direct and indirect shareholding percentage (Indirect shareholding is calculated by multiplying shareholding ratios). The proportion of voting rights is the sum of direct hold percentage by the Group and indirect hold percentage by controlling company.

(b) Relevant information of major non-wholly owned subsidiaries

Name	Minority interest shareholding percentage as at 31 December 2016	Profit or loss attributable to minority interest for the period from 1 January 2016 / date of incorporation / acquisition date to 31 December 2016	Dividend paid to minority interest for the period from 1 January 2016 / date of incorporation / acquisition date to 31 December 2016	Minority interest as at 31 December 2016
CM Future	25.00%	(34,261,937)	-	1,142,132,452
CMJYI	21.43%	711,555,694	-	13,885,398,810
CM Bund	5.00%	41,236,565	249,353,558	538,347,607
CMI Singapore	10.00%	125,538,370	-	3,122,444,674
CM Leasing	29.44%	62,526,382	-	1,423,919,133
SRE Group	39.22%	(76,791,887)	-	3,174,244,862
CM Financial	50.16%	7,140,055	-	2,152,809,815
Sirius Insurance	Preference Shares (Note)	90,509,541	-	1,743,244,923
Yida	38.90%	228,318,439	-	4,561,064,393

Name	Minority interest shareholding percentage as at 31 December 2015	Profit or loss attributable to minority interest for the period from 1 January 2015 / date of incorporation / acquisition date to 31 December 2015	Dividend paid to minority interest for the period from 1 January 2015 / date of incorporation / acquisition date to 31 December 2015	Minority interest as at 31 December 2015
CM Bund	5.00%	54,754,982	-	634,959,634
CM Leasing	25.00%	35,306,359	-	785,306,359
SRE Group	39.22%	(26,615,227)	-	3,519,252,535
CM Financial	29.36%	-	-	1,093,257,524

Note: In 2007, Sirius International Group Ltd ("SIG"), the subsidiary of Sirius, issued USD 250 million non-cumulative perpetual preference shares ("Preference Shares") with a USD 1,000 per share liquidation preference. The dividend rate is fixed at an annual rate of 7.506% until 30 June 2017. After 30 June 2017, the dividend rate will be paid at a floating annual rate, equal to the greater of 3-month LIBOR plus 320 basis points or 7.506%. Prior to 30 June 2017, SIG may elect to redeem the Preference Shares at an amount equal to the greater of 1) the aggregate liquidation preference of the shares to be redeemed and 2) the sum of the present values of the aggregate liquidation preference of the shares to be redeemed and the remaining scheduled dividend payments on the shares to be redeemed, discounted to the redemption date at a rate equal to the rate on a comparable treasury issue plus 45 basis points. On or after 30 June 2017, the Preference Shares are redeemable solely at the discretion of SIG at their liquidation preference of $1,000 per share. SIG does not have the obligation to distribute dividends or redeem the Preference Shares. In the event of liquidation of SIG, the holders of the SIG Preference Shares would have preference over the common shareholders and would receive a distribution equal to the liquidation preference per share, subject to availability of funds.

7 Interest in other entities (Cont'd)

(1) Interest in subsidiaries (Cont'd)

(b) Relevant information of major non-wholly owned subsidiaries

The major financial information of the above major non-wholly owned subsidiaries is listed below:

	31 December 2016		
	Current assets	Non-current assets	Total assets
CM Future	8,600,327,061	2,089,788,009	10,690,115,070
CMJYI	46,737,299,275	36,553,576,832	83,290,876,107
CM Bund	13,998,568,829	23,334,556,849	37,333,125,678
CMI Singapore	36,567,084,851	8,254,292,271	44,821,377,122
CM Leasing	9,508,714,233	20,700,634,051	30,209,348,284
SRE Group	13,898,604,719	9,264,229,897	23,162,834,616
CM Financial	4,145,253,610	1,144,451,513	5,289,705,123
Sirius Insurance	31,225,568,230	8,234,041,007	39,459,609,237
Yida	19,092,339,186	17,908,306,559	37,000,645,745

	31 December 2016		
	Current liabilities	Non-current liabilities	Total liabilities
CM Future	(5,522,509,313)	(1,179,900,534)	(6,702,409,847)
CMJYI	(27,536,756,336)	(26,504,511,992)	(54,041,268,328)
CM Bund	(24,648,165,772)	(1,918,007,769)	(26,566,173,541)
CMI Singapore	(11,163,014,954)	(18,123,119,736)	(29,286,134,690)
CM Leasing	(12,057,567,923)	(13,272,647,203)	(25,330,215,126)
SRE Group	(11,539,654,413)	(4,248,131,329)	(15,787,785,742)
CM Financial	(489,815,059)	(312,362,892)	(802,177,951)
Sirius Insurance	(7,233,139,732)	(12,683,285,408)	(19,916,425,140)
Yida	(12,983,656,356)	(13,012,135,528)	(25,995,791,884)

	31 December 2015		
	Current assets	Non-current assets	Total assets
CM Bund	9,971,167,560	20,989,310,572	30,960,478,132
CM Leasing	3,906,473,582	4,985,349,816	8,891,823,398
SRE Group	24,299,524,691	6,307,356,629	30,606,881,320
CM Financial	4,252,256,364	15,689,511	4,267,945,875

	31 December 2015		
	Current liabilities	Non-current liabilities	Total liabilities
CM Bund	(2,361,553,466)	(15,899,731,992)	(18,261,285,458)
CM Leasing	(2,910,415,968)	(2,839,992,212)	(5,750,408,180)
SRE Group	(18,964,952,642)	(3,865,340,049)	(22,830,292,691)
CM Financial	(29,983,190)	-	(29,983,190)

7 Interest in other entities (Cont'd)

(1) Interest in subsidiaries (Cont'd)

(b) Relevant information of major non-wholly owned subsidiaries (Cont'd)

The major financial information of the above major non-wholly owned subsidiaries is listed below (Cont'd):

	For the period from 1 January 2016 / date of incorporation/ acquisition date to 31 December 2016			
	Revenue	Net profit/(loss)	Total comprehensive income	Cash flows from operating activities
CM Future	4,380,079,937	(199,456,007)	(199,456,007)	(293,578,876)
CMJYI	6,852,104,404	2,874,416,314	2,863,793,112	184,982,596
CM Bund	108,108	824,731,309	824,731,309	(339,493,418)
CMI Singapore	4,298,224,572	698,343,239	930,803,535	(261,358,551)
CM Leasing	1,252,535,696	237,227,022	237,717,939	(6,349,292,648)
SRE Group	3,526,583,115	(157,467,461)	(157,467,461)	(818,441,066)
CM Financial	197,027,883	26,822,274	25,667,793	(2,816,401,629)
Sirius Insurance	4,215,769,444	770,859,105	(16,468,164)	(249,189,683)
Yida	3,063,631,250	460,077,810	481,185,300	1,767,664,084

	For the period from 1 January 2015 / date of incorporation / acquisition date to 31 December 2015			
	Revenue	Net profit/(loss)	Total comprehensive income	Cash flows from operating activities
CM Bund	120,000	1,095,099,641	1,095,099,641	(134,773,038)
CM Leasing	327,657,738	141,225,435	141,225,435	(2,699,898,171)
SRE Group	159,105,477	(50,676,132)	(50,676,132)	(168,551,840)
CM Financial	-	-	-	-

7 Interest in other entities (Cont'd)

(2) As at 31 December 2016, the Group has the following consolidated structured entities:

Name	The Group's percentage in the entity's total paid-in capital	Structured entities' total paid-in capital (RMB)	Nature of business
Ningbo Meishan Bonded-Port Xingsheng Jiaye Investment Centre(Limited Partnership) (a) ("Xingsheng Jiaye Investment")	3.16%	15,490,010,000	Financing platform
Jiaxing Huiling 1 Investment Partnership (LLP)(b)	74.91%	500,250,000	Investment management
Jiaxing Huiling 2 Investment Partnership (LLP)(b)	100.00%	10,500,000	Investment management
Jiaxing Huiling 3 Investment Partnership (LLP)(b)	100.00%	-	Investment management
Jiaxing Huiling 4 Investment Partnership (LLP)(b)	93.45%	100,000,000	Investment management
Jiaxing Huiling 5 Investment Partnership (LLP)(b)	90.62%	15,997,000	Investment management
Jiaxing Songyue 1 Investment Partnership (LLP)(b)	97.33%	30,000,000	Investment management
Jiaxing Songyue 3 Investment Partnership (LLP)(b)	100.00%	59,321,000	Investment management
CM International Leasing Asset-Backed Plan 1 (c)	23.06%	780,493,027	Asset-backed securities offering
Guangfa Hengjin - CM International Leasing Asset-Backed Plan 2 (c)	7.16%	698,435,000	Asset-backed securities offering
CM International Leasing Asset-Backed Plan 3 (c)	6.25%	1,600,000,000	Asset-backed securities offering
Xiamen Trust – Ruizhi 7 collective fund trust plan (d)	33.33%	1,500,000,000	Investment management

Note (a): The Company provides financing to CM Bund through the structured entity, Xingsheng Jiaye Investment. The Group does not have any obligations or intentions to provide financial support for this structured entity. The Group did not provide any liquidity support during the period.

Note (b): The Group performs investment management through these structured entities. The Group does not have any obligations or intentions to provide financial support for these structured entities. The Group did not provide any liquidity support during the period.

Note (c): The Group issued asset-backed securities through these structured entities. The Group held part of senior tranche and all subordinate tranche, and provided guarantee to the principal and interest of senior tranche.

Note (d): The Group performs investment management through this structured entity. The Group is the subordinate beneficiary of the trust plan and provided guarantee to the principal and interest of senior beneficiary.

Note (e): Refer to Note 9 (43)(b) for consolidated structured entities that are set up for share-based payment.

8 Segment information

The Group identified 7 reportable segments as follows:

Investment and asset management segment: includes financial services such as asset management, investment management, securities, etc.
Financial property segment: includes real estates, construction industrialization, etc.
Property management segment: include property management, inclusive finance, home-based healthcare, commodities trading, etc.
New energy segment: includes distributed power station, etc.
Insurance segment: includes insurance business, etc.
Financial leasing segment: includes financial leasing, etc.
Other segment: includes jet charter services, etc.

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system. Business segments are part of the Group. The Group separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

Inter-segment transfer prices are determined according to the negotiation result with reference to transaction with third parties.

The assets are allocated based on the operations of the segment and the physical location of the assets. The liabilities are allocated based on the operations of the segment. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

8 Segment information (Cont'd)

(a) Segment information for the year ended 31 December 2016 and as at 31 December 2016 is as follows:

	Investment and asset management	Financial property	Property management	Insurance	Financial leasing	New energy	Other	Eliminations among segments	Total
Revenue	5,834,751,587	6,852,212,512	4,380,079,937	4,298,224,572	1,260,034,386	433,406,377	1,113,447,232	(4,657,338,679)	19,514,817,924
Cost	(253,719)	(6,065,602,083)	(4,178,892,730)	(3,191,953,758)	(605,938,680)	(154,164,717)	(891,428,779)	51,862,778	(15,036,371,688)
Taxes and surcharges	(22,555,276)	(439,350,673)	(17,378,699)	-	(7,108,337)	(4,154,762)	(855,527)	-	(491,403,274)
Selling expenses	(323)	(139,578,376)	(116,259,474)	-	(50,423,521)	(313,368)	2,846,297	-	(303,728,765)
General and administrative expenses	(1,688,825,566)	(846,098,440)	(402,158,376)	(802,820,414)	(168,546,639)	(139,693,411)	(18,296,555)	86,633,202	(3,979,806,199)
Finance expenses	(835,460,645)	(740,136,377)	(181,415,593)	(318,143,586)	7,861,600	(85,222,488)	(85,236,044)	(27,465,977)	(2,265,219,110)
Net gains from fair value changes	105,288,841	1,069,144,433	(3,998,092)	92,995,747	-	113,259,250	284,455,970	-	1,661,146,149
Asset impairment losses	(174,289,940)	(167,685,011)	-	-	(146,658,495)	(454,861)	(31,941,459)	-	(521,029,766)
Investment income	324,321,922	808,911,353	330,481,654	700,437,416	-	59,999,700	5,341,771	(193,070,851)	2,036,422,965
Non-operating income	127,243,092	3,228,127,782	12,822,663	23,308	27,882,500	38,259,556	80,598,915	-	3,514,957,816
Non-operating expenses	(26,563,528)	(114,526,212)	(2,244,539)	-	-	(531,497)	(7,543,811)	-	(151,409,587)
Profit before tax	3,643,656,445	3,445,418,908	(178,963,249)	778,763,285	317,102,814	260,389,779	451,388,010	(4,739,379,527)	3,978,376,465
Total assets	83,287,512,930	118,414,555,708	10,260,097,185	44,821,377,122	29,679,325,928	16,258,568,357	7,025,542,031	(37,277,077,804)	272,469,901,457
Total liabilities	81,246,389,277	80,102,776,247	6,702,409,847	29,286,134,690	25,330,215,126	8,062,298,953	6,574,365,117	(36,858,831,265)	200,445,757,992

8 Segment information (Cont'd)

(b) Segment information for the year ended 31 December 2015 and as at 31 December 2015 was as follows:

	Investment and asset management	Financial property	Property management	Financial leasing	New energy	Other	Eliminations among segments	Total
Revenue	2,870,098,523	186,158,049	96,562,011	327,657,738	8,599,744	1,203,243,364	(28,699,225)	4,663,620,204
Cost	(26,638,431)	(159,757,268)	(61,989,026)	(15,578,284)	(7,284,474)	(1,155,786,953)	-	(1,427,034,436)
Taxes and surcharges	(27,947,681)	(14,205,637)	(13,460,701)	(2,938,496)	(276,680)	(7,770,930)	-	(66,600,125)
Selling expenses	-	(20,040,488)	(41,702,356)	-	-	(7,805,615)	-	(69,548,459)
General and administrative expenses	(1,654,645,773)	(397,855,175)	(138,685,832)	(100,233,899)	(53,830,304)	(152,430,394)	27,069,915	(2,470,611,462)
Finance expenses	(173,429,691)	(306,308,496)	(5,041,592)	(23,385,517)	4,316,724	(53,667,987)	49,527,439	(507,989,120)
Net gains from fair value changes	62,680,967	1,716,653,869	104,600	-	-	-	-	1,779,439,436
Asset impairment losses	-	(81,178,468)	-	(13,091,912)	-	(1,018,431)	-	(95,288,811)
Investment income	169,246,905	11,578,340	123,960,823	-	-	4,071,500	(3,636,111)	305,221,457
Non-operating income	7,833,200	3,270,788,905	2,073,198	20,000,000	-	2,161,944	-	3,302,857,247
Non-operating expenses	(53,600,163)	(464,532)	(54,899)	-	(800,000)	(76,447,915)	-	(131,367,509)
Profit before tax	1,173,597,856	4,205,369,099	(38,233,774)	192,429,630	(49,274,990)	(245,451,417)	44,262,018	5,282,698,422
Total assets	63,145,562,706	82,952,185,827	4,786,348,019	8,891,823,399	8,949,431,232	1,251,899,651	(22,960,385,592)	147,016,865,242
Total liabilities	56,790,051,789	51,544,492,966	2,076,715,515	5,750,408,180	3,695,984,109	1,744,337,471	(22,755,877,511)	98,846,112,519

9 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	31 December 2016	31 December 2015
Cash on hand	4,758,396	2,356,045
Cash at bank	31,522,874,363	23,739,426,024
Including: Restricted cash at bank (a)	5,744,179,517	4,826,360,230
Other cash balances (b)	5,056,877,146	1,394,605,802
Including: Restricted other cash balances	345,064,253	1,321,339,067
	36,584,509,905	25,136,387,871

(a) As at 31 December 2016, restricted cash at bank mainly included margin deposit and deposit pledged for borrowings.

(b) Other cash balances represent deposit placed in account opened in security companies. Restricted other cash balances mainly include deposit placed in collateralised security accounts, other cash pledged for borrowings and security fund placed in trust companies.

9 Notes to the consolidated financial statements (Cont'd)

(2) Financial assets at fair value through profit or loss

	31 December 2016	31 December 2015
Financial assets held for trading		
Equity instruments		
- Stocks	4,493,812,203	4,772,861,962
- Funds	1,700,874,171	921,623,261
- Preference shares	74,692,940	-
Debt instruments		
- Corporate bonds	10,578,585,011	-
- Mortgage-backed securities and asset-backed securities	8,088,431,785	-
- Government bond, government agency bonds and municipal bonds	3,564,715,371	-
Derivative financial instruments		
- Total return swap (a)	1,070,559,902	1,830,771,522
- Other	120,030,670	-
Financial assets designated at fair value through profit or loss		
Equity instruments		
- Funds	7,466,264,562	243,175,844
- Private equities	7,159,270,710	2,528,897,907
- Assets management plans	3,792,526,446	4,245,685,967
- Stock	3,369,834,791	8,494,732,000
- Trust plans	2,202,863,526	2,145,185,054
- Bank wealth management products	264,050,000	39,000,000
Debt instruments		
- Debt investments	2,774,357,907	273,106,085
	56,720,869,995	25,495,039,602
Less: Non-current portion of financial assets at fair value through profit or loss (presented in other non-current assets) (Note 9(24))	(20,322,940,160)	(14,814,916,147)
	36,397,929,835	10,680,123,455

(a) The balance included total return swap products purchased from third parties to receive floating return, and the fair value of the swap was RMB 972,725,273 (31 December 2015: RMB 1,830,771,522).

(b) As at 31 December 2016, the financial assets at fair value through profit or loss of RMB 2,775,508,978 were pledged to financial institutions as collaterals for borrowings (31 December 2015: RMB 8,666,661,072).

9 Notes to the consolidated financial statements (Cont'd)

(3) Loan and receivable

	31 December 2016	31 December 2015
Entrusted loans (a)	5,655,844,332	1,531,085,845
Less: Provision for impairment	(3,348,519)	(600,000)
Fixed income products (b)	5,006,807,352	4,389,119,683
Others	5,000,000	-
	10,664,303,165	5,919,605,528
Less: Non-current portion of loan and receivable (presented in other non-current assets) (Note 9(24))	(5,963,814,005)	(4,741,918,833)
	4,700,489,160	1,177,686,695

(a) As at 31 December 2016, entrusted loans mainly include loans provided by the Group to borrowers through commercial banks, whose principal and interest were not overdue. After the Group's assessment, a collective impairment provision of RMB 3,348,519 was provided for entrusted loans (31 December 2015: RMB 600,000).

(b) The fixed income products are issued by L.R. Capital. The term of the products are 3 years with fixed returns of 7% per annum and management fee of 2.2% per annum. After assessment of the Group, no provision is provided.

(4) Accounts receivable

	31 December 2016	31 December 2015
Accounts receivable	1,974,338,295	241,345,574
Less: Provision for bad debts	(23,485,712)	-
	1,950,852,583	241,345,574

The ageing of accounts receivable and related provision for bad debts are analysed below:

	31 December 2016			31 December 2015		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	1,533,048,282	77.65%	(4,705,423)	214,624,697	88.93%	-
1 to 2 years	325,309,389	16.48%	(18,780,289)	26,720,877	11.07%	-
2 to 3 years	82,217,114	4.16%	-	-	-	-
Over 3 years	33,763,510	1.71%	-	-	-	-
	1,974,338,295	100.00%	(23,485,712)	241,345,574	100.00%	-

As at 3 December 2016, net amount of RMB 268,208,156 of accounts receivable was pledged to banks as collaterals for borrowings (31 December 2015: RMB 6,108,561).

9 Notes to the consolidated financial statements (Cont'd)

(5) Prepayment

	31 December 2016	31 December 2015
Prepayment for land and demolition	517,108,268	2,106,626,100
Prepayment for project	299,565,374	-
Prepayment for trade	121,345,610	102,806,130
Prepayment for decoration	7,803,657	4,290,000
Prepayment for finance lease	789,310	870,556,608
Others	173,306,245	88,788,350
	1,119,918,464	3,173,067,188

The aging of prepayment is analysed as follows:

	31 December 2016		31 December 2015	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	811,941,511	72.50%	1,049,574,085	33.08%
1 to 2 years	48,091,553	4.29%	1,323,031,440	41.69%
2 to 3 years	258,390,564	23.07%	800,208,333	25.22%
Over 3 years	1,494,836	0.14%	253,330	0.01%
	1,119,918,464	100.00%	3,173,067,188	100.00%

(6) Interest receivable

	31 December 2016	31 December 2015
Interest receivable from bonds	131,980,990	-
Interest receivable from bank deposits	32,076,618	49,007,273
Interest receivable from entrusted loans	8,707,450	-
Interest receivable from leasing	5,348,992	2,181,060
Interest receivable from related parties	1,400,000	-
Others	8,101,561	1,515,731
	187,615,611	52,704,064

(7) Premium receivable

	31 December 2016	31 December 2015
Premium receivable	2,737,599,068	-

As at 31 December 2016, the original value of the Group's premium receivable was RMB 2,774,998,266, and the aging was within 1 year. After assessment by the Group, the provision of RMB 37,399,198 was provided for premium receivable. The Group recognised premium receivable at its fair value on acquisition date and no extra impairment provision was provided (31 December 2015: nil).

9 Notes to the consolidated financial statements (Cont'd)

(8) Reinsurance receivables

	31 December 2016	31 December 2015
Reinsurance receivables	812,268,758	-
	812,268,758	-
Less: Non-current portion of reinsurance receivable (presented in other non-current assets) (Note 9(24))	(484,575,651)	-
	327,693,107	-

As at 31 December 2016, after assessment by the Group, no provision for reinsurance receivables is provided (31 December 2015: Nil).

(9) Other receivables

	31 December 2016	31 December 2015
Receivables due from related parties (Note10(3)(b))	2,782,673,161	-
Prepayment for land development	1,580,270,504	-
Receivable from disposal of investment	1,389,868,898	841,949,998
Receivables due from third party	755,700,570	214,400,000
Tender deposit	610,306,930	1,872,317,086
Guarantee deposit	380,880,186	55,572,699
Factoring receivables	322,780,000	-
Receivables due from former shareholders of subsidiaries	219,239,829	-
Repurchase receivables	209,600,000	-
Profit distribution to minority interest before declaration	204,330,000	18,730,000
Government grants	20,371,788	84,472,200
Prepaid income taxes	1,147,975	-
Others	839,390,295	524,239,503
	9,316,560,136	3,611,681,486
Less: Provision for bad debts	(111,235,857)	(8,200,000)
	9,205,324,279	3,603,481,486

As at 31 December 2016, after assessment by the Group, a bad debt provision of RMB 111,235,857 was provided for other receivables (31 December 2015: RMB 8,200,000).

9 Notes to the consolidated financial statements (Cont'd)

(9) Other receivables (Cont'd)

The aging of other receivables and related provision for bad debts are analysed below:

	31 December 2016			31 December 2015		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	5,043,782,974	54.14%	(76,200,556)	3,167,386,526	87.70%	(8,200,000)
1 to 2 years	3,970,293,748	42.62%	(35,035,301)	295,309,097	8.18%	-
2 to 3 years	109,503,725	1.18%	-	71,388	0.00%	-
Over 3 years	192,979,689	2.06%	-	148,914,475	4.12%	-
	9,316,560,136	100.00%	(111,235,857)	3,611,681,486	100.00%	(8,200,000)

(10) Inventories

(a) Inventories are summarised by categories as follows:

	31 December 2016			31 December 2015		
	Gross amount	Impairment provision	Carrying amount	Gross amount	Impairment provision	Carrying amount
Land use right held for future development	4,288,199,240	-	4,288,199,240	15,996,149,860	-	15,996,149,860
Development cost	22,571,283,259	(11,409,726)	22,559,873,533	3,749,134,280	-	3,749,134,280
Developed products	6,306,927,791	(118,232,225)	6,188,695,566	2,059,377,862	-	2,059,377,862
Others	246,976,826	-	246,976,826	35,221,662	-	35,221,662
	33,413,387,116	(129,641,951)	33,283,745,165	21,839,883,664	-	21,839,883,664

(b) The borrowing cost eligible for capitalisation included in cost of inventories was RMB 712,473,486 in 2016 (2015: RMB 459,886,074), and the capitalisation rate used to determine the borrowing cost eligible for capitalisation was 6.64% per annum (2015: 7.94%).

(c) As at 31 December 2016, net amount of RMB 19,341,829,989 of inventories were pledged as collateral to bank and trust plan for borrowings (31 December 2015: RMB 14,298,323,522).

9 Notes to the consolidated financial statements (Cont'd)

(11) Assets and liabilities classified as held for sale

(a) Assets classified as held for sale

	31 December 2016	31 December 2015
Cash at bank and on hand	9,885,390	552,408,582
Accounts receivables	1,412,037	-
Prepayment	1,590,046,616	3,442,851
Other receivables	18,677,200	13,826,640
Inventories	1,896,900,051	7,419,361,164
Other current assets	270,640	286,497,479
Fixed assets	254,040	1,878,278
Intangible assets	-	61,435,999
Construction in progress	-	909,195,676
Investment properties	-	361,494,000
Deferred tax assets	-	44,610,780
	3,517,445,974	9,654,151,449

(b) Liabilities classified as held for sale

	31 December 2016	31 December 2015
Accounts payable	-	454,983,194
Taxes payable	14,796,444	186,905,070
Advances from customers	-	3,073,545,889
Short-term borrowings	30,000,000	-
Employee benefits payable	762,439	553,059
Other payables	84,234,539	191,858,503
Long-term borrowings	-	3,364,000,000
Current portion of non-current liabilities	-	47,978,688
Deferred tax liabilities	48,395,972	78,195,233
	178,189,394	7,398,019,636

In 2016, the Group entered into uncancellable share transfer agreements with third parties to transfer two subsidiaries. The share transfer is expected to be completed in 2017. The assets and liabilities of the subsidiaries to be transferred meets the condition of classification as held for sale, therefore are recorded as current assets and current liabilities separately.

As at 31 December 2016, no assets held for sale has been collateralised to banks (31 December 2015: 8,125,280,375).

9 Notes to the consolidated financial statements (Cont'd)

(12) Current portion of non-current assets

	31 December 2016	31 December 2015
Current portion of long-term receivables (Note 9(15))	4,991,434,351	1,553,027,054
Current portion of other non-current assets (Note 9(24))	132,313,870	-
	5,123,748,221	1,553,027,054

(a) As at 31 December 2016, finance lease receivables with a net amount of about RMB 2,029,191,378 were pledged as collateral to bank for short-term borrowings, long-term borrowings and other payables (31 December 2015: Nil).

(13) Other current assets

	31 December 2016	31 December 2015
Available-for-sale financial assets (Note 9(14))	1,512,699,027	462,730,318
VAT input	474,628,001	113,002,616
Prepaid LAT	241,334,896	93,529,802
Prepaid income tax	124,228,638	62,396,704
Prepaid business taxes and surcharges	35,117,886	97,419,491
Others	46,539,774	28,856,294
	2,434,548,222	857,935,225

(14) Available-for-sale financial assets

	31 December 2016	31 December 2015
Measured at fair value		
Equity instruments		
- Stocks	2,073,849,200	2,806,687,419
- Bank wealth management products	726,186,502	462,602,321
- Funds	814,180,579	85,016,638
- Private equities	45,167,934	-
Debt instruments		
- Debt investments	380,805,636	-
Measured at cost		
- Private equities	33,668,252	10,296,846
	4,073,858,103	3,364,603,224
Less: Current portion presented in other current assets (Note 9(13))	(1,512,699,027)	(462,730,318)
	2,561,159,076	2,901,872,906

9 Notes to the consolidated financial statements (Cont'd)

(14) Available-for-sale financial assets (Cont'd)

As at 31 December 2016, impairment provision of RMB 135,346,069 was provided for available-for-sale financial assets (31 December 2015: RMB 72,978,568).

As at 31 December 2016, available-for-sale financial assets with a net amount of RMB 55,329,512 were pledged as collateral to securities company for borrowings (31 December 2015: Nil).

(15) Long-term receivables

	31 December 2016	31 December 2015
Finance lease receivables	25,251,777,308	6,821,294,200
Less: Unrecognised finance income	(3,575,536,345)	(802,478,110)
Receivables due from third parties	170,640,211	-
Less: Provision for impairment	(151,726,307)	(11,229,113)
	21,695,154,867	6,007,586,977
Less: Current portion of long-term receivables (Note 9(12))	(4,991,434,351)	(1,553,027,054)
	16,703,720,516	4,454,559,923

As at 31 December 2016, long-term receivables were neither overdue nor impaired. After assessment by the Group, collective assessment impairment provision of RMB 151,726,307 was provided (31 December 2015: RMB 11,229,113).

As at 31 December 2016, long-term receivables with a net amount of about RMB 7,211,587,300 were pledged as collateral to bank for borrowings and factoring financing (31 December 2015: Nil).

9 Notes to the consolidated financial statements (Cont'd)

(15) Long-term receivables (Cont'd)

Future minimum lease receivables subsequent to balance sheet date are as follows:

	31 December 2016	31 December 2015
Finance lease receivables		
Within 1 year	5,806,929,098	1,682,936,445
1 to 2 years	5,512,531,224	1,609,373,920
2 to 3 years	4,248,562,149	1,504,850,905
Over 3 years	9,683,754,837	2,024,132,930
	25,251,777,308	6,821,294,200

(16) Long-term equity investments

	31 December 2016	31 December 2015
Associates (a)	11,706,459,814	4,244,551,847
Joint ventures (b)	3,442,031,922	-
	15,148,491,736	4,244,551,847
Less: Provision for impairment	-	-
	15,148,491,736	4,244,551,847

As at 31 December 2016, long-term equity investments with carrying amount of RMB 2,542,795,677 were pledge as collateral to a financial institution for borrowings (31 December 2015: RMB 2310,548,629). Other than that, there was no material restriction on sale or transfer of the long-term equity investments held by the Group.

After assessment by the Group, no provision for long-term equity investment was necessary.

9 Notes to the consolidated financial statements (Cont'd)

(16) Long-term equity investments (Cont'd)

(a) Associates

Investment in associates are set out below:

	31 December 2015	Transfer in / Increase	Share of net profit/(loss) under equity method	Dividends declared	Share of other comprehensive income	Share of other changes in equity	Exchange difference	31 December 2016
Yango group	-	4,675,000,000	38,411,170	(38,717,533)	1,430,899	-	-	4,676,124,536
Far East Horizon Limited	3,238,648,192	-	370,763,078	(103,927,306)	26,399,799	(68,216,459)	-	3,463,667,304
Mayson Resources Limited	-	448,960,608	464,529,210	-	-	-	-	913,489,818
Beijing Rongsheng Zhiye Investment Co. Ltd.	-	500,000,000	(9,219,890)	-	-	-	-	490,780,110
Luxaviation Holding Company	465,192,945	-	(65,470,753)	-	(15,789,518)	-	28,905,656	412,838,330
Luxaviation Acquisition S.A.	399,533,793	-	(13,018,935)	-	176,160	-	25,965,064	412,656,082
Shandong Municipal Hospital Holding Group Co., Ltd.	-	300,000,000	8,853,693	-	-	-	-	308,853,693
Henan Zhongyuan Consumer Finance Co., Ltd. ("Zhongyuan Consumer Finance")	-	175,000,000	-	-	-	-	-	175,000,000
Others	141,176,917	710,654,241	(6,059,254)	(631,111)	-	-	7,909,148	853,049,941
	4,244,551,847	6,809,614,849	788,788,319	(143,275,950)	12,217,340	(68,216,459)	62,779,868	11,706,459,814

9 Notes to the consolidated financial statements (Cont'd)

(16) Long-term equity investments (Cont'd)

(a) Associates (Cont'd)

General information of significant associates:

	Primary operating place	Place of registration	Interest (%)	Voting rights (%)	Whether strategic investment to the Group's operating activities
Yango group (note)	PRC	Fujian Province	18.04%	18.04%	Yes
Far East Horizon Limited (note)	PRC	Hong Kong	13.38%	13.38%	Yes
Mayson Resources Limited	PRC	Hong Kong	40.00%	40.00%	Yes
Beijing Rongsheng Zhiye Investment Co. Ltd.	PRC	Beijing	45.00%	45.00%	Yes
Luxaviation Holding Company	Luxembourg	Luxembourg	33.70%	40.00%	Yes
Luxaviation Acquisition S.A.	Luxembourg	Luxembourg	49.60%	50.00%	Yes
Shandong Municipal Hospital Holding Group Co., Ltd.	PRC	Shandong Province	20.00%	20.00%	Yes
Zhongyuan Consumer Finance	PRC	Henan Province	35.00%	35.00%	Yes

Note: The Group has representation on the board of directors in the invested companies, and has significant influence by participating in financial and operational decision-making process.

Key financial information of Yango group, Far East Horizon Limited and Mayson Resources Limited:

	31 December 2016		
	Yango Group (RMB'000)	Far East Horizon Limited (RMB'000)	Mayson Resources Limited (RMB'000)
Current assets	119,242,238	64,934,838	4,875,629
Including: Cash and cash equivalents	16,307,800	2,051,307	279,212
Non-current assets	5,866,099	101,626,083	304,778
Total assets	125,108,337	166,560,921	5,180,407
Current liabilities	52,151,380	65,874,589	2,814,559
Non-current liabilities	50,745,800	75,840,231	82,124
Total liabilities	102,897,180	141,714,820	2,896,683
Minority interest	5,873,002	654,990	-
Equity attributable to holders of perpetual securities	-	1,231,881	-
Equity attributable to shareholders of the Company	16,338,154	22,959,230	2,283,724
Share of net assets calculated based on invested percentage (i)	2,946,944	3,071,945	913,490
Adjustments			
- Goodwill	1,729,180	391,722	-
Carrying amount of investments in associates	4,676,124	3,463,667	913,490
Fair value of the associates with quoted price	4,068,994	3,144,373	N/A

9 Notes to the consolidated financial statements (Cont'd)

(16) Long-term equity investments (Cont'd)

(a) Associates (Cont'd)

Key financial information of Yango group, Far East Horizon Limited and Mayson Resources Limited (Cont'd):

	Year ended 31 December 2016		
	Yango Group (RMB'000)	Far East Horizon Limited (RMB'000)	Mayson Resources Limited (RMB'000)
Revenue	19,718,908	139,283,696	8,554,646
Net profit	212,955	2,941,787	1,161,323
Other comprehensive income	7,933	(78,525)	-
Total comprehensive income	220,888	2,863,262	1,161,323
Dividends received from associates	38,718	103,927	-

(i) The Group calculates share of net assets in proportion of shareholdings based on the amount attributable to the parent company of associates in their consolidated financial statements, which has taken into account the impact of fair value of both the identifiable net assets and liabilities of associates upon acquisition and the unification of accounting policies adopted by the associates to those adopted by the Group.

(ii) The Group performed impairment test for Far East Horizon Limited and Yango Group by using income approach, and no provision for impairment is provided as at 31 December 2016.

(b) Joint ventures

Investments in joint ventures are set out below:

	31 December 2015	Transfer in/ increase	Share of net profit/(loss) under equity method	Transfer out due to additional investment	Exchange difference	31 December 2016
Ningbo Meishan Boned Port Area Zhimiao Investment Center (Limited Partnership)	-	997,000,001	-	-	-	997,000,001
Dalian Qingyun Tianxia Real Estate Development Limited	-	795,878,715	(2,132,304)	-	-	793,746,411
Dalian Software Park Tengfei Development Limited	-	635,474,954	10,635,453	-	-	646,110,407
Silicon Valley Center, Hotel and Golf Project	-	202,594,897	-	-	-	202,594,897
Zhejiang Aerospace Electronics Information Industry Co., Ltd.	-	209,040,000	(6,727,103)	-	-	202,312,897
Dalian Yihong Real Estate Development Co., Ltd.	-	164,390,461	6,455,105	-	-	170,845,566
Others	-	1,150,122,640	24,551,735	(745,442,627)	189,996	429,421,744
	-	4,154,501,668	32,782,886	(745,442,627)	189,996	3,442,031,922

9 Notes to the consolidated financial statements (Cont'd)

(16) Long-term equity investments (Cont'd)

(b) Joint ventures (Cont'd)

General information of significant joint ventures:

	Primary operating place	Place of registration	Interest (%)	Voting rights (%)	Whether strategic investment to the Group's operating activities
Ningbo Meishan Boned Port Area Zhimiao Investment Center (Limited Partnership) (i)	PRC	Ningbo Province	19.49%	19.49%	Yes
Dlian Qingyun Tianxia Real Estate Development Limited (i)	PRC	Dalian Province	25.00%	25.00%	Yes
Dalian Software Park Tengfei Development Limited (i)	PRC	Dalian Province	50.00%	50.00%	Yes
Silicon Valley Center, Hotel and Golf Project	PRC	Shanghai	72.63%	72.63%	Yes
Zhejiang Aerospace Electronics Information Industry Co., Ltd. (i)	PRC	Zhejiang Province	51.00%	60.00%	Yes
Dalian Yihong Real Estate Development Co., Ltd. (i)	PRC	Dalian Province	50.27%	50.27%	Yes

(i) As the major decisions are subjected to the consent by all investors or shareholders, the investees are accounted for as joint ventures.

Key financial information for Ningbo Meishan Boned Port Area Zhimiao Investment Center (Limited Partnership) and Dlian Qingyun Tianxia Real Estate Development Limited:

	31 December 2016	
	Ningbo Meishan Boned Port Area Zhimiao Investment Center (Limited Partnership) (RMB'000)	Dlian Qingyun Tianxia Real Estate Development Limited (RMB'000)
Current assets	260,000	3,442,669
Including: Cash and cash equivalents	130,300	73,464
Non-current assets	4,856,000	5,240
Total assets	5,116,000	3,447,909
Current liabilities	-	318,681
Non-current liabilities	-	-
Total liabilities	-	318,681
Minority interest	-	-
Equity attributable to shareholders of the Company	5,116,000	3,129,228
Share of net assets calculated based on invested percentage (i)	997,000	782,307
Adjustments		
- Goodwill	-	11,439
Carrying amount of investments in associates	997,000	793,746
Fair value of the associates with quoted price	N/A	N/A

9 Notes to the consolidated financial statements (Cont'd)

(16) Long-term equity investments (Cont'd)

(b) Joint ventures (Cont'd)

Key financial information for Ningbo Meishan Boned Port Area Zhimiao Investment Center (Limited Partnership) and Dlian Qingyun Tianxia Real Estate Development Limited (Cont'd):

	Year ended 31 December 2016	
	Ningbo Meishan Boned Port Area Zhimiao Investment Center (Limited Partnership) (RMB'000)	Dlian Qingyun Tianxia Real Estate Development Limited (RMB'000)
Revenue	-	-
Net profit	-	(8,529)
Other comprehensive income	-	-
Total comprehensive income	-	(8,529)
Dividends received from associates	-	-

(17) Investment properties

	Land use rights	Buildings	Total
31 December 2015	20,600,000,000	4,828,696,000	25,428,696,000
Transfer-in from business combination	-	12,258,359,393	12,258,359,393
Increase in current year	893,903,686	1,309,833,213	2,203,736,899
Decrease in current year	-	(1,530,793,586)	(1,530,793,586)
Changes in fair value	1,106,096,314	231,732,514	1,337,828,828
31 December 2016	22,600,000,000	17,097,827,534	39,697,827,534

Investment properties of the Group comprises the land use right corresponding the building and the buildings to be developed for the purpose of leasing.

As at 31 December 2016, net amount of RMB 39,331,848,342 of investment properties were pledged as collateral to bank and trust plan for borrowings and long-term payables (31 December 2015: RMB 25,375,538,000).

The interest capitalised and recorded as cost of investment properties was RMB 538,168,933 in 2016, and the capitalisation rate used to determine the borrowing cost eligible for capitalisation was 6.53% annually (2015: RMB 612,200,680, 7.09%).

9 Notes to the consolidated financial statements (Cont'd)

(18) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Computer and electronic equipment	Office equipment	Total
Original cost						
31 December 2015	1,237,716,735	290,032,298	31,218,010	22,998,030	82,985,108	1,664,950,181
Transfer in from business combination	1,496,440,436	1,094,829,778	17,546,499	95,535,811	60,098,433	2,764,450,957
Transfer from construction in progress	121,812,374	3,230,908,952	-	-	486,057	3,353,207,383
Increase in current year	147,100,461	66,583,884	1,777,567,450	34,881,080	32,922,969	2,059,055,844
Decrease in current year	(1,048,251,827)	(42,326,671)	(39,939,513)	(36,422,501)	(72,129,964)	(1,239,070,476)
Exchange difference	518,749	11,401	(410,890)	(14,805,453)	598,031	(14,088,162)
31 December 2016	1,955,336,928	4,640,039,642	1,785,981,556	102,186,967	104,960,634	8,588,505,727
Accumulated depreciation						
31 December 2015	(5,154,479)	(14,643,989)	(3,547,068)	(7,324,022)	(6,501,117)	(37,170,675)
Increase in current year	(35,828,474)	(143,741,932)	(23,692,912)	(32,839,120)	(10,493,412)	(246,595,850)
Decrease in current year	19,641,174	1,478,450	28,987,487	34,485,625	5,781,989	90,374,725
Exchange difference	213,428	(11,029)	34,949	10,977,048	(927,727)	10,286,669
31 December 2016	(21,128,351)	(156,918,500)	1,782,456	5,299,531	(12,140,267)	(183,105,131)
Provision for impairment						
31 December 2015	-	-	-	-	-	-
Increase in current year	-	-	(7,286,158)	-	-	(7,286,158)
31 December 2016	-	-	(7,286,158)	-	-	(7,286,158)
Net book value						
31 December 2016	1,934,208,577	4,483,121,142	1,780,477,854	107,486,498	92,820,367	8,398,114,438
31 December 2015	1,232,562,256	275,388,309	27,670,942	15,674,008	76,483,991	1,627,779,506

As at 31 December 2016, net amount of RMB 2,485,476,219 of fixed assets were pledged as collateral to financial institutions for short-term and long-term borrowings (31 December 2015: RMB 1,026,897,919).

9 Notes to the consolidated financial statements (Cont'd)

(19) Construction in progress

Project name	31 December 2015	Transfer in from business combination	Increase in current year	Transfer to fixed assets or long-term prepaid expenses	Exchange difference	31 December 2016
Photovoltaic infrastructure projects	5,719,830,964	-	2,455,954,198	(3,146,567,582)	-	5,029,217,580
Plant and architectural industrial park	119,143,388	-	397,164,704	(190,310,268)	-	325,997,824
Office decoration projects	17,396,307	-	40,211,852	(45,933,411)	45,749	11,720,497
Buildings	20,966,213	149,633,618	38,137,103	(22,048,305)	-	186,688,629
Others	281,752	7,885,686	5,023,693	(281,752)	-	12,909,379
	5,877,618,624	157,519,304	2,936,491,550	(3,405,141,318)	45,749	5,566,533,909
Less: Provision for impairment of construction in progress	-					-
	5,877,618,624					5,566,533,909

The borrowing cost capitalised and recorded as cost of construction in progress was RMB 44,234,626 in 2016 (2015: RMB 5,112,546).

As at 31 December 2016, construction in progress with a carrying amount of RMB 1,202,001,210 was pledged to financial institutions for borrowings (31 December 2015: Nil).

9 Notes to the consolidated financial statements (Cont'd)

(20) Intangible assets

	Land use rights	Computer software	License	Customer relationships	Others	Total
Original cost						
31 December 2015	406,469,568	12,682,097	19,700,000	101,162,892	1,220,890	541,235,447
Transfer in from business combination	265,262,638	12,283,719	195,656,740	935,274,395	427,618,719	1,836,096,211
Increase in current year	510,492,768	19,121,200	65,800	-	215,000	529,894,768
Decrease in current year	(392,564,163)	(2,359,443)	(34,539,960)	-	-	(429,463,566)
Exchange difference	-	-	12,308,220	55,561,236	30,276,165	98,145,621
31 December 2016	789,660,811	41,727,573	193,190,800	1,091,998,523	459,330,774	2,575,908,481
Accumulated amortization						
31 December 2015	(5,608,622)	(784,121)	(8,167)	(18,988,766)	-	(25,389,676)
Amortisation in current year	(2,691,018)	(3,975,331)	(490,000)	(26,713,433)	(1,043)	(33,870,825)
Decrease in current year	9,931,046	478,766	-	-	-	10,409,812
Exchange difference	-	(1,819)	-	-	-	(1,819)
31 December 2016	1,631,406	(4,282,505)	(498,167)	(45,702,199)	(1,043)	(48,852,508)
Net book value						
31 December 2016	791,292,217	37,445,068	192,692,633	1,046,296,324	459,329,731	2,527,055,973
31 December 2015	400,860,946	11,897,976	19,691,833	82,174,126	1,220,890	515,845,771

As at 31 December 2016, no impairment provision for intangible assets was provided (31 December 2015: nil).

As at 31 December 2016, net amount of RMB 46,343,361 were pledged as collateral to financial institutions for borrowings (31 December 2015: RMB 105,942,775).

Note: Other intangible assets mainly include licenses, trademark and Lloyd's Capacity with indefinite useful life. As at 31 December 2016, the net amount of these intangible assets was RMB 457,842,000. After assessment of the Group, no provision for impairment was provided.

9 Notes to the consolidated financial statements (Cont'd)

(21) Goodwill

	31 December 2015	Increase in current period	Exchange difference	31 December 2016
CM Jet (a)	627,732,874	-	-	627,732,874
CM Drawin Tech (b)	210,557,010	-	14,257,801	224,814,811
CM Financial (b)	118,715,165	-	15,330,017	134,045,182
Minghua Property (c)	191,221,604	-	-	191,221,604
Sirius Insurance (d)	-	2,573,273,801	182,286,110	2,755,559,911
Shangdong Ruigao (e)	-	254,896,310	-	254,896,310
Kerui Property (c)	-	214,738,000	-	214,738,000
Richtech Shangfang (c)	-	189,385,884	-	189,385,884
Others	81,239,437	200,793,925	-	282,033,362
	1,229,466,090	3,433,087,920	211,873,928	4,874,427,938
Less: Provision for impairment	-			-
	1,229,466,090			4,874,427,938

(a) The recoverable amount of CM Jet is determined at the present value of expected future cash flows. Cash flows forecast in next 5 years is calculated based on the five-year business plan approved by the management, and cash flow after then is projected by using perpetual growth rate of 3%; and the discounted rate used is 12%.

(b) The recoverable amount of CM Drawin Tech and CM Financial is determined by fair value less costs to sell, in which the fair value is calculated by using quoted price in active market without adjustments.

(c) The recoverable amounts of these property management companies are determined at the present value of expected future cash flows. Cash flows forecast in next 5 years is calculated based on the five-year business plans approved by their management, and cash flow after then is projected by using perpetual growth rate ranging 2%-3%; and the discounted rate used ranging 13%-13.5%.

(d) The recoverable amount of Sirius Insurance is determined at the present value of expected future cash flows. Cash flows forecast in next 9 years is calculated based on the business plan approved by the management, and cash flow after then is projected by using perpetual growth rate of 2%; and the discounted rate used is 8%.

(e) The recoverable amount of Shangdong Ruigao is determined at the present value of expected future cash flows. Cash flows forecast in next 5 years is calculated based on the five-year business plan approved by the management, and cash flow after then is projected by using perpetual growth rate of 0%; and the discounted rate used is 12.5%.

(f) Goodwill allocated to the Group's asset groups and groups of asset groups are summarised by operating segments as follows:

	31 December 2016	31 December 2015
Insurance	2,755,559,911	-
Financial property	716,294,924	282,517,082
Property management	640,795,045	200,500,970
Investment and asset management	134,045,184	118,715,165
Others	627,732,874	627,732,873
	4,874,427,938	1,229,466,090

9 Notes to the consolidated financial statements (Cont'd)

(22) Long-term prepaid expenses

	31 December 2016	31 December 2015
Rent payment for land	204,457,814	200,121,489
Leasehold improvements	178,375,316	139,340,947
Pilot introduction fee and training expenses	98,367,053	175,098,904
Others	571,965,878	819,858,939
	1,053,166,061	1,334,420,279

(23) Deferred tax assets and deferred tax liabilities

(a) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2016	31 December 2015
Deferred tax assets, net	3,689,355,451	1,105,846,548
Deferred tax liabilities, net	8,831,741,660	3,903,001,178

(b) Balances of deferred tax assets and deferred tax liabilities without taking into consideration the offsetting are as follows:

Deferred tax assets

	31 December 2016		31 December 2015	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Elimination of intra-group unrealised profit	427,601,231	1,710,403,331	153,650,458	614,601,834
Differences between tax basis and book value arising from equity transfer	242,837,321	971,349,282	242,837,321	971,349,282
Employee benefits payable	295,931,110	1,166,025,805	117,006,117	468,024,470
Changes in fair value of financial assets at fair value through profit or loss	6,263,589	32,903,606	50,716,391	253,856,473
Changes in fair value of available-for-sale financial assets	39,736,781	240,828,973	24,391,736	145,286,885
Asset impairment loss	57,424,946	261,078,968	5,322,978	21,291,912
Accrued expenses	3,745,453	12,250,649	8,671,561	34,686,244
Deductible carried forward losses (i)	2,530,700,665	9,887,583,016	892,462,910	3,622,240,531
Share-based payment	28,133,070	112,532,279	-	-
Insurance reserve	166,225,621	474,930,349	-	-
Tax credit (ii)	104,548,595	331,189,292	-	-
Others	206,558,018	729,024,383	-	-
	4,109,706,400		1,495,059,472	

(i) The deductible carried forward losses as at 31 December 2016 mainly included those from acquisition of Sirius Insurance, most of which will not expire.

(ii) Tax credit mainly includes Sirius Insurance's income tax paid in oversea which can be used to enjoy tax credit in the future.

9 Notes to the consolidated financial statements (Cont'd)

(23) Deferred tax assets and deferred tax liabilities (Cont'd)

(b) Balances of deferred tax assets and deferred tax liabilities without taking into consideration the offsetting are as follows (Cont'd):

Deferred tax liabilities

	31 December 2016		31 December 2015	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Changes in fair value of investment property	4,482,497,695	17,929,990,781	2,480,750,115	9,923,000,460
Safety reserve of oversea insurance companies	1,801,789,645	8,189,952,928	-	-
Income tax for dividend or expected dividend from oversea subsidiaries	1,099,741,356	8,410,356,084	358,227,377	3,711,423,302
Differences between the fair value of the identifiable net assets and book value arising from business combinations not under common control	924,949,471	3,987,313,411	670,361,494	2,681,445,978
Changes in fair value of financial assets at fair value through profit or loss	497,899,103	2,077,588,729	764,841,991	3,433,975,993
Uncertain tax provision	165,008,782	737,958,455	-	-
Income tax for retained earnings included in the considerations from partial disposals of subsidiaries	86,921,144	1,785,262,223	-	-
Insurance reserve	21,207,914	56,190,921	-	-
Others	172,077,499	592,516,581	18,033,125	89,914,298
	9,252,092,609		4,292,214,102	

As at 31 December 2016, the deferred income assets and liabilities offset by the Group were RMB 420,350,550 (31 December 2015: RMB 389,212,924).

As at 31 December 2016, the amount of deferred income liabilities expected to be reversed within 1 year was RMB 277,982,088 (31 December 2015: RMB 572,997,214).

9 Notes to the consolidated financial statements (Cont'd)

(24) Other non-current assets

	31 December 2016	31 December 2015
Financial assets at fair value through profit or loss (Note 9(2))	20,322,940,160	14,814,916,147
Loan and receivable (Note 9(3))	5,963,814,005	4,741,918,833
Prepayment for land use right	3,444,678,161	40,501,300
Reinsurance reserve (Note 9(36))	1,409,804,151	-
Prepayment for equity investments	1,023,130,390	304,600,000
Input VAT	691,139,209	375,430,932
Reinsurance receivable (Note 9(8))	484,575,651	-
Prepayment for assets for operating leases	132,313,870	-
Prepayments for equipments	72,533,210	10,042,846
Others	42,714,916	38,463,965
	33,587,643,723	20,325,874,023
Less: current portion of prepayment for operating lease assets (presented in other current assets)(Note 9(12))	(132,313,870)	-
	33,455,329,853	20,325,874,023

(25) Short-term borrowings

	31 December 2016	31 December 2015
Credit borrowings	22,278,625,413	15,471,404,297
Guaranteed borrowings	765,500,000	4,153,897,000
Collateralised borrowings	10,507,925,035	6,988,709,584
	33,552,050,448	26,614,010,881

As at 31 December 2016, the weighted average interest rate of short-term borrowings was 4.68% per annum (31 December 2015: 4.91%).

9 Notes to the consolidated financial statements (Cont'd)

(26) Financial liabilities at fair value through profit or loss

	31 December 2016	31 December 2015
Financial liabilities held for trading		
Derivative financial liabilities	491,402,503	-
Others	35,470,560	-
Financial liabilities designated at fair value through profit or loss		
Other limited partners' interest in the consolidated structured entities	347,950,241	340,755,984
	874,823,304	340,755,984
Less: Non-current portion of financial liabilities at fair value through profit or loss (presented in other non-current liabilities) (Note 9(42))	(359,442,478)	(340,755,984)
	515,380,826	-

(27) Notes Payable

	31 December 2016	31 December 2015
Commercial acceptance	234,363,774	299,795,343
Bank acceptance	108,818,052	-
Others	25,740,515	-
	368,922,341	299,795,343

(28) Accounts payable

	31 December 2016	31 December 2015
Payable for inventory construction	3,453,574,666	682,249,895
Others	341,050,574	69,005,618
	3,794,625,240	751,255,513

(29) Advances from customers

	31 December 2016	31 December 2015
Advances from sales of properties	4,389,236,182	1,978,347,150
Others	301,464,890	189,611,953
	4,690,701,072	2,167,959,103

9 Notes to the consolidated financial statements (Cont'd)

(30) Employee benefits payable

	31 December 2016	31 December 2015
Short-term employee benefits payable (a)	2,085,809,849	667,061,769
Defined contribution plans payable (b)	21,750,451	33,915,192
Termination benefits payable(c)	7,987,673	70,000,000
	2,115,547,973	770,976,961

(a) Short-term employee benefits payable

	31 December 2015	Transfer in from business combination	Accrual	Payment	Exchange difference	31 December 2016
Wages and salaries, bonus, allowances	621,961,722	601,645,006	3,319,023,883	(2,540,000,773)	25,735,266	2,028,365,104
Staff welfare	218,404	46,789,712	99,148,542	(101,920,979)	(2,011,125)	42,224,554
Social security contributions	16,267,120	1,544,977	61,202,825	(73,836,636)	338	5,178,624
Including: Medical insurance	14,187,009	1,272,896	54,030,017	(65,051,159)	300	4,439,063
Work injury insurance	935,206	187,458	2,463,148	(3,209,108)	12	376,716
Maternity insurance	1,144,905	84,623	4,709,660	(5,576,369)	26	362,845
Housing funds	25,472,879	106,468	54,676,391	(76,416,304)	430	3,839,864
Labour union funds and employee education funds	3,141,644	1,151,201	11,632,789	(8,775,041)	(948,890)	6,201,703
	667,061,769	651,237,364	3,545,684,430	(2,800,949,733)	22,776,019	2,085,809,849

(b) Defined contribution plans payable

	31 December 2015	Accrual	Payment	31 December 2016
Basic pensions	31,711,655	140,169,140	(150,673,317)	21,207,478
Unemployment insurance	2,203,537	7,027,958	(8,688,522)	542,973
	33,915,192	147,197,098	(159,361,839)	21,750,451

(c) Termination benefits payable

	31 December 2015	Accrual	Payment	31 December 2016
Termination benefits payable	70,000,000	-	(62,012,327)	7,987,673
	70,000,000	-	(62,012,327)	7,987,673

9 Notes to the consolidated financial statements (Cont'd)

(31) Taxes payable

	31 December 2016	31 December 2015
Enterprise income tax payable	1,981,071,802	1,802,587,454
LAT payable	553,793,860	382,899,593
VAT payable	145,176,116	11,477,912
Stamp tax payable	65,462,816	45,434,301
Deed tax payable	48,498,351	402,300,000
Business taxes and surcharges payable	8,876,954	103,185,060
Real estate taxes payable	5,609,752	26,608,633
Others	105,314,470	881,673,289
	2,913,804,121	3,656,166,242

(32) Interest payable

	31 December 2016	31 December 2015
Interest payable on bank borrowings	155,217,200	60,831,138
Interest payable on bond issued	702,023,153	35,867,911
Others	11,381,082	67,746,787
	868,621,435	164,445,836

(33) Dividends payable

	31 December 2016	31 December 2015
Dividends payable to minority interest of subsidiaries	430,673,075	78,887,389
Dividends payable to shareholders of the Company	30,000,000	1,460,000,000
Dividends payable to restricted shares	-	116,700,000
	460,673,075	1,655,587,389

9 Notes to the consolidated financial statements (Cont'd)

(34) Other payables

	31 December 2016	31 December 2015
Share transfer consideration received in advance	4,851,654,049	375,274,005
Payable from transfer-out beneficial right (a)	3,944,167,534	1,207,756,994
Payable for fixed assets under construction	2,172,356,410	2,866,552,266
Other payables due to third parties	1,322,067,721	-
Payable for investments	1,450,175,971	-
Borrowing from shareholders of subsidiaries	772,789,364	742,912,500
Guarantee deposit received	771,473,177	179,083,411
Payable for price adjustment share transfer	641,339,518	-
Factoring financing with recourse	509,600,000	-
Payable for demolition compensation	378,281,511	264,651,495
Dividend received from associates before declaration	340,000,000	-
Payables due to minority interests and their holding companies	317,123,858	-
Accrued expenses	301,605,778	116,230,589
Payables due to related parties (Note 10(3)(b))	166,175,000	-
Aviation services reserves	96,975,364	82,045,233
Prepaid capital from shareholders	-	4,632,500,000
Prepaid capital from shareholders of subsidiaries	-	1,300,000,000
Others	1,243,335,097	643,074,678
	19,279,120,352	12,410,081,171

(a) The Group's subsidiaries transferred beneficial rights of part of their debt and equity investments to intra-group companies to individual investors. As at 31 December 2016, the principal and interest payables arising from the above transactions was RMB 3,944,167,534, with interest rate from 4.6% to 7.5% per annum (31 December 2015: principal and interest payables of RMB 843,616,994, interest rate from 5.2% to 12% per annum).

(35) Reinsurance accounts payable

As at 31 December 2016, the Group's reinsurance accounts payable was RMB 1,131,384,334 (31 December 2015: Nil).

9 Notes to the consolidated financial statements (Cont'd)

(36) Insurance reserve

	31 December 2015	Transfer in from business combination	Increase in current year	Decrease in current year	Exchange difference	31 December 2016
Gross						
Unearned premium reserves	-	2,714,593,378	-	(752,754,347)	94,851,670	2,056,690,701
Outstanding claim reserves	-	11,266,043,076	3,012,602,113	(3,623,085,961)	561,211,282	11,216,770,510
	-	13,980,636,454	3,012,602,113	(4,375,840,308)	656,062,952	13,273,461,211
Ceded						
Unearned premium reserves	-	855,614,323	-	(347,362,154)	31,752,318	540,004,487
Outstanding claim reserves	-	1,935,551,702	815,134,979	(788,373,623)	91,002,356	2,053,315,414
	-	2,791,166,025	815,134,979	(1,135,735,777)	122,754,674	2,593,319,901

	31 December 2016
Gross	
Unearned premium reserves	2,056,690,701
Outstanding claim reserves	11,216,770,510
	13,273,461,211
Less: Insurance reserves presented in other non-current liabilities (Note 9(42))	(7,682,795,628)
	5,590,665,583

	31 December 2016
Ceded	
Unearned premium reserves	540,004,487
Outstanding claim reserves	2,053,315,414
	2,593,319,901
Less: Non-current portion (presented in other non-current assets) (Note 9(24)	(1,409,804,151)
	1,183,515,750

(37) Current portion of non-current liabilities

	31 December 2016	31 December 2015
Current portion of long-term borrowings (Note 9(39))	3,869,983,029	5,285,714,526
Current portion of bonds payable (Note 9(41))	1,219,556,924	357,456,507
Current portion of long-term payables (Note 9(40))	140,825,425	355,515,740
Current portion of other non-current liabilities (Note 9(42))	175,481,212	32,932,351
	5,405,846,590	6,031,619,124

9 Notes to the consolidated financial statements (Cont'd)

(38) Other current liabilities

	31 December 2016	31 December 2015
Bonds payable (Note 9(41))	21,676,392,668	4,632,957,960
Others	176,804,151	17,164,262
	21,853,196,819	4,650,122,222

(39) Long-term borrowings

	31 December 2016	31 December 2015
Credit borrowings	3,053,910,282	1,414,635,143
Guaranteed borrowings	16,916,316,587	4,919,277,113
Collateralised borrowings	22,409,167,821	8,250,892,585
	42,379,394,690	14,584,804,841
Less: Current portion of long-term borrowings (Note 9(37))	(3,869,983,029)	(5,285,714,526)
	38,509,411,661	9,299,090,315

As at 31 December 2016, the weighted average interest rate of long-term borrowings was 5.51% per annum (31 December 2015: 6.83%).

(40) Long-term payables

	31 December 2016	31 December 2015
Due to limited partners of Xingsheng Jiaye Investment's senior tranche (a)	15,000,000,000	15,000,000,000
Net finance lease payables (b)	1,881,516,623	300,409,500
Repurchase payable	-	250,000,000
Payable for equipment purchase	-	135,807,397
Others	432,532,176	294,202,552
	17,314,048,799	15,980,419,449
Less: Current portion of long-term payables	(140,825,425)	(355,515,740)
	17,173,223,374	15,624,903,709

(a) Interest will be paid on the 20th day of last month in every calendar quarter and on maturity date with interest rate of 5.41% per annum. The Group pledged land use right (record as inventory and investment property in the financial statement) as collateral to limited partners of the senior tranche. Meanwhile, the Company provided general continuing guaranty.

9 Notes to the consolidated financial statements (Cont'd)

(40) Long-term payables (Cont'd)

(b) Net amount of finance lease payables is as follows:

	31 December 2016	31 December 2015
Minimum lease payables	2,267,142,964	305,047,750
Less: unrecognised finance expense	(385,626,341)	(4,638,250)
Net	1,881,516,623	300,409,500

(41) Bonds payable

Issuer	Type	Guarantee Type	Maturity	Par value (in million)	Issued year	Coupon rate (per annum)	31 December 2016
The Company(a)	Corporate bonds	None	3 years	RMB 4,000	2015	4.35%	3,739,490,169
The Company (a)	Corporate bonds	None	3 years	RMB 3,500	2016	4.50%	3,489,002,353
The Company (b)	Private placement notes	None	3 years	RMB 3,000	2016	5.20%	2,991,231,766
The Company (a)	Private placement notes	None	3 years	RMB 2,500	2016	4.38%	2,492,059,876
The Company (a)	Private placement notes	None	3 years	RMB 2,000	2016	4.65%	1,993,200,931
The Company (a)	Corporate bonds	None	3 years	RMB 5,000	2016	4.88%	4,981,846,095
The Company (a)	Corporate bonds	None	3 years	RMB 5,000	2016	4.39%	4,980,793,244
The Company (c)	Private placement notes	None	3 years	RMB 2,500	2016	4.99%	2,492,404,752
CM Drawin Tech (d)	Corporate bonds	None	3 years	HKD 200	2015	-	158,709,096
Boom Up Investments Limited (e)	Corporate bonds	None	5 years	USD 300	2015	3.25%	1,955,866,585
Boom Up Investments Limited (f)	Corporate bonds	None	3 years	USD 500	2016	3.80%	3,439,409,770
CM New Energy (g)	Corporate bonds	Irrevocable joint liability guarantee	3 years	RMB 1,000	2016	4.67%	994,700,600
CMI Leasing (h)	Corporate bonds	None	3 years	RMB 3,000	2016	4.70%	3,032,506,030
CMI Leasing (h)	Corporate bonds	None	3 years	RMB 2,000	2016	4.97%	2,004,625,482
CMI Leasing (i)	Asset Backed Securities	None	3 years	RMB 1,200	2015	5.05%-5.8%	676,747,015
CMI Leasing (i)	Asset Backed Securities	None	3 years	RMB 850	2016	3.8%-5.5%	651,737,348
CMI Leasing (i)	Asset Backed Securities	None	3.5 years	RMB 1,600	2016	4.2%-5.3%	1,499,581,081
Sirius Insurance (j)	Senior Notes	None	10 years	USD 400	2016	4.60%	2,722,888,813
							44,296,801,006
Less: Current portion (presented in other current liabilities) (Note 9(38))							(21,676,392,668)
Current portion (presented in current portion of non-current liabilities) (Note 9(37))							(1,219,556,924)
							21,400,851,414

9 Notes to the consolidated financial statements (Cont'd)

(41) Bonds payable (Cont'd)

(a) The Company privately placed 3-year corporate bonds or private publication notes. At the end of first and second year of the 3-year period, the issuer has option to adjust the interest rate applicable to the rest period of the bond, and the issuer has call option while the investor has the put option. The Group classified the bonds into current liabilities.

(b) On 28 January 2016, the Company placed a 3-year private placement note ("PPN") with par value of RMB 3,000 million and coupon rate of 5.20% per annum.

(c) On 9 December 2016, the Company placed a 3-year PPN with par value of RMB 2,500 million and coupon rate of 4.99% per annum. At the end of second year of the 3-year period, the issuer has option to adjust the interest rate applicable to the rest period, and the investor has the put option.

(d) CM Drawin Tech issued 3-year zero coupon rate convertible bonds ("Convertible Bonds") of HKD 200 million to external investors on 27 May 2015.

The holders of Convertible Bonds are entitled to convert all or part of bonds into ordinary shares at HKD 0.2 per share in the period from 6 months after bond issuance date to 10 business days before the maturity date. CM Drawin Tech will redeem all outstanding Convertible Bonds at par value upon maturity.

The Convertible Bond was separated into liabilities component and equity component at initial recognition on 27 May 2015. The fair value of liability component was calculated at the present value of the redeemable principal using discounted rate of 8.92%. The fair value of the equity component was determined by using binomial option pricing model.

(e) Boom Up Investments Limited, a subsidiary of CM International, issued a 5-year corporate bond with par value of USD 300 million in Hong Kong Exchange on 24 July 2015. Its coupon rate is 3.25%, and interest will be paid every 6 months and the principal will be paid on maturity date.

(f) Boom Up Investments Limited, a subsidiary of CM International, issued a 3-year corporate bond with par value of USD 500 million in Singapore Exchange on 3 August 2016. Its coupon rate is 3.80%, and interest will be paid every 6 months and the principal will be paid on maturity date.

(g) On 7 November 2016, CM New Energy privately placed a 3-year RMB bond with par value of RMB 1,000 million and coupon rate of 4.67% per annum and the Company provide irrevocable joint liability guarantee. At the end of second year of the 3-year period, the issuer has option to adjust the interest rate applicable to the rest period of the bond, and the investors has the put option.

(h) CMI Leasing privately placed a 3-year RMB bond. At the end of second year of the 3-year period, the issuer has option to adjust the interest rate applicable to the rest period of the bond, and the investors has the put option.

(i) CMI Leasing issued finance lease receivables backed securities with total par value of 3.65 billion, among which, the par value of senior tranche is 3.40 billion and of subordinate tranche is 0.25 billion. CMI Leasing held all subordinate tranche and a part of senior tranche. As CMI Leasing retained almost all the variable risks and rewards, the part of senior tranche held by external investors are accounted for as liabilities. CMI Leasing provided guarantee to the principal and interests of senior tranche.

(j) In November 2016, Sirius Insurance issued a 10-year senior note with par value of USD 400 million. Its coupon rate is 4.6%, and interest will be paid every 6 months and the principal will be paid on maturity date.

9 Notes to the consolidated financial statements (Cont'd)

(42) Other non-current liabilities

	31 December 2016	31 December 2015
Insurance contract reserves (Note 9(36))	7,682,795,628	-
Capital injection (a)	1,449,662,419	-
Guarantee deposit from leasee	1,147,908,322	448,669,566
Payables due to senior tranche investors of the trust plan (b)	1,000,780,137	-
Output VAT to be recognised	178,735,170	-
Deferred commission income	150,410,560	82,164,086
Financial liabilities at fair value through profit or loss (Note 9(26))	359,442,478	340,755,984
Others	17,546,778	-
	11,987,281,492	871,589,636
Less: current portion of other non-current liabilities (Note 9(37))	(175,481,212)	(32,932,351)
	11,811,800,280	838,657,285

(a) According to the share subscription agreement between CMI Singapore and its investors, the investors have put option which will require CMI Singapore to repurchase the shares in the event that there is no initial public offering of CMI Singapore on the recognised stock exchanges 5 years since the investments. The repurchase price shall be the sum of (a) the subscription price that the investors paid and (b) the total interests calculated based on interest rate of 5% per annum and the period from the subscription date to the date of the payment of the aggregate principal amount.

The proceeds from capital injection in full are accounted for as liabilities due to above put option.

(b) The term of the senior tranche of trust plan is 2 years, and the highest expected rate of return is 5.5% per annum.

(43) Capital surplus

	31 December 2015	Increase in current year	Decrease in current year	31 December 2016
Capital premium(a)	267,705,282	2,717,016,121	(1,448,088,413)	1,536,632,990
Share-based payment(b)	46,354,864	86,892,454	-	133,247,318
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	-	-	(68,216,459)	(68,216,459)
	314,060,146	2,803,908,575	(1,516,304,872)	1,601,663,849

(a) Increase or decrease in capital premium is the difference between transfer price and identifiable net assets of subsidiaries on disposal date, net of tax, as the Group disposed some equity of subsidiaries without losing control, or purchased some minority interest of subsidiaries.

9 Notes to the consolidated financial statements (Cont'd)

(43) Capital surplus(Cont'd)

(b) Share-based payment

The Group set up a trust plan to implement share-based payment. The trust plan subscribed 2 billion shares of the Company as a sponsor shareholder. The subscribed shares will be paid from 30 June 2014 to 30 June 2019 in six instalments, but are entitled to receive dividends based on subscripted shares within the period. As of 31 December 2016, the paid-in capital from the trust plan is RMB 400 million(31 December 2015: RMB 200 million).

(i) First batch share-based payment

According to resolution of Board of Directors in 2014, the Company granted share-based payment to senior management, who purchased 76 million units of trust plan. The units of trust plan can't be transferred to third parties before 30 June 2019. As at 31 December 2016, senior management in service held 76 million units of trust plan.

(ii) Second batch share-based payment

On 20 November 2015, the Company set up a limited partnership to purchase the rest 124 million units of trust plan that are not granted to employees. According to Resolution of Board of Directors of the Company [2015] No. 26 (No. 41 since incorporation) and the Interim Shareholders' Resolution of the Company [2015] No. 2 (No. 4 since incorporation), the Company granted share-based payment to key employees, who purchased shares of the limited partnership corresponding to 41.4 million units of trust plan. The units of trust plan can't be transferred to third parties before 30 June 2019. As at 31 December 2016, key employees in service held 38.2 million units of trust plan.

(iii) The differences between the fair value of units of trust plan and the present value of consideration by employees on grant date is amortised during the vesting period and recorded as expenses.

(iv) The trust plan and limited partnership set for share-based payment are controlled by the Company, so they are within consolidation scope of the Group's financial statements.

(44) Treasury stock

As at 31 December 2016, the units of trust plan granted to senior management and key employees that can't be transferred to third parties amounted to RMB 228,400,000, and the units of trust plan held by the limited partnership that haven't been granted amounted to RMB 171,600,000. In total, the corresponding RMB 400,000,000 shares were presented as treasury stock in the consolidated financial statements.

9 Notes to the consolidated financial statements (Cont'd)

(45) Other comprehensive income

	31 December 2016	31 December 2015
Changes in fair value of available-for-sale financial assets	(181,826,634)	(868,391,772)
Currency translation differences	973,687,613	612,891,652
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss	(44,223,993)	-
Others	2,802,487	-
	750,439,473	(255,500,120)

(a) Other comprehensive income items and related income tax impact

	For the year ended 31 December 2016			
	Amount before tax	Reclassification of previous other comprehensive income to profit or loss	Income tax	Net amount after tax
Items that may be subsequently reclassified to profit or loss				
- Changes in fair value for available-for-sale financial assets	512,536,880	146,469,891	31,715,483	690,722,254
- Currency translation differences	395,197,680	-	-	395,197,680
- Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss	(43,926,845)	-	-	(43,926,845)
- Effective portion of cash flow hedging	2,968,152	-	-	2,968,152
Total other comprehensive income	866,775,867	146,469,891	31,715,483	1,044,961,241

	For the year ended 31 December 2015			
	Amount before tax	Reclassification of previous other comprehensive income to profit or loss	Income tax	Net amount after tax
Items that may be subsequently reclassified to profit or loss				
- Changes in fair value for available-for-sale financial assets	(891,622,231)	-	20,115,886	(871,506,345)
- Currency translation differences	647,280,553	-	-	647,280,553
Total other comprehensive income	(244,341,678)	-	20,115,886	(224,225,792)

9 Notes to the consolidated financial statements (Cont'd)

(45) Other comprehensive income (Cont'd)

(b) Change in other comprehensive income items

	Total equity attributable to shareholders of the Company						Minority interest	Total
	Changes result from remeasurement of net liabilities and net assets of defined benefit plans	Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss	Gains or losses arising from changes in fair value of available-for-sale financial assets	Currency translation differences	Effective portion of cash flow hedging	Subtotal		
1 January 2015	-	-	-	(6,925,917)	-	(6,925,917)	(1,618,274)	(8,544,191)
Movements for the year ended 31 December 2015	-	-	(868,391,772)	619,817,569	-	(248,574,203)	24,348,411	(224,225,792)
31 December 2015	-	-	(868,391,772)	612,891,652	-	(255,500,120)	22,730,137	(232,769,983)
1 January 2016	-	-	(868,391,772)	612,891,652	-	(255,500,120)	22,730,137	(232,769,983)
Movements for the year ended 31 December 2016	-	(44,223,993)	686,565,138	360,795,961	2,802,487	1,005,939,593	39,021,648	1,044,961,241
31 December 2016	-	(44,223,993)	(181,826,634)	973,687,613	2,802,487	750,439,473	61,751,785	812,191,258

9 Notes to the consolidated financial statements (Cont'd)

(46) Retained earnings

As at 31 December 2016, included in the retained earnings, RMB 331,454,188 was subsidiaries' surplus reserve attributable to the Company (31 December 2015: RMB 569,473,411).

(47) Revenue

	For the year ended 31 December 2016	For the year ended 31 December 2015
Revenue from sales of goods		
Revenue from sale of properties	6,194,710,872	120,065,941
Revenue from trade	3,470,316,637	26,659,464
Revenue from electricity	432,679,453	-
Others	92,912,887	29,467,584
	10,190,619,849	176,192,989
Revenue from rendering of services		
Commission and interest income from finance leases	1,183,203,748	327,657,738
Revenue from business aircraft management and jet charter	1,088,933,677	1,173,687,491
Revenue from property management	917,662,771	81,851,674
Revenue from medical services	181,882,943	22,612,473
Revenue from operating lease	149,426,238	4,913,905
Revenue from hotel services	41,080,445	10,754,284
Revenue from consulting services	12,374,329	31,677,796
Others	169,064,708	23,019,292
	3,743,628,859	1,676,174,653
Earned premium from insurance business		
Gross written premium	5,260,453,396	-
Including: Premium from inward reinsurance	3,649,342,509	-
Less: Premium ceded out	(1,367,317,753)	-
Less: Changes in unearned premium reserve	404,526,967	-
	4,297,662,610	-
Revenue from investment business		
Investment income from investment companies	743,948,012	2,001,561,744
Gains or losses from fair value changes of investment companies	436,702,954	809,089,948
Others	102,255,640	600,870
	1,282,906,606	2,811,252,562
	19,514,817,924	4,663,620,204

9 Notes to the consolidated financial statements (Cont'd)

(48) Expenses by nature

Costs, selling expenses and general and administrative expenses classified by nature are as follows:

	For the year ended 31 December 2016	For the year ended 31 December 2015
Cost of goods sold	9,195,675,954	132,964,698
Employee benefits expenses	3,830,818,455	1,976,536,996
Insurance claims and changes in outstanding claim reserves, net (a)	2,197,467,133	-
Commissions, and brokerage fees for insurance and reinsurance business, net	970,299,015	-
Cost of business aircraft management and jet charter	598,964,448	554,097,560
Interest expense for finance leases	558,398,181	-
Professional fees	453,504,100	255,953,297
Rental expenses	258,986,215	234,537,597
Office and meeting expenses	206,717,858	76,286,276
Travelling expenses	150,562,993	98,778,900
Advertising and promotion expenses	98,639,357	27,425,853
Other taxes and levies	80,555,595	71,882,542
Entertainment expenses	65,538,768	43,844,285
Stamp duties	4,572,990	45,178,718
Other expenses	649,205,590	449,707,635
	19,319,906,652	3,967,194,357

(a) Insurance claims and changes in outstanding claim reserves , net

	For the year ended 31 December 2016	For the year ended 31 December 2015
Gross insurance claims	3,623,085,961	-
Less: ceded insurance claims	(788,373,623)	-
Change in gross outstanding claim reserves	(610,483,843)	-
Less: change in ceded outstanding claim reserves	(26,761,362)	-
	2,197,467,133	-

(49) Taxes and surcharges

	For the year ended 31 December 2016	For the year ended 31 December 2015
LAT	289,243,996	5,034,173
Business tax	128,762,195	52,322,018
City maintenance and construction tax	18,783,317	3,499,978
Stamp duties	18,071,134	-
Others	36,542,632	5,743,956
	491,403,274	66,600,125

9 Notes to the consolidated financial statements (Cont'd)

(50) Finance expense - net

	For the year ended 31 December 2016	For the year ended 31 December 2015
Interest income	(484,182,731)	(241,143,425)
Interest expenses	3,942,731,645	942,542,314
Commission and bank charges	37,376,918	52,652,975
Exchange gains or losses	(1,230,706,722)	(246,062,744)
	2,265,219,110	507,989,120

(51) Asset impairment losses

	For the year ended 31 December 2016	For the year ended 31 December 2015
Impairment of long-term receivables	141,600,601	13,091,912
Bad debts provision	132,062,413	9,218,431
Decline in the value of inventories	129,641,951	-
Impairment of available-for-sale financial assets	86,195,890	72,978,468
Others	31,528,911	-
	521,029,766	95,288,811

(52) Net gains from fair value changes

	For the year ended 31 December 2016	For the year ended 31 December 2015
Investment properties	1,337,828,828	1,479,740,467
Financial assets at fair value through profit or loss of non-investment companies	273,439,088	275,955,960
Financial liabilities at fair value through profit or loss of non-investment companies	49,878,233	-
Others	-	23,743,009
	1,661,146,149	1,779,439,436

(53) Investment income

	For the year ended 31 December 2016	For the year ended 31 December 2015
Investment income from joint ventures and associates	821,571,205	165,452,467
Interest income from loan and receivable	129,125,788	112,419,177
Gains or losses from disposal of financial assets at fair value through profit or loss by non-investment companies	105,155,620	22,034,214
Gains from disposal of subsidiaries by non-investment companies	259,382,357	-
Investment income from insurance business	685,490,594	-
Others	35,697,401	5,315,599
	2,036,422,965	305,221,457

9 Notes to the consolidated financial statements (Cont'd)

(54) Non-operating income

	For the year ended 31 December 2016	For the year ended 31 December 2015
Negative goodwill (Note 6(1)(f))	3,015,006,116	3,251,521,999
Government subsidies and grants	258,780,979	40,603,629
Tax refund	38,688,701	7,841,137
Pilot transfer income	35,422,350	-
Others	167,059,670	2,890,482
	3,514,957,816	3,302,857,247

(55) Non-operating expenses

	For the year ended 31 December 2016	For the year ended 31 December 2015
Donation	112,030,354	53,602,000
Others	39,379,233	77,765,509
	151,409,587	131,367,509

(56) Income tax expenses

	For the year ended 31 December 2016	For the year ended 31 December 2015
Current income tax	345,236,260	1,048,294,719
Deferred income tax	(43,356,329)	(406,935,215)
	301,879,931	641,359,504

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	For the year ended 31 December 2016	For the year ended 31 December 2015
Total profit	3,978,376,465	5,282,698,422
Income tax expenses calculated at applicable tax rates	835,127,012	1,148,467,602
Losses carried forward which not recognised deferred tax	159,895,418	135,151,625
Undeductible costs, expenses and losses	152,378,342	46,593,160
Income not subject to tax	(562,438,708)	(126,215,286)
Retained earnings included in the considerations from disposals or to be disposed of subsidiaries	206,745,084	-
Income tax concession	(160,258,014)	-
Reversal of previously recognised deferred tax assets from losses carried forward	4,714,885	41,241,368
Taxes for dividends and anticipated dividends from oversea subsidiaries	121,043,876	208,597,146
Income from negative goodwill	(662,851,765)	(812,880,500)
Effect of income tax rate change enacted (Note)	202,080,160	-
Others	5,443,641	404,389
	301,879,931	641,359,504

9 Notes to the consolidated financial statements (Cont'd)

(56) Income tax expenses (Cont'd)

Note: The previously recognised deferred tax assets of subsidiaries in Luxembourg decreased due to statutory income tax rate change enacted in Luxembourg.

(57) Notes to cash flow statement

(a) Reconciliation from net profit to cash flows from operating activities

	For the year ended 31 December 2016	For the year ended 31 December 2015
Net profit	3,676,496,534	4,641,338,918
Add: Depreciation of fixed assets and amortisation of intangible assets and long-term assets	296,556,514	60,059,042
Gains from fair value changes	(1,661,146,149)	(1,779,439,436)
Asset impairment losses	521,029,766	95,288,811
Increase in investment companies' financial assets	(8,898,551,178)	(8,909,994,504)
Losses on disposal of fixed assets, intangible assets and other long-term assets	(567,659)	-
Investment income	(2,036,422,965)	(305,221,457)
Deferred tax expenses	(43,356,329)	(406,935,215)
Finance expenses	2,712,024,923	745,496,434
Decrease in inventories	2,931,317,194	106,521,789
Negative goodwill	(3,009,346,013)	(3,251,521,999)
Share-based payment	109,529,958	46,354,864
Increase in operating receivables	(29,617,551,160)	(11,117,236,997)
Increase in operating payables	21,357,158,288	4,775,627,221
Change in insurance contract reserves	(1,041,772,172)	-
Net cash flows used in operating activities	(14,704,600,448)	(15,299,662,529)

(b) The Group does not have significant non-cash investing or financing activities in the year ended 31 December 2016.

(c) Net increase in cash and cash equivalents

	For the year ended 31 December 2016	For the year ended 31 December 2015
Cash and cash equivalents at the end of the year	30,495,266,135	18,988,688,574
Less: Cash and cash equivalents at the beginning of the year	(18,988,688,574)	(4,154,195,533)
Net increase in cash and cash equivalents	11,506,577,561	14,834,493,041

9 Notes to the consolidated financial statements (Cont'd)

(57) Notes to cash flow statement (Cont'd)

(d) Cash and cash equivalents

	31 December 2016	31 December 2015
Cash at bank and on hand (Note 9(1))	36,584,509,905	25,136,387,871
Less: Restricted cash at bank	(6,089,243,770)	(6,147,699,297)
Cash and cash equivalents	30,495,266,135	18,988,688,574

(e) Net proceeds from disposal of subsidiaries

	For the year ended 31 December 2016	For the year ended 31 December 2015
Consideration received from the disposal	1,141,772,705	-
Cash and cash equivalents received from disposal	899,800,225	-
Less: Cash and cash equivalents held by disposed subsidiaries	(613,620,973)	-
Net cash received from disposal	286,179,252	-

(f) Cash paid relating to other operating activities

Cash paid relating to other operating activities in the cash flow statement mainly includes:

	For the year ended 31 December 2016	For the year ended 31 December 2015
Guarantee deposit paid	1,951,047,538	400,000,000
Intercompany payments	1,655,959,895	-
Payments for finance lease of financial leasing companies	1,300,409,500	-
Loans issued by financial leasing companies	1,176,494,006	-
Expenses paid	903,318,341	153,579,459
Reinsurance accounts paid	602,432,937	-
Prepayment for investments of investment companies	313,220,000	-
Tender deposit paid	-	1,564,064,576
Others	984,248,262	781,672,751
	8,887,130,479	2,899,316,786

10 Related parties and related party transactions

(1) Shareholders and subsidiaries

The Company does not have controlling shareholder or shareholders which have significant influence on the Company. The related parties of the Group mainly include subsidiaries, joint ventures and associates. The general information and other related information of the subsidiaries is set out in Note 7; and the general information and other related information of associates and joint ventures is set out in Note 9(16). The related party transactions are mainly among companies within the Group and among subsidiaries, joint ventures and associates within the Group in current year.

(2) Related party transactions between the Company and its subsidiaries

(a) Pricing policy

Related party transactions are negotiated by both parties involved with reference to the market price.

(b) Significant intercompany balances and transactions with subsidiaries have been offset in the consolidated financial statements, details of major transactions and balances as follows:

Year-end balance

	31 December 2016	31 December 2015
Loans to related parties	17,225,032,892	6,462,099,619
Entrusted loans to related parties	-	400,000,000
Long-term receivables	416,011,513	91,546,700
Other receivables	83,334,216	30,271,818
Dividends receivable	4,510,580,875	-
Interests receivable	662,447,225	248,593,173
Prepayments	6,305,500	6,605,500
Accounts receivable	13,808,748	3,035,474
Borrowings from related parties	(9,500,188,457)	(10,127,159,000)
Other payables	(4,273,590,015)	(8,503,306,061)
Interests payable	(35,257,440)	(102,487,703)
Accounts payable	(407,276)	(1,190,760)

Transaction during the year

	For the year ended 31 December 2016	For the year ended 31 December 2015
Revenue-dividend income from subsidiaries	4,510,580,875	2,501,736,463
Revenue-Revenue from consulting services	5,758,443	3,035,473
Revenue-rental income	13,080,345	-
Interest income	853,962,199	462,237,414
General and administrative expenses	(57,099,885)	(21,141,819)
Interest expenses	(263,743,977)	(103,975,495)

10 Related parties and related party transactions (Cont'd)

(2) Related party transactions between the Company and its subsidiaries

(c) The Company provides guarantee for its subsidiaries

As at 31 December 2016, the amount of borrowings guaranteed by the Company for its subsidiaries was RMB 34,565,741,136 (31 December 2015: RMB 22,348,080,000) and the amount of bonds payable guaranteed for its subsidiaries was RMB 994,700,600 (31 December 2015: nil).

As at 31 December 2016, the amount of bonds payable which the Company provided keepwell deed for its subsidiaries was RMB 5,395,276,355 (31 December 2015: RMB 1,803,634,362).

As at 31 December 2016, the Company guaranteed and undertook the put option consideration of capital injection from investors when CMI Singapore was unable to fulfil the put option (Note(9)(42)(a)) (31 December 2015: nil).

(3) Significant related party transactions between the Group and its joint ventures or associates

(a) Pricing policy

Related party transactions are negotiated by both parties involved with reference to the market price.

(b) Significant transactions and balances are as follows:

Year-end balance

	31 December 2016	31 December 2015
Accounts receivable	-	246,724
Interest receivable	1,400,000	-
Other receivables	2,782,673,161	-
Other payables	(166,175,000)	-
Short-term borrowings	-	(214,288,800)
Long-term borrowings	(201,632,819)	-
Accounts payable	-	(111,546)

Transaction during the year

	For the year ended 31 December 2016	For the year ended 31 December 2015
Interest income	17,443,365	-
Interest expenses	8,172,997	-

(c) The Company provides guarantee for its joint ventures or associates

As at 31 December 2016, the amount of borrowings guaranteed by the Group for joint ventures and associates was RMB 1,263,352,819 (31 December 2015: RMB 446,997,600).

10 Related parties and related party transactions (Cont'd)

(4) Other significant related party transactions

For the year ended 31 December 2016, the Group acquired Yida which was originally controlled by the Company's director. See Note 6(1) for details.

11 Commitments

(1) Capital commitments

Capital expenditures contracted for by the Group at the balance sheet date but are not yet necessary to be recognised on the balance sheet are as follows:

	31 December 2016	31 December 2015
Construction in progress	2,067,451,172	2,963,159,169
Demolition compensation	3,641,506,886	3,618,000,000
Buildings and constructions	5,429,693,380	472,437,865
Investments	456,587,758	-
Purchase of assets under operating leases	169,124,060	-
Intangible assets	-	39,600,000
	11,764,363,256	7,093,197,034

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2016	31 December 2015
Within 1 year	262,824,337	190,878,599
1 to 2 years	172,289,314	173,430,707
2 to 3 years	87,167,790	110,609,928
Over 3 years	252,837,342	219,183,812
	775,118,783	694,103,046

(3) External guarantee

According to the announcement of SRE Group, the subsidiary of the Group, on 24 September 2015, the former Chairman of SRE Group entered into several financing agreements with financial institutions as guarantors on behalf of several subsidiaries within SRE Group to provide guarantee to bank loans of several companies which are related with him, from 2011 to 2014. Except for the guarantee, the borrowers also pledged their properties to banks as collateral. CMJYI, the subsidiary of the Group, provided counter guarantee for the borrowings after acquiring SRE Group on 4 December 2015. As at 31 December 2016, total above guaranteed borrowings was RMB 1.252 billion (31 December 2015: RMB 2.347 billion). After assessment of the borrowers' financial positions and fair value of properties pledged as collateral, the management concluded no provision was necessary for the counter guarantee.

12 Financial instrument and risk

The Group's activities expose it to a variety of risks: insurance risk, market risk (primarily foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management policies focus on the unpredictability of markets and seeks to minimise potential adverse effects on the Group's financial performance. Relevant risks and risk management policies are as follows:

(1) Insurance risk

(a) Insurance risk

The risk of insurance contract arises from the possibility that the underwritten event occurs and the uncertainty of the claim payments. It is the nature of insurance contract that determines the randomness and unpredictability of the occurance. As for the insurance contract pricing and providing insurance reserve in accordance with probability theory, the primary risk that the Group exposed to is the actual indemnity exceed insurance liabilities provided.

The increase of insurance risk mainly results from the low diversification, including risk unit, risk type, risk amount and industries covered by the insurance contract, etc. The Group develops relevant assumptions about the insurance risk, and provides insurance contract reserves. See Note 9(36) for more details.

Experience shows that the possibility of actual indemnity deviates from expected indemnity decreases while more contracts in the insurance portfolio. And the variability of the liabilities in the insurance portfolio is less likely to be affected by any subset of the portfolio while the diversification of insurance portfolio improved. The Group established underwriting strategy to write sufficient insurance policies in any subset of the portfolio so as to less the variability of insurance risks by diversification. The Group manages insurance risk through the underwriting strategy, reinsurance arrangements and claim management.

Meanwhile, the Group also reinforces the underwriting and claim management to reduce the insurance risk.

(i) The Company’s insurance concentration risk at the carrying amount of insurance contract reserves after reinsurance categorized by line was listed as follows:

	31 December 2016
Property insurance	2,602,309,208
Liability insurance	1,824,305,156
Asbestos and environmental insurance	1,250,560,467
Accident and health insurance	1,078,729,464
Catastrophe insurance	866,356,803
Aviation and aerospace insurance	843,290,765
Marine insurance	693,266,244
Credit insurance	526,286,999
Agricultural insurance	198,054,305
Others	796,981,899
	10,680,141,310

12 Financial instrument and risk (Cont'd)

(1) Insurance risk (Cont'd)

(a) Insurance risk (Cont'd)

(ii) The Company's insurance concentration risk at the carrying amount of insurance contract reserves after reinsurance by region was listed as follows:

	31 December 2016
U.S.	6,033,987,166
Europe	2,366,506,050
Canada, Caribbean area, Bermuda and Latin America	878,296,879
Asia and other areas	1,401,351,215
	10,680,141,310

(b) Development of claim

The information of development of gross claim by the underwriting year was as follows: (Unit: RMB million)

	2012	2013	2014	2015	2016	Total
Estimated accumulative claims						
At the end of the current year	2,802	2,609	2,286	2,293	3,009	
1 year later	3,716	3,817	3,863	3,896		
2 years later	3,575	3,707	4,006			
3 years later	3,507	3,628				
4 years later	3,480					
Estimated accumulative claims	3,480	3,628	4,006	3,896	3,009	18,019
Accumulative claims paid	(3,142)	(3,275)	(3,364)	(2,225)	(655)	(12,661)
Claims not paid	338	353	642	1,671	2,354	5,358
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						5,859
Total						11,217

12 Financial instrument and risk (Cont'd)

(1) Insurance risk (Cont'd)

(b) Development of claim (Cont'd)

The information of development of net claim by the underwriting year was as follows: (Unit: RMB million)

	2012	2013	2014	2015	2016	Total
Estimated accumulative claims						
At the end of the current year	2,576	1,887	1,669	1,717	2,318	
1 year later	3,216	2,776	2,946	2,939		
2 years later	2,991	2,712	3,116			
3 years later	2,914	2,645				
4 years later	2,888					
Estimated accumulative claims	2,888	2,645	3,116	2,939	2,318	13,906
Accumulative claims paid	(2,639)	(2,402)	(2,615)	(1,600)	(462)	(9,718)
Claims not paid	249	243	501	1,339	1,856	4,188
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						4,975
Total						9,163

(2) Market risk

(a) Foreign exchange risk

Foreign exchange risk is the risk of loss resulting from foreign exchange rate volatility. The fluctuation of exchange rate of RMB against currencies of other countries or regions where the Group operates will influence the Group's financial position and operating performance. The Group monitors the balance of assets and liabilities, and transactions denominated in foreign currencies to minimise its exposure to foreign exchange risk. The foreign currency risk of the Group mainly comes from fluctuation in the USD/RMB, HKD/RMB, EUR/RMB, GBP/RMB and SKR/RMB exchange rates.

12 Financial instrument and risk (Cont'd)

(2) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

As at 31 December 2016 and 31 December 2015, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies were summarised as below:

	31 December 2016			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial assets denominated in foreign currency				
- Cash at bank and on hand	10,167,489,525	5,264,676,220	43,673,137	15,475,838,882
- Financial assets at fair value through profit or loss	24,490,590,672	7,145,111,385	5,879,569,114	37,515,271,171
- Loan and receivables	-	6,100,793,082	-	6,100,793,082
- Premium receivables	2,737,599,068	-	-	2,737,599,068
- Reinsurance receivables	812,268,758	-	-	812,268,758
- Accounts receivable	56,462,029	93,873,902	-	150,335,931
- Interest receivable	81,340,152	6,973,747	48,015,326	136,329,225
- Other receivables	1,239,463,381	27,673,000	4,134,089	1,271,270,470
- Available-for-sale financial assets	230,662,187	2,334,325,851	68,770,567	2,633,758,605
- Dividends receivable	2,627,257	-	-	2,627,257
- Reinsurance reserves	1,920,370,605	-	641,687,533	2,562,058,138
	41,738,873,634	20,973,427,187	6,685,849,766	69,398,150,587

	31 December 2016			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial liabilities denominated in foreign currency				
- Short-term borrowings	(1,657,322,088)	-	-	(1,657,322,088)
- Interest payable	(196,952,165)	(22,976,363)	-	(219,928,528)
- Notes payable	(25,740,515)	-	-	(25,740,515)
- Accounts payable	(50,330,354)	(3,318,330)	-	(53,648,684)
- Other payables	(3,430,030,931)	(1,508,315,600)	(32,546,908)	(4,970,893,439)
- Reinsurance accounts payable	(1,131,384,334)	-	-	(1,131,384,334)
- Bonds payable	(8,118,165,169)	(158,709,096)	-	(8,276,874,265)
- Long-term payables	(1,226,344,253)	(196,504,192)	-	(1,422,848,445)
- Long-term borrowings	(4,682,475,000)	(801,525,686)	(180,408,304)	(5,664,408,990)
- Financial liabilities at fair value through profit and loss	(35,470,560)	-	-	(35,470,560)
- Insurance contract reserves	(9,845,194,230)	(17,592,267)	(3,387,818,118)	(13,250,604,615)
	(30,399,409,599)	(2,708,941,534)	(3,600,773,330)	(36,709,124,463)

12 Financial instrument and risk (Cont'd)

(2) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

	31 December 2015			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial assets denominated in foreign currency				
- Cash at bank and on hand	7,934,875,083	6,468,771,616	258,262,919	14,661,909,618
- Financial assets at fair value through profit or loss	504,364,096	5,646,017,357	1,417,817,461	7,568,198,914
- Loan and receivables	-	4,389,119,683	-	4,389,119,683
- Other receivables	-	419,488	-	419,488
- Available-for-sale financial assets	-	2,805,634,478	-	2,805,634,478
	8,439,239,179	19,309,962,622	1,676,080,380	29,425,282,181

	31 December 2015			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial liabilities denominated in foreign currency				
- Short-term borrowings	(311,692,800)	(4,999,076,384)	(216,404,297)	(5,527,173,481)
- Interests payable	-	(17,967,322)	-	(17,967,322)
- Accounts payable	(143,736,726)	(4,085,850)	(2,415,935)	(150,238,511)
- Bonds payable	(2,452,994,364)	(136,786,249)	-	(2,589,780,613)
- Long-term payables	-	(174,862,698)	-	(174,862,698)
- Long-term borrowings	(480,526,400)	(653,552,178)	-	(1,134,078,578)
	(3,388,950,290)	(5,986,330,681)	(218,820,232)	(9,594,101,203)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the pre-tax impact on profit and equity (due to translation of foreign currency financial statements for overseas operations, as well as monetary assets and liabilities). The correlation of variables will have a significant effect on determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

		31 December 2016		31 December 2015	
	Change in variables	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity before tax	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity before tax
USD	+10% against RMB	507,285,573	1,133,946,404	(47,384,647)	505,028,889
HKD	+10% against RMB	139,189,979	1,826,448,565	39,906,571	1,332,363,194
Others	+10% against RMB	-	308,507,644	20,933	145,726,015
		646,475,552	3,268,902,613	(7,457,143)	1,983,118,098
USD	-10% against RMB	(507,285,573)	(1,133,946,404)	47,384,647	(505,028,889)
HKD	-10% against RMB	(139,189,979)	(1,826,448,565)	(39,906,571)	(1,332,363,194)
Others	-10% against RMB	-	(308,507,644)	(20,933)	(145,726,015)
		(646,475,552)	(3,268,902,613)	7,457,143	(1,983,118,098)

12 Financial instrument and risk (Cont'd)

(2) Market risk (Cont'd)

(b) Interest rate risk

Interest rate risk is the risk of fluctuation of the fair value or future cash flows of financial instrument due to market interest rate changes. Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest rate risk.

The Group's interest rate risk arises from debt instruments such as cash at bank, bonds, asset-backed securities, entrusted loans, asset management plans investing in debt securities, borrowings from bank, payables to the limited partners of the senior tranche of the consolidated structured entities, bonds payable etc. The Group's finance department at its headquarters continuously monitors the interest rate position of the Group.

The analysis below is performed based on floating interest-bearing assets and liabilities, showing the pre-tax impact on profit and equity due to changes in interest rate, assuming the yield curve moved in parallel with the changes in market interest rate:

		31 December 2016		31 December 2015	
	Change in interest rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity before tax	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity before tax
Long-term receivables	+ 50 basis points	113,882,939	113,882,939	35,074,357	35,074,357
Short-term borrowings	+ 50 basis points	(70,410,274)	(70,410,274)	(6,716,702)	(6,716,702)
Long-term borrowings	+ 50 basis points	(99,030,425)	(99,030,425)	(30,430,739)	(30,430,739)
		(55,557,760)	(55,557,760)	(2,073,084)	(2,073,084)
Long-term receivables	- 50 basis points	(113,882,939)	(113,882,939)	(35,074,357)	(35,074,357)
Short-term borrowings	- 50 basis points	70,410,274	70,410,274	6,716,702	6,716,702
Long-term borrowings	- 50 basis points	99,030,425	99,030,425	30,430,739	30,430,739
		55,557,760	55,557,760	2,073,084	2,073,084

12 Financial instrument and risk (Cont'd)

(3) Credit risk

Credit risk refers to the risk of loss arising from a borrower's or counterparty's failure to meet the contractual obligation or adverse changes in credit conditions.

The Group's maximum credit risk exposure are as follows:

	31 December 2016	31 December 2015
Cash at bank (a)	31,522,874,363	23,739,426,024
Other cash at bank and on hand (a)	5,056,877,146	1,394,605,802
Financial assets at fair value through profit or loss (c)		
- Corporate bonds	10,578,585,011	-
- Mortgage-backed security and asset-backed securities	8,088,431,785	-
- Government, government agency, and municipal bonds	3,564,715,371	-
- Debt instruments	2,774,357,907	212,014,653
Available-for-sale financial assets (c)		
- Debt instruments	380,805,636	-
Loan and receivables (c)	10,664,303,165	5,919,605,528
Notes receivable (b)	30,510,274	540,000
Dividends receivable (b)	7,073,969	-
Interest receivable (b)	187,615,611	52,704,064
Accounts receivable (b)	1,950,852,583	241,345,574
Premium receivables (b)	2,737,599,068	-
Reinsurance receivables (b)	812,268,758	-
Other receivables (b)	9,205,324,279	3,603,481,486
Long-term receivables (c)	21,695,154,867	6,007,586,977
Total	109,257,349,793	41,171,310,108

(a) The Group is subjected to an insignificant risk as cash at bank of the Group is deposited in domestic and overseas large or medium size banks and other cash balances are deposited in brokerage accounts and third-party payment institutions.

12 Financial instrument and risk (Cont'd)

(3) Credit risk (Cont'd)

(b) For operating receivables such as accounts receivable, other receivables and premium receivables, the credit records of the customers are regularly monitored and updated by the Group. In respect of customers with bad or declining credit records, the Group will take necessary actions to ensure the overall credit risk is at an acceptable level. As at 31 December 2016, RMB 172,120,767 was provided for impairment of the above operating receivables.

(c) Sovereign bonds, corporate bonds, mortgage-backed securities, asset-backed securities and other debt instruments categorized by credit rating from Standard & Poor's, Moody or Fitch are as below:

	AAA	AA	A	BBB	Not rated	Total
Financial assets at fair value through profit or loss						
- Corporate bonds	1,046,085,615	1,523,491,773	3,316,453,599	4,433,043,178	259,510,846	10,578,585,011
- Mortgage-backed security and asset-backed securities	2,939,765,732	4,201,465,340	326,968,242	264,433,497	355,798,974	8,088,431,785
- Government bonds	450,472,568	968,867,530	1,904,892,794	7,233,596	233,248,883	3,564,715,371
- Debt instruments	-	-	-	-	2,774,357,907	2,774,357,907
Available-for-sale financial assets						
- Debt instruments	-	-	-	-	380,805,636	380,805,636
Loan and receivable	-	-	-	-	10,664,303,165	10,664,303,165
Long-term receivables	-	-	-	-	21,695,154,867	21,695,154,867
Total	4,436,323,915	6,693,824,643	5,548,314,635	4,704,710,271	36,363,180,278	57,746,353,742

For unrated debt investments and finance lease receivables, the Group requires the counterparties to provide credit enhancements such as guarantees and assets for pledge or collateral when necessary according to the credit assessment at investment, and monitors the credit records on a regular basis.

As at 31 December 2016, RMB 155,074,826 was provided for impairment of the above loan and receivables and long-term receivables (31 December 2015: RMB 11,829,113).

12 Financial instrument and risk (Cont'd)

(4) Liquidity risk

Liquidity risk refers to the risk that the Group cannot raise sufficient amount of money or trade assets with reasonable price in order to convert into cash to repay due debts.

Cash flow forecasting is performed by each subsidiary within the Group and aggregated by the finance department of the Company. The Company's finance department monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2016					
	On demand	Within 1 year (include 1 year)	1 to 2 years (include 2 years)	2 to 5 years (include 5 years)	Over 5 years	Total
Short-term borrowings	-	(34,496,796,002)	-	-	-	(34,496,796,002)
Financial liabilities at fair value through profit and loss	-	(515,380,826)	(359,442,478)	-	-	(874,823,304)
Notes payable	-	(368,922,341)	-	-	-	(368,922,341)
Accounts payable	-	(3,794,625,240)	-	-	-	(3,794,625,240)
Other payables	(742,550,800)	(18,595,340,513)	-	-	-	(19,337,891,313)
Dividends payable	-	(460,673,075)	-	-	-	(460,673,075)
Bonds payable	-	(24,618,107,232)	(7,789,626,006)	(15,369,870,076)	(3,361,092,813)	(51,138,696,127)
Long-term payables	-	(1,039,691,757)	(2,729,051,746)	(16,896,386,911)	(604,767,771)	(21,269,898,185)
Long-term borrowings	-	(6,048,820,405)	(12,807,529,994)	(19,228,712,134)	(9,589,994,831)	(47,675,057,364)
Reinsurance accounts payable	-	(1,131,384,334)	-	-	-	(1,131,384,334)
Other liabilities	-	(54,430,486)	(1,264,381,520)	(2,110,665,948)	(430,434,366)	(3,859,912,320)
	(742,550,800)	(91,124,172,211)	(24,950,031,744)	(53,605,635,069)	(13,986,289,781)	(184,408,679,605)

12 Financial instrument and risk (Cont'd)

(4) Liquidity risk (Cont'd)

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2015					
	On demand	Within 1 year (include 1 year)	1 to 2 years (include 2 years)	2 to 5 years (include 5 years)	Over 5 years	Total
Short-term borrowings	(226,142,490)	(27,448,580,807)	-	-	-	(27,674,723,297)
Notes payable	-	(299,795,343)	-	-	-	(299,795,343)
Accounts payable	-	(751,255,513)	-	-	-	(751,255,513)
Other payables	(742,912,500)	(11,737,678,548)	-	-	-	(12,480,591,048)
Dividends payable	-	(1,655,587,389)	-	-	-	(1,655,587,389)
Bonds payable	-	(4,952,740,600)	(63,312,600)	(2,305,573,800)	-	(7,321,627,000)
Long-term payables	-	(1,777,486,574)	(16,545,344,256)	(766,351,383)	(91,640,209)	(19,180,822,422)
Long-term borrowings	-	(5,945,481,202)	(2,372,127,635)	(6,155,180,088)	(2,109,711,465)	(16,582,500,390)
Other liabilities	-	-	-	(340,755,984)	-	(340,755,984)
	(969,054,990)	(54,568,605,976)	(18,980,784,491)	(9,567,861,255)	(2,201,351,674)	(86,287,658,386)

13 Fair value measurement

The level of fair value measurement must be decided by the lowest level of input that is significant to the overall fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

13 Fair value measurement (Cont'd)

(1) Assets and liabilities continuously measured at fair value

As at 31 December 2016, the assets and liabilities continuously measured at fair value by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
- Debt instruments	2,503,127,189	19,593,435,696	2,909,527,189	25,006,090,074
- Equity instruments	7,180,233,496	10,850,312,261	12,493,643,592	30,524,189,349
- Derivative financial instruments	-	1,041,388,833	149,201,739	1,190,590,572
	9,683,360,685	31,485,136,790	15,552,372,520	56,720,869,995
Available-for-sale financial assets				
- Debt instruments	-	380,805,636	-	380,805,636
- Equity instruments	1,965,263,860	437,332,675	1,256,787,680	3,659,384,215
	1,965,263,860	818,138,311	1,256,787,680	4,040,189,851
Total financial assets	11,648,624,545	32,303,275,101	16,809,160,200	60,761,059,846
Investment properties				
- Land use rights	-	-	22,600,000,000	22,600,000,000
- Buildings	-	-	17,097,827,534	17,097,827,534
Total non-financial assets	-	-	39,697,827,534	39,697,827,534
Total assets	11,648,624,545	32,303,275,101	56,506,987,734	100,458,887,380

13 Fair value measurement (Cont'd)

(1) Assets and liabilities continuously measured at fair value (Cont'd)

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives	-	-	491,402,503	491,402,503
- Other limited partners' interest in the consolidated structured entity	-	243,959,308	103,990,933	347,950,241
- Others	-	-	35,470,560	35,470,560
Total financial liabilities	-	243,959,308	630,863,996	874,823,304

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. Valuation techniques include discounted cash flow analysis and using comparable company model, etc. Inputs to valuation techniques include risk-free rate, benchmark interest rates, foreign exchange rates, rates of credit premium, liquidity premium, EBITDA multiplier, liquidity discount, etc.

13 Fair value measurement (Cont'd)

(1) Assets and liabilities continuously measured at fair value (Cont'd)

As at 31 December 2015, the assets and liabilities continuously measured at fair value by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
- Debt instruments	-	82,142,653	190,963,432	273,106,085
- Equity instruments	4,976,244,647	12,128,381,863	6,286,535,485	23,391,161,995
- Derivative financial instruments	-	1,830,771,522	-	1,830,771,522
	4,976,244,647	14,041,296,038	6,477,498,917	25,495,039,602
Available-for-sale financial assets				
- Equity instruments	2,520,280,707	127,511,327	706,514,344	3,354,306,378
Total financial assets	7,496,525,354	14,168,807,365	7,184,013,261	28,849,345,980

13 Fair value measurement (Cont'd)

(1) Assets and liabilities continuously measured at fair value (Cont'd)

As at 31 December 2015, the assets and liabilities continuously measured at fair value by the above three levels were analysed below (Cont'd):

	Level 1	Level 2	Level 3	Total
Investment properties				
- Land use rights	-	-	20,600,000,000	20,600,000,000
- Buildings	-	-	4,828,696,000	4,828,696,000
Total non-financial assets	-	-	25,428,696,000	25,428,696,000
Total assets	7,496,525,354	14,168,807,365	32,612,709,261	54,278,041,980
Financial liabilities				
Financial liabilities at fair value through profit or loss				
- Other limited partners' interest in the consolidated structured entity	-	340,755,984	-	340,755,984
Total financial liabilities	-	340,755,984	-	340,755,984

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. Valuation techniques include discounted cash flow analysis and using comparable company model, etc. Inputs to valuation techniques include risk-free rate, benchmark interest rates, foreign exchange rates, rates of credit premium, liquidity premium, EBITDA multiplier, liquidity discount, etc.

13 Fair value measurement (Cont'd)

(1) Assets and liabilities continuously measured at fair value (Cont'd)

Movement of level 3 assets is analysed below:

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Investment properties	Financial liabilities at fair value through profit or loss
1 January 2016	6,477,498,917	706,514,344	25,428,696,000	-
Transfer in from business combination	409,212,470	-	12,258,359,393	673,309,229
Purchases	9,474,879,600	1,235,470,646	1,951,620,872	96,080,125
Sales	(2,598,610,815)	(687,164,063)	(1,278,677,560)	(6,397)
Transfer out due to disposal of subsidiaries	-	-	-	(146,436,166)
Transfer into Level 3	697,719,575	-	-	-
Fair value changes through other comprehensive income	-	38,131,400	-	-
Fair value changes through profit or loss	754,171,557	(92,099,719)	1,337,828,829	7,917,205
Exchange difference	337,501,216	55,935,072	-	-
31 December 2016	15,552,372,520	1,256,787,680	39,697,827,534	630,863,996
Changes in unrealised profit or loss during the year arising from assets held as at 31 December 2016				
- Gains from changes in fair value	914,091,344	-	925,698,108	7,917,205

13 Fair value measurement (Cont'd)

(1) Assets and liabilities continuously measured at fair value (Cont'd)

Movement of level 3 assets is analysed below (Continued):

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Investment properties	Total
1 January 2015	12,325,929,428	-	18,530,000,000	30,855,929,428
Purchase/transfer-in from business combination	8,561,137,164	1,930,650,172	5,507,712,392	15,999,499,728
Sales	(14,169,801,873)	(1,159,897,682)	-	(15,329,699,555)
Reclassify out to inventory	-	-	(85,171,791)	(85,171,791)
Transfer out of level 3	(799,999,999)	-	-	(799,999,999)
Fair value changes through other comprehensive income	-	(64,238,146)	-	(64,238,146)
Fair value changes through profit or loss	560,234,197	-	1,476,155,399	2,036,389,596
31 December 2015	6,477,498,917	706,514,344	25,428,696,000	32,612,709,261
Changes in unrealised profit or loss during the year arising from assets held as at 31 December 2015				
- Gains from changes in fair value	101,319,045	-	1,476,155,399	1,577,474,444

Gains or losses are recognised respectively in revenue, profit arising from changes in fair value, investment income, etc. in the income statement.

The Group's post-investment management department is responsible for the valuation of financial assets and liabilities and commissions external independent values to assess fair value of the Group's investment properties.

13 Fair value measurement (Cont'd)

(1) Assets and liabilities continuously measured at fair value (Cont'd)

Major unobservable inputs in Level 3 are as follows:

	Fair value as at 31 December 2016	Valuation technique	Unobservable inputs		
			Name	Range/weighted average number	Relations with fair value
Financial assets at fair value through profit or loss					
- Equity instruments	2,534,726,698	Income approach	Discount rate	3.2%-15%	Negative related
	1,107,549,928	Market approach	PE Multiplier	27-48.59	Positive related
			Liquidity discount	26%-32%	Negative related
- Debt instruments	2,270,560,520	Income approach	Discount rate	4%-18%	Negative related
- Derivative financial instruments	101,161,481	Income approach	Discount rate	3%-17%	Negative related
Available-for-sale financial assets					
- Equity instruments	464,186,502	Income approach	Discount rate	2%-6.2%	Negative related
Investment properties					
			Market unit price (RMB/square meter)	51,363	Positive related
- Land use rights	22,600,000,000	Market approach	Adjustment factor	0.9886	Positive related
			Lease rate of return	4%–6%	Negative related
			Reversionary rate of return	4.5%-6.5%	Negative related
- Buildings	17,097,827,534	Income approach	Market unit rental price (RMB/Square meter/Month)	10-508	Positive related
Financial liabilities at fair value through profit or loss					
- Derivatives	491,402,503	Income approach	Discount rate	2.44%-3.05%	Negative related

13 Fair value measurement (Cont'd)

(1) Assets and liabilities continuously measured at fair value (Cont'd)

Major unobservable inputs in Level 3 are as follows(Continued):

	Fair value as at 31 December 2015	Valuation technique	Unobservable inputs		
			Name	Range/weighted average number	Relations with fair value
Financial assets at fair value through profit or loss					
- Equity instruments	3,268,733,333	Income approach	Discount rate	3.2%-15%	Negative related
- Debt instruments	61,091,432	Income approach	Discount rate	20%	Negative related
Available-for-sale financial assets					
- Equity instruments	706,514,344	Income approach	Discount rate	2.3%-10%	Negative related
Investment properties					
- Land use rights	20,600,000,000	Market approach	Market unit price (RMB/square meter) Adjustment factor	46,455 0.9948	Positive related Positive related
- Buildings	4,828,696,000	Income approach	Lease rate of return Reversionary rate of return Market unit rental price (RMB/Square meter/Month)	5%-6% 5.5%-6.5% 16-282	Negative related Negative related Positive related

Note: As at 31 December 2016, financial instruments whose fair value was determined using initial recognised fair value, recent transaction prices, independent third party quote price or inputs not developed by the Group including: financial assets of RMB 10,330,975,071 and financial liabilities of RMB 139,461,493, were not included in the disclosure above.

13 Fair value measurement (Cont'd)

(2) Financial assets and financial liabilities not measured at fair value

The Group's financial assets and liabilities measured at amortised cost mainly include loan and receivable, accounts receivable, other receivables, long-term receivables, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, etc.

As at 31 December 2016, there was no significant difference between carrying amount and fair value.

14 The Group's maximum risk exposure to unconsolidated structured entities

The Group uses structured entities in the ordinary course of business for various purposes, eg: to invest through structured entities, to generate fees from managing assets on behalf of external investors, etc.

The following table shows total assets of the various types of unconsolidated structured entities, amount of funding provided by the Group and the Group's maximum exposure to these unconsolidated structured entities as at 31 December 2016. The Group's maximum exposure represents the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum risk exposure contains uncertainties, and its amount is the sum of the Group's investment carrying amount. The Group does not have the obligation or intention to provide financial support to the unconsolidated structured entities and does not provide liquidity support during the year.

	31 December 2016			
	Total scale	Investment amount	Maximum risk exposure	Nature of holding interest
Funds	Note(a)	9,167,138,733	9,167,138,733	Investment income
Asset management pans - one to one	1,638,925,892	1,638,925,892	1,638,925,892	Investment income
Asset management plans - one to many	Note(a)	2,153,600,553	2,153,600,553	Investment income
Bank wealth management products	Note(a)	264,050,000	264,050,000	Investment income
Individual trust products	1,536,221,522	1,536,221,522	1,536,221,522	Investment income
Collective trust products	Note(a)	666,642,003	666,642,003	Investment income
		15,426,578,703	15,426,578,703	

	31 December 2015			
	Total scale	Investment amount	Maximum risk exposure	Nature of holding interest
Funds	Note(a)	1,249,815,743	1,249,815,743	Investment income
Asset management pans - one to one	3,591,178,251	3,591,178,251	3,591,178,251	Investment income
Asset management plans - one to many	Note(a)	654,507,716	654,507,716	Investment income
Bank wealth management products	Note(a)	501,602,321	501,602,321	Investment income
Individual trust products	1,518,549,460	1,518,549,460	1,518,549,460	Investment income
Collective trust products	Note(a)	626,635,594	626,635,594	Investment income
		8,142,289,085	8,142,289,085	

Note (a)：These products' total size is non-public information.

15 Capital management

The objective of the Group's capital management policy is to guarantee the Group's going concern so as to provide returns to shareholders and benefit other stakeholders, while maintaining the optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividends paid to shareholders, return capital to shareholders, and issue new shares or trade assets to reduce debts.

The subsidiary Sirius Insurance is required to monitor the solvency ratio on a regular basis pursuant to relevant requirements of external regulators. As at 31 December 2016, there was no violation of capital requirements of Sirius Insurance.

16 Notes to the Company's financial statements

(1) Cash at bank and in hand

	31 December 2016	31 December 2015
Cash at bank	7,804,536,767	2,265,346,490
Including: Restricted cash at bank (a)	1,098,403,565	898,328,700
Other cash balances	985,114	-
	7,805,521,881	2,265,346,490

(a) As at 31 December 2016, restricted cash at bank included in the amount of RMB 400,000,000 which deposited for the purpose of applying for unconditional and irrevocable bank acceptance notes and in the amount of RMB 698,403,565 which deposited for the purpose of subsidiary's bank borrowings.

(2) Financial assets at fair value through profit or loss

	31 December 2016	31 December 2015
Financial assets held for trading		
- Money market fund	894,155,284	921,623,261
Financial assets designated at fair value through profit or loss		
- Assets management plans	622,258,595	364,383,509
- Bank wealth management products	250,050,000	-
- Others	85,904,167	-
	1,852,368,046	1,286,006,770

The following table shows the total assets of the various types of unconsolidated structured entities and the amount of funding provided by the Company to these unconsolidated structured entities. The table also shows the Company's maximum exposure to the unconsolidated structured entities representing the Company's maximum possible risk exposure that could occur as a result of the Company's arrangements with structured entities. The maximum risk exposure contains uncertainties, and its amount is the sum of the Group's investment carrying amount. The Company do not have the obligation or intention to provide financial support to the unconsolidated structured entities and do not provide liquidity support in the year.

16 Notes to the Company's financial statements (Cont'd)

(2) Financial assets at fair value through profit or loss (Cont'd)

	31 December 2016			
	Total assets	Investment amount	Maximum risk exposure	Nature of holding interest
Money market fund	Note (a)	894,155,284	894,155,284	Investment income
Asset management plans - one to one	119,142,559	119,142,559	119,142,559	Investment income
Asset management plans - one to many	Note (a)	503,116,036	503,116,036	Investment income
Bank wealth management products	Note (a)	250,050,000	250,050,000	Investment income
		1,766,463,879	1,766,463,879	

	31 December 2015			
	Total assets	Investment amount	Maximum risk exposure	Nature of holding interest
Money market fund	Note (a)	921,623,261	921,623,261	Investment income
Asset management plans - one to one	361,444,918	361,444,918	361,444,918	Investment income
Asset management plans - one to many	Note (a)	2,938,591	2,938,591	Investment income
		1,286,006,770	1,286,006,770	

Note (a): These products' total size is non-public information.

(3) Dividends receivable

	31 December 2016	31 December 2015
Dividends due from CM Future	271,570,382	-
Dividends due from CM Bund	4,239,010,493	-
	4,510,580,875	-

(4) Interest receivable

	31 December 2016	31 December 2015
Interest receivable due from related parties (Note 10 (2)(b))	662,447,225	248,593,173
Others	31,630,967	-
	694,078,192	248,593,173

16 Notes to the Company's financial statements (Cont'd)

(5) Other receivables

	31 December 2016	31 December 2015
Loan due from related parties (Note 10(2)(b))	17,225,032,892	6,462,099,619
Receivables due from related parties (Note 10(2)(b))	83,334,216	30,271,818
Tender deposit	85,904,167	1,564,064,576
Rental deposit	27,097,078	26,949,028
Others	17,665,230	2,830,389
	17,439,033,583	8,086,215,430
Less: Provision for bad debts	-	-
	17,439,033,583	8,086,215,430

Other receivables and related provision for bad debts are analysed below:

	31 December 2016			31 December 2015		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	17,326,449,888	99.35%	-	8,086,215,430	100.00%	-
1 to 2 years	112,583,695	0.65%	-	-	-	-
	17,439,033,583	100.00%	-	8,086,215,430	100.00%	-

(6) Other current assets

	31 December 2016	31 December 2015
Prepaid enterprise income tax	1,863,794	-
Input VAT	-	9,949,768
	1,863,794	9,949,768

16 Notes to the Company's financial statements (Cont'd)

(7) Long-term equity investments

	31 December 2015	Increase in current year	Disposal in current year	31 December 2016
Subsidiaries using cost method				
CMI Singapore	11,221,610,124	66,908,000	-	11,288,518,124
CM Capital	10,000,000,000	-	-	10,000,000,000
Minsheng Asset Management	10,000,000,000	-	-	10,000,000,000
CMJYI	10,339,231,111	-	(590,813,206)	9,748,417,905
CM Bund	8,500,000,000	-	-	8,500,000,000
CM New Energy	5,306,465,038	2,693,534,962	-	8,000,000,000
CMI Hong Kong	2,896,976,000	-	-	2,896,976,000
CMI Leasing	1,800,000,000	1,125,000,000	(200,000,000)	2,725,000,000
CM Future	2,341,000,000	1,659,000,000	(1,320,000,000)	2,680,000,000
CM Jet	588,000,000	1,165,000,000	-	1,753,000,000
CMIH	705,500,000	521,000,000	-	1,226,500,000
China Minsheng Air Travel Investment Co., Ltd	-	745,000,000	-	745,000,000
Xingsheng Jiaye Investment(Note 7(2))	-	490,000,000	-	490,000,000
China Minsheng Keytech Investment Holding (Tianjin) Co. Ltd.	-	46,000,000	-	46,000,000
China Minsheng Chuangye (Tianjin) Investment Management Co., Ltd	-	2,000,000	-	2,000,000
China Minsheng Financial Service (Shenzhen) Investment Co.Ltd.	-	2	-	2
	63,698,782,273	8,513,442,964	(2,110,813,206)	70,101,412,031

As at 31 December 2016, no provision for impairment of long-term equity investments was necessary per the Company's assessment.

(8) Long-term prepaid expenses

	31 December 2016	31 December 2015
Lease held improvement	93,328,898	101,678,551
Others	545,587,150	818,181,818
	637,299,402	919,860,369

16 Notes to the Company's financial statements (Cont'd)

(9) Deferred tax assets and liabilities

(a) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2016	31 December 2015
Deferred tax assets, net	638,171,826	572,622,054

(b) The balances of deferred tax assets and deferred tax liabilities without taking into consideration of offsetting are as follows:

Deferred tax assets

	31 December 2016		31 December 2015	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Employee benefits payable	162,829,990	651,319,960	73,882,784	295,531,138
Deductible carried forward losses	532,738,119	2,130,952,477	501,297,375	2,005,189,500
Share-based payment	26,724,411	106,897,643	-	-
	722,292,520	2,889,170,080	575,180,159	2,300,720,638

Deferred tax liabilities

	31 December 2016		31 December 2015	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Changes in fair value of financial assets at fair value through profit or loss	1,237,510	4,950,039	2,558,105	10,232,420

The balance of deferred tax liabilities is estimated to be reversed within 1 year.

(10) Short-term borrowings

	31 December 2016	31 December 2015
Credit borrowings	18,140,000,000	14,380,000,000

As at 31 December 2016, the weighted average interest rate of short-term borrowings was 4.52%.

16 Notes to the Company's financial statements (Cont'd)

(11) Employee benefits payable

	31 December 2016	31 December 2015
Short-term employee benefits payable (a)	651,319,960	295,531,138
Defined contribution plans payable (b)	-	-
	651,319,960	295,531,138

(a) Short-term employee benefits

	31 December 2015	Accrual	Payment	31 December 2016
Wages and salaries, bonus, allowances and subsidies	295,531,138	548,727,991	(193,087,340)	651,171,789
Staff welfare	-	12,807,240	(12,807,240)	-
Social security contributions	-	1,662,011	(1,662,011)	-
Including: Medical insurance	-	1,486,559	(1,486,559)	-
Work injury insurance	-	40,961	(40,961)	-
Maternity insurance	-	134,491	(134,491)	-
Housing funds	-	2,555,579	(2,555,579)	-
Other short-term employee benefits	-	3,075,397	(2,927,226)	148,171
	295,531,138	568,828,218	(213,039,396)	651,319,960

(b) Defined contribution plans

	For the year ended 31 December 2016		For the year ended 31 December 2015	
	Amount payable	Ending balance	Amount payable	Ending balance
Basic pensions	3,070,105	-	2,549,832	-
Unemployment insurance	148,799	-	154,209	-
	3,218,904	-	2,704,041	-

(12) Taxes payable

	31 December 2016	31 December 2015
Stamp tax payable	10,149,691	3,194,894
Enterprise income tax payable	-	228,855,867
Others	4,633,097	768,348,866
	14,782,788	1,000,399,627

16 Notes to the Company's financial statements (Cont'd)

(13) Interest payable

	31 December 2016	31 December 2015
Interest payable on bonds issued	586,762,149	7,940,984
Interest payable due to related parties (Note 10(2)(b))	35,264,012	102,487,703
Interest payable on bank borrowings	27,389,476	44,129,878
	649,415,637	154,558,565

(14) Other payables

	31 December 2016	31 December 2015
Borrowings from related parties (Note 10(2)(b))	9,500,188,457	10,127,159,000
Payables due to related parties (Note 10(2)(b))	4,272,511,564	8,503,306,061
Share transfer consideration received in advance	1,890,000,000	140,000,000
Prepaid capital investment from shareholders	-	4,632,500,000
Others	157,434,762	48,782,229
	15,820,134,783	23,451,747,290

(15) Other current liabilities

	31 December 2016	31 December 2015
Bonds payable (Note 16(17))	21,676,392,668	3,983,597,960

(16) Long-term borrowings

	31 December 2016	31 December 2015
Credit borrowings	700,000,000	-
Less: Current portion of long-term payables	(2,000,000)	-
	698,000,000	-

As at 31 December 2016, the weighted average interest rate of long-term borrowings was 5.56% per annum.

16 Notes to the Company's financial statements (Cont'd)

(17) Bonds payable

Type	Guarantee type	Maturity	Par value (in million)	Issued year	Coupon rate (per annum)	31 December 2016
Corporate bonds (Note 9(41)(a))	None	3 years	RMB 3,750	2015	4.35%	3,739,490,169
Corporate bonds (Note 9(41)(a))	None	3 years	RMB 3,500	2016	4.50%	3,489,002,353
Corporate bonds (Note 9(41)(a))	None	3 years	RMB 3,000	2016	5.20%	2,991,231,766
Corporate bonds (Note 9(41)(a))	None	3 years	RMB 2,500	2016	4.38%	2,492,059,876
Corporate bonds (Note 9(41)(a))	None	3 years	RMB 2,000	2016	4.65%	1,993,200,931
Corporate bonds (Note 9(41)(a))	None	3 years	RMB 5,000	2016	4.88%	4,981,846,095
Corporate bonds (Note 9(41)(a))	None	3 years	RMB 5,000	2016	4.39%	4,980,793,244
Corporate bonds (Note 9(41)(a))	None	3 years	RMB 2,500	2016	4.99%	2,492,404,752
						27,160,029,186
Less: Current portion (presented in other current liabilities)						(21,676,392,668)
						5,483,636,518

(18) Share capital

In 2016, the paid-in capital of the Company was increased by RMB 4.7 billion, and the industrial and commercial registration for changes was completed. As at 31 December 2016, the Company's paid-in capital was RMB 38.9 billion.

(19) Capital surplus

	31 December 2015	Increase in current year	Decrease in current year	31 December 2016
Other capital surplus	46,354,864	60,542,779	-	106,897,643

(20) Surplus reserve

	31 December 2015	Increase in current year	Decrease in current year	31 December 2016
Statutory surplus reserve	400,000,000	164,895,267	-	564,895,267

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase equity after approval from the appropriate authorities.

16 Notes to the Company's financial statements (Cont'd)

(21) Revenue

	For the year ended 31 December 2016	For the year ended 31 December 2015
Dividend income from subsidiaries	4,510,580,875	2,501,736,463
Investment income	65,909,141	558,461,346
Gains/(losses) from fair value changes	(5,282,381)	(134,180,562)
Revenue from consulting services	5,758,443	3,035,473
Rental income	15,298,442	-
	4,592,264,520	2,929,052,720

(22) General and administrative expenses

General and administrative expenses classified by nature are as follows:

	For the year ended 31 December 2016	For the year ended 31 December 2015
Employee benefits expenses	905,317,174	1,093,435,382
Rental expenses	107,108,383	96,770,461
Professional fees	75,437,555	51,943,567
Travelling expenses	51,249,548	44,530,297
Office and meeting expenses	47,977,110	57,266,010
Depreciation and amortisation	46,073,171	4,245,967
Advertising and promotion expenses	36,478,473	18,347,672
Entertainment expenses	15,129,682	14,110,983
Stamp duties	4,571,073	(2,248,014)
Equipment maintenance expenses	1,120,325	3,382,851
Other expenses	11,393,648	8,458,521
	1,301,856,142	1,390,243,697

(23) Finance expenses- net

	For the year ended 31 December 2016	For the year ended 31 December 2015
Interest expenses	2,057,647,325	703,923,232
Interest income	(956,054,670)	(495,929,295)
Commission and bank charges	926,588	20,482,192
Exchange gains	197,950	1,006
	1,102,717,193	228,477,135

16 Notes to the Company's financial statements (Cont'd)

(24) Investment income

	For the year ended 31 December 2016	For the year ended 31 December 2015
Disposal of subsidiaries' shares	834,186,794	-

(25) Non-operating income

	For the year ended 31 December 2016	For the year ended 31 December 2015
Government subsidies and grants	46,397,682	-
Tax refund	-	5,833,000
Others	3,288,532	200
	49,686,214	5,833,200

(26) Income tax expenses

	For the year ended 31 December 2016	For the year ended 31 December 2015
Current income tax	(230,719,661)	231,019,716
Deferred income tax	(148,432,956)	(543,588,353)
	(379,152,617)	(312,568,637)

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the financial statements to the income tax expenses is listed below:

	For the year ended 31 December 2016	For the year ended 31 December 2015
Total profit	3,030,425,190	1,236,448,674
Income tax expenses calculated at applicable tax rates	757,606,298	309,112,169
Income not subject to tax	(1,128,779,712)	(635,438,250)
Undeductible cost, expenses or loss	2,871,970	13,457,390
Others	(10,851,173)	300,054
	(379,152,617)	(312,568,637)

16 Notes to the Company's financial statements (Cont'd)

(27) Notes to cash flow statement

(a) Reconciliation from net profit to cash flows from operating activities

	For the year ended 31 December 2016	For the year ended 31 December 2015
Net profit	3,409,577,807	1,549,017,311
Add: Depreciation and amortisation	46,073,171	16,674,226
Losses on disposal of fixed assets, intangible assets and other long-term assets	(268,506)	-
Share-based payment	60,542,779	46,354,864
Finance expenses	1,203,685,125	241,685,818
Investment income	(5,344,767,669)	(2,501,736,463)
Deferred tax expenses	(148,432,956)	(543,588,353)
Decrease in operating receivables	936,472,433	9,148,117,099
(Decrease)/increase in operating payables	(546,215,462)	853,670,457
Exchange differences	(842)	-
Net cash flows from operating activities	(383,334,120)	8,810,194,959

(b) The Group does not have significant non-cash investing or financing activities.

(c) Net increase/(decrease) in cash and cash equivalents

	For the year ended 31 December 2016	For the year ended 31 December 2015
Cash and cash equivalents at the end of the year	6,707,118,316	1,367,017,790
Less: Cash and cash equivalents at the beginning of the year	(1,367,017,790)	(3,411,173,594)
Net increase/(decrease) in cash and cash equivalents	5,340,100,526	(2,044,155,804)

(d) Cash and cash equivalents

	31 December 2016	31 December 2015
Cash at bank and on hand (Note 16(1))	7,805,521,881	2,265,346,490
Less: Restricted cash at bank	(1,098,403,565)	(898,328,700)
Cash and cash equivalents at the end of the year	6,707,118,316	1,367,017,790

16 Notes to the Company's financial statements (Cont'd)

(27) Notes to cash flow statement (Cont'd)

(e) Cash paid relating to other operating activities

Cash paid relating to other operating activities in the cash flow statement mainly includes:

	For the year ended 31 December 2016	For the year ended 31 December 2015
Professional fees	76,071,425	50,027,920
Rental expenses	71,639,783	59,021,242
Travelling expenses	49,525,270	44,530,297
Office and meeting expenses	47,977,110	57,266,010
Advertising and promotion expenses	36,478,473	18,347,672
Donation	21,000,000	53,600,000
Entertainment expenses	15,129,682	14,110,983
Tender deposit paid	-	1,564,064,576
Performance deposit paid	-	400,000,000
Others	2,812,284	162,761,037
	320,634,027	2,423,729,737

17 Assets pledged or collateralized

The Group's assets which are pledged or collateralized for borrowings and other financing are as follows:

	31 December 2016	31 December 2015
Cash at bank and on hand	5,098,075,833	4,826,360,230
Financial assets at fair value through profit or loss	2,775,508,978	8,666,661,072
Notes receivable	2,085,236	-
Accounts receivable	268,208,156	6,108,561
Inventories	19,341,829,989	14,298,323,522
Assets classified as held for sale	-	8,125,280,375
Current portion of non-current assets	2,029,191,378	-
Available-for-sale financial assets	55,329,512	-
Long-term receivables	7,211,587,300	-
Long-term equity investments	2,542,795,677	2,310,548,629
Investment properties	39,331,848,342	25,375,538,000
Fixed assets	2,485,476,219	1,026,897,919
Construction in progress	1,202,001,210	-
Intangible assets	46,343,361	105,942,775
Total	82,390,281,191	64,741,661,083

18 Subsequent events

In April 2017, Yida issued a 3-year senior notes with par value of USD 300 million in Hong Kong Stock Exchange. Its coupon rate is 6.95% per annum.

19 Reclassification

Some comparable financial statement items have been reclassified pursuant to current year's presentation.

Report of the Auditor

PwC ZT Shen Zi (2016) No. 25467
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To the Board of Directors of China Minsheng Investment Co., Ltd.:

We have audited the accompanying financial statements of China Minsheng Investment Co., Ltd. ("the Company") which comprise the consolidated and company's balance sheets as at 31 December 2015, the consolidated and company's income statements, the consolidated and company's cash flow statements, the consolidated and company's statements of changes in shareholders' equity for the year then ended and notes to the financial statements.

Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

pwc

普华永道

Report of the Auditor (Continued)

PwC ZT Shen Zi (2016) No. 25467
[Page 2 of 2]

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial positions of the Company as at 31 December 2015, and their financial performances and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

Other Matters

This report, including the opinion, has been prepared for and only for you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers Zhong Tian LLP

Certified Public Accountant 张武

Shanghai, the People's Republic of China

Certified Public Accountant 张炯

25 April 2016

CHINA MINSHENG INVESTMENT CO., LTD.
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015
(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Notes	31 December 2015	31 December 2014
Current Assets			
Cash at bank and on hand	9(1)	25,136,387,871	4,154,195,533
Financial assets at fair value through profit or loss	9(2)	10,680,123,455	18,167,012,356
Loan and receivable	9(3)	1,177,686,695	-
Notes receivable		540,000	-
Accounts receivable	9(4)	241,345,574	134,402,309
Prepayments	9(5)	3,173,067,188	42,050,580
Interest receivable		52,704,064	-
Other receivables	9(6)	3,603,481,486	1,429,880,015
Inventories	9(7)	18,866,417,897	9,230,063,820
Assets classified as held for sale	9(8)	9,654,151,449	-
Current portion of non-current assets	9(9)	1,553,027,054	-
Other current assets	9(10)	857,935,225	96,749,986
Total current assets		74,996,867,958	33,254,354,599
Non-current assets			
Available-for-sale financial assets	9(11)	2,901,872,906	-
Long-term receivables	9(12)	4,454,559,923	-
Long-term equity investments	9(13)	4,244,551,847	-
Investment properties	9(14)	25,428,696,000	18,530,000,000
Fixed assets	9(15)	1,627,779,506	241,622,420
Construction in progress	9(16)	5,877,618,624	14,337,471
Intangible assets	9(17)	515,845,771	813,745
Goodwill	9(18)	1,229,466,090	556,086,382
Long-term prepaid expenses	9(19)	1,334,420,279	292,144,519
Deferred tax assets	9(20)	1,105,846,548	88,393,874
Other non-current assets	9(21)	20,325,874,023	495,904,360
Total non-current assets		69,046,531,517	20,219,302,771
TOTAL ASSETS		144,043,399,475	53,473,657,370

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015 (CONTINUED)
(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 December 2015	31 December 2014
Current Liabilities			
Short-term borrowings	9(22)	26,614,010,881	3,030,000,000
Notes payable	9(23)	299,795,343	-
Accounts payable	9(24)	751,255,513	24,439,883
Advances from customers	9(25)	2,167,959,103	90,147,643
Employee benefits payable	9(26)	770,976,961	305,189,590
Taxes payable	9(27)	3,656,166,242	981,858,030
Interests payable		164,445,836	4,863,169
Dividends payable	9(28)	1,655,587,389	-
Other payables	9(29)	12,410,081,171	1,911,909,727
Liabilities classified as held for sale	9(30)	7,398,019,636	-
Current portion of non-current liabilities	9(31)	6,031,619,124	-
Other current liabilities	9(32)	4,650,122,222	-
Total current liabilities		66,570,039,421	6,348,408,042
Non-current liabilities			
Long-term borrowings	9(33)	9,299,090,315	200,000,000
Long-term payables	9(34)	16,294,903,709	6,673,770,173
Deferred tax liabilities	9(20)	3,159,634,736	917,301,517
Bonds payable	9(35)	1,940,420,611	-
Other non-current liabilities	9(36)	838,657,285	55,583,221
Total non-current liabilities		31,532,706,656	7,846,654,911
Total liabilities		98,102,746,077	14,195,062,953
SHAREHOLDERS' EQUITY			
Paid-in capital		34,200,000,000	33,200,000,000
Capital surplus	9(37)	314,060,146	257,333,273
Less: Treasury stock	9(38)	(200,000,000)	-
Other comprehensive income	9(39)	(255,500,120)	(6,925,917)
Surplus reserve		400,000,000	69,035,755
Retained earnings	9(40)	4,789,630,286	3,911,182,223
Total equity attributable to shareholders of the Company		39,248,190,312	37,430,625,334
Minority interest		6,692,463,086	1,847,969,083
TOTAL SHAREHOLDERS' EQUITY		45,940,653,398	39,278,594,417
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		144,043,399,475	53,473,657,370

The accompanying notes form an integral part of these financial statements.

President: Chief Finance Officer: Director of finance department:

CHINA MINSHENG INVESTMENT CO., LTD.
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts in RMB Yuan unless otherwise stated)

ITEM	Notes	For the year ended 31 December 2015	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Revenue	9(41)	4,663,620,204	3,778,432,881
Less: Cost of sales	9(42)	(1,427,034,436)	(218,579,261)
Business taxes and surcharges		(66,600,125)	(3,858,599)
Selling expenses	9(42)	(69,548,459)	(5,896,492)
General and administrative expenses	9(42)	(2,470,611,462)	(503,004,048)
Finance expenses-net	9(43)	(507,989,120)	27,308,796
Asset impairment losses		(95,288,811)	(4,299,792)
Add: Net gains from fair value changes	9(44)	1,775,854,368	2,156,616,846
Investment income	9(45)	305,221,457	4,610,389
Including: Share of profit of associates and joint ventures		165,452,467	-
Operating profit		2,107,623,616	5,231,330,720
Add: Non-operating income	9(46)	3,302,857,247	179,774,950
Less: Non-operating expenses		(131,367,509)	(500,000)
Total profit		5,279,113,354	5,410,605,670
Less: Income tax expenses	9(47)	(640,463,237)	(1,357,879,553)
Net profit		4,638,650,117	4,052,726,117
Net profit attributable to shareholders of the Company		4,727,466,442	3,980,217,978
Minority interest		(88,816,325)	72,508,139
Other comprehensive income, net of tax		(224,225,792)	(8,544,191)
Other comprehensive income attributable to shareholders of the Company, net of tax		(248,574,203)	(6,925,917)
Items that may be subsequently reclassified to profit or loss			
- Currency translation differences		619,817,569	(6,925,917)
- Changes in fair value for available-for-sale financial assets		(868,391,772)	-
Other comprehensive income attributable to minority interest, net of tax		24,348,411	(1,618,274)
Total comprehensive income		4,414,424,325	4,044,181,926
Total comprehensive income attributable to shareholders of the Company		4,478,892,239	3,973,292,061
Total comprehensive income attributable to minority interest		(64,467,914)	70,889,865

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Notes	For the year ended 31 December 2015	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Cash flows from operating activities:			
Cash receipts from the sale of goods and the rendering of services		2,213,429,835	228,541,837
Cash receipts from finance leases		804,421,573	-
Refund of taxes and surcharges		7,841,137	-
Cash receipts from finance segment's investment income		7,761,940	-
Cash receipts from finance segment's disposal of investments		32,243,925,923	40,832,536,823
Cash receipts from other operating activities		1,110,300,892	12,363,319
Sub-total of cash inflows		36,387,681,300	41,073,441,979
Cash payments for goods purchased and services received		(1,779,464,100)	(9,304,354,671)
Cash payments for finance leases		(7,099,019,024)	-
Cash payments to and on behalf of employees		(1,428,221,100)	(91,378,722)
Payments of taxes and levies		(730,645,632)	(127,813,468)
Cash payments for finance segment's purchase of financial assets		(37,750,677,187)	(55,462,545,340)
Cash payments relating to other operating activities	9(48)	(2,899,316,786)	(334,899,788)
Sub-total of cash outflows		(51,687,343,829)	(65,320,991,989)
Net cash used in operating activities		(15,299,662,529)	(24,247,550,010)
Cash flows from investing activities			
Cash receipts from industry segment's investment income		126,592,034	-
Cash receipts from industry segment's disposal of investments		3,396,060,710	4,610,389
Net cash receipts from acquisition of subsidiaries and other business units		1,983,173,260	189,828,367
Cash receipts relating to other investing activities		105,727,300	-
Sub-total of cash inflows		5,611,553,304	194,438,756
Net cash payments for investments of associates and joint ventures		(3,769,680,186)	-
Net cash payments for acquisition of subsidiaries and other business units		(463,610,104)	(588,000,000)
Cash payments for industry segment's purchase of financial assets		(10,612,604,795)	-
Cash payments to acquire fixed assets, intangible assets and other long-term assets		(3,812,407,877)	(16,417,836,800)
Cash payments relating to other investing activities		(692,669,575)	(1,000,000,000)
Sub-total of cash outflows		(19,350,972,537)	(18,005,836,800)
Net cash used in investing activities		(13,739,419,233)	(17,811,398,044)

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.
CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts in RMB Yuan unless otherwise stated)

ITEM	Notes	For the year ended 31 December 2015	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Cash flows from financing activities			
Cash receipts from capital contributions		7,822,500,000	35,300,000,000
Including: Capital contributions by minority interest of subsidiaries		2,190,000,000	2,100,000,000
Cash receipts from borrowings		41,655,581,363	4,230,000,000
Cash receipts from asset-backed securities issued		1,016,723,468	-
Cash receipts from bonds issued		6,539,249,096	-
Cash receipts relating to other financing activities		10,184,029,336	8,241,976,020
Sub-total of cash inflows		67,218,083,263	47,771,976,020
Cash repayments of borrowings		(13,777,000,720)	(1,550,000,000)
Cash payments for interest		(2,046,561,339)	(288,242)
Cash payments for distribution of dividends		(1,940,000,000)	-
Cash payments for deposits pledged for financing activities		(3,937,691,843)	-
Cash payment relating to other financing activities		(2,402,481,787)	-
Sub-total of cash outflows		(24,103,735,689)	(1,550,288,242)
Net cash generated from financing activities		43,114,347,574	46,221,687,778
Net effect of foreign exchange rate changes on cash and cash equivalents		759,227,229	(8,544,191)
Net increase in cash and cash equivalents	9(48)	14,834,493,041	4,154,195,533
Add: Cash and cash equivalents at beginning of the year/period		4,154,195,533	-
Cash and cash equivalents at end of the year/period		18,988,688,574	4,154,195,533

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts in RMB Yuan unless otherwise stated)

ITEM	Equity attributable to shareholders of the Company						Minority interest	Total shareholders' equity
	Paid-in capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserve	Retained earnings		
Balance as at 1 January 2015	33,200,000,000	257,333,273	-	(6,925,917)	69,035,755	3,911,182,223	1,847,969,083	39,278,594,417
Movements for the year ended 31 December 2015								
Total comprehensive income								
Net profit	-	-	-	-	-	4,727,466,442	(88,816,325)	4,638,650,117
Other comprehensive income	-	-	-	(248,574,203)	-	-	24,348,411	(224,225,792)
	-	-	-	(248,574,203)	-	4,727,466,442	(64,467,914)	4,414,424,325
Capital contributions and withdrawal by shareholders								
Share-based payment	-	46,354,864	(200,000,000)	-	-	-	-	(153,645,136)
Capital contributions from shareholders	1,000,000,000	-	-	-	-	-	-	1,000,000,000
Profit distribution								
Appropriation to surplus reserves	-	-	-	-	330,964,245	(330,964,245)	-	-
Profit distribution to shareholders	-	-	-	-	-	(3,516,700,000)	-	(3,516,700,000)
Set up of subsidiaries	-	-	-	-	-	-	750,000,000	750,000,000
Acquisition of subsidiaries	-	-	-	-	-	-	5,108,400,347	5,108,400,347
Equity transactions with minority interest	-	10,372,009	-	-	-	(1,354,134)	(949,438,430)	(940,420,555)
Balance as at 31 December 2015	34,200,000,000	314,060,146	(200,000,000)	(255,500,120)	400,000,000	4,789,630,286	6,692,463,086	45,940,653,398

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts in RMB Yuan unless otherwise stated)

ITEM	Equity attributable to shareholders of the Company					Minority interest	Total shareholders' equity
	Paid-in capital	Capital surplus	Other comprehensive income	Surplus reserve	Retained earnings		
Balance as at 9 May 2014	-	-	-	-	-	-	-
Movements for the period from 9 May 2014 (date of incorporation) to 31 December 2014							
Total comprehensive income							
Net profit	-	-	-	-	3,980,217,978	72,508,139	4,052,726,117
Other comprehensive income	-	-	(6,925,917)	-	-	(1,618,274)	(8,544,191)
	-	-	(6,925,917)	-	3,980,217,978	70,889,865	4,044,181,926
Capital contributions and withdrawal by shareholders							
Capital contributions from shareholders	33,200,000,000	-	-	-	-	-	33,200,000,000
Profit distribution							
Appropriation to surplus reserves	-	-	-	69,035,755	(69,035,755)	-	-
Set up of subsidiaries	-	-	-	-	-	500,000,000	500,000,000
Acquisition of subsidiaries	-	-	-	-	-	20,190,248	20,190,248
Equity transactions with minority interest	-	257,333,273	-	-	-	1,256,888,970	1,514,222,243
Balance as at 31 December 2014	33,200,000,000	257,333,273	(6,925,917)	69,035,755	3,911,182,223	1,847,969,083	39,278,594,417

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.
COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2015
(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Notes	31 December 2015	31 December 2014
Current Assets			
Cash at bank and on hand	16(1)	2,265,346,490	3,411,173,594
Financial assets at fair value through profit or loss	16(2)	1,286,006,770	12,355,968,335
Accounts receivable		3,035,474	-
Loan and receivable	16(3)	400,000,000	-
Prepayments		6,685,996	1,639,065
Interest receivable	16(4)	248,593,173	5,277,611
Other receivables	16(5)	8,086,215,430	9,913,625,510
Other current assets	16(6)	9,949,768	803,040
Total current assets		12,305,833,101	25,688,487,155
Non-current assets			
Long-term equity investments	16(7)	63,698,782,273	24,230,344,036
Long-term receivables	16(8)	91,546,700	-
Fixed assets		21,129,536	7,841,154
Construction in progress		2,981,037	-
Long-term prepaid expenses	16(9)	919,860,369	24,238,560
Deferred tax assets	16(10)	572,622,054	29,033,701
Total non-current assets		65,306,921,969	24,291,457,451
TOTAL ASSETS		77,612,755,070	49,979,944,606

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.
COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2015 (CONTINUED)
(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 December 2015	31 December 2014
Current Liabilities			
Short-term borrowings	16(11)	14,380,000,000	3,030,000,000
Accounts payable		1,190,760	-
Employee benefits payable	16(12)	295,531,138	260,547,789
Taxes payable	16(13)	1,000,399,627	210,331,238
Interests payable	16(14)	154,558,565	4,554,405
Dividends payable	16(15)	1,460,000,000	-
Other payables	16(16)	23,451,747,290	12,584,153,619
Other current liabilities	16(17)	3,983,597,960	-
Total current liabilities		44,727,025,340	16,089,587,051
Total liabilities		44,727,025,340	16,089,587,051
SHAREHOLDERS' EQUITY			
Paid-in capital		34,200,000,000	33,200,000,000
Capital surplus	16(18)	46,354,864	-
Surplus reserve	16(19)	400,000,000	69,035,755
Retained earnings / (accumulated loss)	16(20)	(1,760,625,134)	621,321,800
TOTAL SHAREHOLDERS' EQUITY		32,885,729,730	33,890,357,555
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		77,612,755,070	49,979,944,606

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.
COMPANY INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts in RMB Yuan unless otherwise stated)

ITEM	Notes	For the year ended 31 December 2015	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Revenue	16(21)	2,929,052,720	988,081,130
Less: Business taxes and surcharges		(26,116,414)	(554,509)
General and administrative expenses	16(22)	(1,390,243,697)	(419,060,767)
Finance expenses-net	16(23)	(228,477,135)	40,437,755
Add: Investment income		-	300,000,000
Operating profit		1,284,215,474	908,903,609
Add: Non-operating income	16(24)(a)	5,833,200	156
Less: Non-operating expenses	16(24)(b)	(53,600,000)	(500,000)
Total profit		1,236,448,674	908,403,765
Less: Income tax expenses	16(25)	312,568,637	(218,046,210)
Net profit		1,549,017,311	690,357,555
Other comprehensive income, net of tax		-	-
Total comprehensive income		1,549,017,311	690,357,555

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.
COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts in RMB Yuan unless otherwise stated)

ITEM	Notes	For the year ended 31 December 2015	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Cash flows from operating activities:			
Refund of taxes and surcharges		5,833,000	-
Cash receipts from disposals of financial assets		25,584,099,335	38,984,693,191
Cash receipts from other operating activities		33,691,075	67,047,496
Sub-total of cash inflows		25,623,623,410	39,051,740,687
Cash payments for goods purchased and services received		(18,600,000)	-
Cash payments to and on behalf of employees		(1,090,691,026)	(44,985,069)
Payments of taxes and levies		(204,407,688)	(63,093,948)
Cash payments for purchases of financial assets		(13,076,000,000)	(50,366,437,382)
Cash payments relating to other operating activities	16(26)	(2,423,729,737)	(433,974,798)
Sub-total of cash outflows		(16,813,428,451)	(50,908,491,197)
Net cash used in operating activities		8,810,194,959	(11,856,750,510)
Cash flows from investing activities			
Cash receipts from investment income		2,501,736,463	-
Net cash receipts from disposals of subsidiaries		140,000,000	1,300,000,000
Cash receipts for other investing activities		2,248,522,232	-
Sub-total of cash inflows		4,890,258,695	1,300,000,000
Cash payments for acquisitions of subsidiaries		(39,468,438,237)	(16,730,344,036)
Cash payments to acquire fixed assets, intangible assets and other long-term assets		(117,687,121)	(32,707,880)
Cash payments for other investing activities		-	(9,548,500,000)
Sub-total of cash outflows		(39,586,125,358)	(26,311,551,916)
Net cash used in investing activities		(34,695,866,663)	(25,011,551,916)

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.
COMPANY CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts in RMB Yuan unless otherwise stated)

ITEM	Notes	For the year ended 31 December 2015	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Cash flows from financing activities			
Cash receipts from capital contributions		5,632,500,000	33,200,000,000
Cash receipts from borrowings		24,210,000,000	4,030,000,000
Cash receipts from bonds issued		3,984,000,000	-
Cash receipts from other financing activities		7,077,159,000	4,049,476,020
Sub-total of cash inflows		40,903,659,000	41,279,476,020
Cash repayments of borrowings		(12,860,000,000)	(1,000,000,000)
Cash payments for distribution of dividends		(2,140,000,000)	-
Cash payments for interest		(510,728,800)	-
Cash payments for deposits pledged for finance activities		(498,328,700)	-
Cash payment relating to other financing activities		(1,053,085,600)	-
Sub-total of cash outflows expenses		(17,062,143,100)	(1,000,000,000)
Net cash generated from financing activities		23,841,515,900	40,279,476,020
Net effect of foreign exchange rate changes on cash and cash equivalents		-	-
Net (decrease) / increase in cash and cash equivalents	16(26)	(2,044,155,804)	3,411,173,594
Add: Cash and cash equivalents at beginning of the year/period		3,411,173,594	-
Cash and cash equivalents at end of the year/period		1,367,017,790	3,411,173,594

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.
COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts in RMB Yuan unless otherwise stated)

ITEM	Paid-in capital	Capital surplus	Surplus reserve	Retained earnings	Total shareholders' equity
Balance as at 1 January 2015	33,200,000,000	-	69,035,755	621,321,800	33,890,357,555
Movements for the year ended 31 December 2015					
Total comprehensive income					
Net profit	-	-	-	1,549,017,311	1,549,017,311
	-	-	-	1,549,017,311	1,549,017,311
Capital contributions and withdrawal by shareholders					
Capital contributions from shareholders	1,000,000,000	-	-	-	1,000,000,000
Share-based payment	-	46,354,864	-	-	46,354,864
Profit distribution					
Appropriation to surplus reserves	-	-	330,964,245	(330,964,245)	-
Profit distribution to shareholders	-	-	-	(3,600,000,000)	(3,600,000,000)
Balance as at 31 December 2015	34,200,000,000	46,354,864	400,000,000	(1,760,625,134)	32,885,729,730

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.
COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY(CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts in RMB Yuan unless otherwise stated)

ITEM	Paid-in capital	Capital surplus	Surplus reserve	Retained earnings	Total shareholders' equity
Balance as at 9 May 2014	-	-	-	-	-
Movements for the period from 9 May 2014 (date of incorporation) to 31 December 2014					
Total comprehensive income					
Net profit	-	-	-	690,357,555	690,357,555
	-	-	-	690,357,555	690,357,555
Capital contributions and withdrawal by shareholders					
Capital contributions from shareholders	33,200,000,000	-	-	-	33,200,000,000
Profit distribution					
Appropriation to surplus reserves	-	-	69,035,755	(69,035,755)	-
Balance as at 31 December 2014	33,200,000,000	-	69,035,755	621,321,800	33,890,357,555

The accompanying notes form an integral part of these financial statements.

1 General information

China Minsheng Investment Co., Ltd. ("the Company") is a limited liability company incorporated in Shanghai, the People's Republic of China on 9 May 2014. The registered capital is RMB 50 billion.

As of 31 December 2015, the Company's paid-in capital is RMB 34.2 billion (As of 31 December 2014: 33.2 billion).

The approved business scope of the Company and its subsidiaries (together "the Group") includes equity investment, equity investment management, business consulting, financial consulting, industrial investment, asset management, investment consulting, finance leases, insurance brokerage, real estate development, property lease, property management, business flight, jet charter, aircraft asset management and other approved services.

Details of major subsidiaires which are included in the consolidated financial statements are disclosed in Note 7.

The financial statements were authorised for issuance by the Company's Board of Directors on 25 April 2016.

2 Basis of preparation

The financial statements are prepared in accordance with Basic Standard and Specific Standards of the Accounting Standard for Business Enterprises and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and thereafter (hereafter collectively referred to as "the Accounting Standard for Business Enterprises" or "CAS").

The financial statements have been prepared on a going concern basis.

3 Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2015 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and company's financial positions as of 31 December 2015 and the consolidated and company's financial performances, cash flows and other information for the year ended 31 December 2015.

4 Summary of significant accounting policies and accounting estimates

(1) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December. The comparative period is from 9 May 2014 (date of incorporation) to 31 December 2014.

Except for real estate business, the operating cycle of other business is short, therefore within twelve-month is classification benchmark for current asset and current liability. The operating cycle of real estate business is normally more than twelve months from property development to property sales depending on development projects therefore within the operating cycle is the classification benchmark for current asset and current liability.

(2) Functional currency and presentation currency

The functional currency of the Company and the Group's subsidiaries in Mainland China is Renminbi (RMB). The functional currency of the Group's overseas subsidiaries is currency of primary economic environment in which they operate. The presentation currency of this financial statements is Renminbi (RMB).

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(3) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the date of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates as at the balance sheet date. Except for foreign currency borrowings that are specifically for the acquisition or construction of assets qualified for capitalisation of borrowing cost, where the foreign exchange gains/losses are capitalised as part of the costs of these assets, all other foreign exchange gains/losses are recognised in the profit or loss for the current period. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated into RMB on the balance sheet date using the spot exchange rate as at the date of the transactions. The effect of exchange rate changes on cash and cash equivalents is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items included in the balance sheets of overseas operations are translated into RMB using the spot exchange rates as at the balance sheet date. Other than 'retained earnings', items under 'shareholders' equity' are translated into RMB using the spot exchange rates on the transaction dates. The income and expense items included in the income statements of overseas operations are translated using the spot exchange rates or average exchange rate which is a reasonable approximation on the transaction dates. The differences arising from the above translation are presented separately in other comprehensive income. The cash flows of overseas operations are translated into RMB using the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash and cash equivalents is presented separately in the cash flow statement.

(4) Cash and cash equivalents

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

(5) Financial instruments

The term "financial instruments" refers to the contracts under which the financial assets of an enterprise are formed and the financial liability or equity instruments of any other entity are formed.

Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets is determined based on the Group's intention and ability to hold the financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of selling in the near term; (2) being part of a portfolio of identified financial instruments which the Group manages together and there is objective evidence that the Group manages the portfolio for short-term profit-taking recently; or (3) a derivative but is not designated as an effective hedging instrument, a financial guarantee contract, or linked to an equity instrument type of investments which is not quoted in an active market and its fair value cannot be reliably measured, and its settlement requires the delivery of such equity instrument.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Financial instruments (Cont'd)

Classification of financial assets (Cont'd)

(a) Financial assets at fair value through profit or loss (Cont'd)

Asset management products, bank wealth management products and trusts hold by the Group are designated at fair value through profit or loss at inception as these financial assets' risk and performance are evaluated and reported to management and the Board of Directors on a fair value basis in accordance with the Group's documented investment strategy.These financial assets at fair value through profit or loss that the Group expect to hold for more than one year after the reporting period are included in other non-current assets.

(b) Receivables

Receivables, including accounts receivable and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market (Note 4 (6)).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as this category at initial recognition or not classified in any other categories. Available-for-sale financial assets are included in 'Other current assets' in the balance sheet if management intends to dispose them within 12 months after the balance sheet date.

(d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that management has the positive intention and ability to hold to maturity. Held-to-maturity investments with maturities over 12 months when the investments were made but are due within 12 months at the balance sheet date are included in the current portion of non-current assets; held-to maturity investments with maturities no more than 12 months when the investments were made are included in other current assets.

Recognition and measurement of financial assets

A financial asset is recognised on the balance sheet at its fair value when the Group becomes a party to the contractual agreement of a financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initially recognised amounts.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains or losses arising from change in the fair value of financial assets at fair value through profit or loss are recognised in current period's profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Financial instruments (Cont'd)

Recognition and measurement of financial assets (Cont'd)

Gains or losses arising from change in fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from translation of monetary financial assets. When such financial assets are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are recycled into profit or loss for the current period. Interests from available-for-sale debt instruments are calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the investee on available-for-sale equity instruments are recognised as investment income in the profit or loss for the current period.

Impairment of financial assets

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

If there is objective evidence that an impairment loss on available-for-sale financial assets incurred, the cumulative losses arising from the decline in fair value that had been recognised in other comprehensive income are transferred out from equity and charged into the income statement. For a debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the previously recognised impairment loss is reversed into profit or loss for the current period. For an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised in other comprehensive income.

If an impairment loss incurred on available-for-sale financial assets measured at cost, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The impairment loss is not allowed to be reversed when the value is recovered in a subsequent period.

(g) Derecognition of financial assets

The Group derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

When such financial assets are derecognised, the differences between the carrying amount and the sum of the consideration received and any cumulative gain or loss which has been previously recognised in other comprehensive income (related with available-for-sale financial assets) are recognised in profit or loss of the current period.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Financial instruments (Cont'd)

Classification and measurement of financial liabilities

Financial liabilities of the Group are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The classification of financial liabilities is determined by the Group at initial recognition. In the case of financial liabilities at fair value through profit or loss, the related transaction costs incurred are recognised in profit or loss for the current period. For other financial liabilities, the related transaction costs are included in their initially recognised amounts.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated at fair value through profit or loss at inception. A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) it has been assumed principally for the purpose of repurchasing in the near term; (2) being part of a portfolio of identified financial instruments which the Group manages together and there is objective evidence that the Group manages the portfolio for short-term profit-taking recently; or (3) a derivative but is not designated as an effective hedging instrument, a financial guarantee contract, or linked to an equity instrument type of investments which is not quoted in an active market and its fair value cannot be reliably measured, and its settlement requires the delivery of such equity instrument.

The portion of consolidated structured entities that are not held by the Group are designated as financial liabilities at fair value through profit or loss, as these financial liabilities' risk and performance are evaluated and reported to management and the Board of Directors on a fair value basis in accordance with the structured entities' documented investment strategy. These financial liabilities at fair value through profit or loss maturing more than one year after the reporting period are included in other non-current liabilities.

(b) Other financial liabilities

Other financial liabilities are measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the current obligation is discharged.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Financial instruments (Cont'd)

Derivative and embedded derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. Gains or losses arising from change in the fair value of derivative instruments of the Group at fair value through profit or loss are recognised in current period's profit or loss.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that all or some of the cash flows of the hybrid instrument vary in a way similar to a stand-alone derivatives. An embedded derivative, related to a hybrid instrument that is not designated as financial asset or financial liability at fair value through profit or loss, shall be separated from the host contract and accounted for as a separate derivative if, and only if:

- The economic characteristics and risks are not closely related to those of the related host contract
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative

The Group will designate the hybrid financial instruments as financial assets or liabilities at fair value through profit or loss when they can't be separately measured initially or subsequently.

Convertible bonds

Convertible bonds comprise of the liability and equity components, which is classified by the Group at initial recognition. The liability component is classified as liability and initially recognised at the fair value, calculated using the market interest rate of a similar liability that does not have an equity conversion option, and subsequently measured at amortized cost using the effective interest method. The equity component is initially recognised as the difference between the proceeds received from the convertible bonds as a whole and the amount of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds.

On conversion of the bonds into shares, the amount transferred to 'Share capital' is calculated as the par value of the shares multiplied by the number of shares converted. The difference between the carrying value of the related component of the converted bonds and the amount transferred to 'Share capital' is recognised in 'Capital surplus'.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market prices for assets and liabilities. For financial instruments where there is no active market, the fair value is determined by using valuation techniques.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(6) Receivables

Receivables comprise loan and receivable, accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

Receivables with amounts that are individually significant are subject to individual assessment for impairment. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made at the difference between its carrying amount and the present value of its estimated future cash flows.

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are grouped into different categories based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for each particular group of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

When the Group transfers the accounts receivable to the financial institutions without recourse, the difference between the proceeds received from the transaction and their carrying amounts and the related taxes is recognised in profit or loss for the current period.

(7) Inventories

(a) Classification

Inventories include raw materials, work in progress, finished goods, turnover materials, land held for development, properties under development, and completed properties held for sale. They are measured at the lower of cost and net realisable value. Land held for development represents land obtained for property development and sale subsequently. Properties under development represents properties under development and for sale subsequently.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(7) Inventories (Cont'd)

(b) Valuation

Inventories are initially measured at cost. Land use right which is either purchased or acquired by paying land use right granting fee is included in land held for development, separately listed under inventories. It is then transferred to properties under development in full during the construction stage. After construction is completed, the properties under development are transferred to completed properties held for sale.

Development cost of properties comprise cost of land use rights, construction costs, borrowing costs eligible for capitalisation incurred during the construction period and other direct or indirect development cost.

Cost of properties sold is determined on the construction area-proportion basis according to the actual total cost of each project.

(c) Method for determining the cost

Cost is determined using the weighted average method. The cost of finished goods and work in progress comprise raw materials, direct labor and systematically allocated production overhead based on the normal production capacity.

(d) Basis for determining net realisable value of inventories and provisions for decline in value of inventories

If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes.

(e) The Group adopts the perpetual inventory taking stock system.

(f) Amortization of low value consumables and packaging materials

Turnover materials include low value consumables and packaging materials. Low value consumables are amortised into expenses based upon numbers of usage, and the packaging materials are expensed when issued.

(8) Finance lease receivable and unearned finance income

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the Group recognises the minimum lease payments receivable by the Group, the initial direct costs and the unguaranteed residual value in the finance lease receivable. The difference between (a) the aggregate of the minimum lease payments and the unguaranteed residual value and (b) the aggregate of their present values is recognised as unearned finance income. Finance lease receivable net of unearned finance income which represents the Group's net investment in the finance lease is presented as long-term receivables. Unearned finance income is allocated over the lease term based on a pattern reflecting a constant periodic return on the Group's net investment in the finance lease.

Finance lease receivable is derecognised when the rights to receive cash flows from finance lease receivable have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(9) Long-term equity investments

Long-term equity investments comprise investments in its subsidiaries, joint ventures and associates.

(a) Subsidiaries

Subsidiaries are the investees over which the Company is able to exercise control. Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements.

Investment in subsidiary is measured at initial investment cost, cash dividend or profit distribution declared is recognised in the profit or loss of the current period.

(b) Joint ventures and associates

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangements having rights to the net assets of the arrangements. Associates are the investees that the Group has significant influence on their financial and operating decisions.

The joint ventures and associates that are held by the Group, managed on fair value basis, evaluated and reported to the key management are designated as financial assets at fair value through profit or loss at initial recognition, and are recognised and measured as disclosed in Note 4(5). Other Investments in joint ventures and associates are accounted for using the equity method. Where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

Under the equity method of accounting, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in shareholders' equity of the investee other than those arising from its net profit or loss, other comprehensive income and profit distribution, the Group records its proportionate share directly into capital surplus and adjusts the carrying amount. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gain or losses are recognised. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

(10) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing and buildings that is being constructed or developed for leasing in future, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(10) Investment properties (Cont'd)

The Group adopts the fair value model for subsequent measurement of investment properties. Buildings and land use rights are not depreciated or amortised. The investment properties are revaluated on each balance sheet date, difference between the fair value and the carrying amount is included in the profit or loss of the current period.

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible asset at the date of the transfer. The fair value of such investment property as at the transfer date is deemed as the cost of the fixed asset or intangible asset. The difference between fair value and carrying amount of the investment property is recognised in profit or loss. When an owner-occupied property is used for earning rental income or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at the date of the transfer at its fair value. If the fair value of the investment property is less than the carrying amount of the fixed asset or intangible asset, the differences are recognised in profit or loss for the current period. If the fair value of the investment property is more than the carrying amount of the fixed asset or intangible asset, the differences are recognised in other comprehensive income.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(11) Fixed assets

Fixed assets comprise buildings, machinery and equipment, motor vehicles, computers and electronic equipment and office equipment. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated residual values	Annual Depreciation rates
Buildings	5-50 years	0%-10%	1.80%-20.00%
Machinery and equipment	5-25years	0%-15%	3.40%-20.00%
Motor vehicles	4-10 years	0%-5%	9.50%-25.00%
Computer and electronic equipment	3 years	-	33.33%
Office equipment	3-7 years	0%-10%	12.86%-33.33%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(11) Fixed assets (Cont'd)

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(12) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

(13) Goodwill

Goodwill is recognised at the excess of the cost of a business combination involving enterprises not under common control over the interest in the fair value of the acquirees' identifiable net assets acquired in the business combination as at the acquisition date. Refer to Note 4(17) for goodwill impairment.

(14) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for pilots' introduction and development, improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(15) Intangible assets

Intangible assets, when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured, are recognised and measured initially at cost. Identifiable intangible assets, acquired in a business combination and whose fair value can be reliably measured, are separately recognised and measured at fair value.

The useful lives of intangible assets are determined based on the terms in which intangible assets can bring economic benefits to the Group. An intangible asset should be regarded as having an indefinite useful life if there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The estimated useful lives of intangible assets are set as below:

	Estimated useful lives
Land use rights	50-70 years
Computer software	3-10 years
Licenses with expected useful lives	10 years
Customer relationships	10 years

Intangible assets with finite lives are subsequently amortized on the straight-line basis over the useful economic life. Intangible assets with indefinite useful lives are not amortized. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed and adjusted when necessary by the Group at least at each financial year end.

Refer to Note 4(17) for impairment test and measurement of intangible assets.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(16) Development expenditure

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset, and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(17) Impairment of assets

Impairment of long-term assets other than deferred tax assets and financial assets are as follows:

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. Goodwill from a business combination and intangible assets with indefinite useful lives are tested for impairment at least on an annual basis, no matter whether there is any indication exists. Intangible assets that are not yet available for their intended use are tested for impairment on an annual basis.

The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The recoverable amount is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the one that is able to generate cash inflows that are independent from those of other assets or groups of assets.

In conducting the test, the carrying value of goodwill that is separately presented in the financial statements is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Where the recoverable amount of an asset or an asset group is lower than its carrying amount, the asset is considered to written down to its recoverable amount. A provision for impairment and an impairment loss are recognised in profit or loss in the current period at the amount by which the asset's carrying amount exceeds its recoverable amount.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(17) Impairment of assets (Cont'd)

Once the above asset impairment loss is recognised, it will not be reversed in the subsequent periods.

(18) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of fixed assets, inventories and investment properties that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

(19) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently stated at amortised cost using the effective interest method. Borrowings of which the period is within one year (including one year) are classified as the short-term borrowings, and the others are classified as long-term borrowings.

(20) Employee benefits

Employee benefits refers to all forms of consideration given by the Group in exchange for service rendered by employees or for the termination of employment, including short-term employee benefits, post-employment benefits, etc.

(a) Short-term employee benefits

Short-term employee benefits include wages or salaries, bonuses, allowances and subsidies, staff welfare, medical care, disability benefit, maternity insurance, housing funds, labour union funds, employee education funds and paid short-term leave, etc. Short-term employee benefits are recognised in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable. Non-monetary benefits are measured at fair value.

(b) Post-employment benefits

Post-employment benefits include defined contribution plans and defined benefit plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. During the reporting period, the Group's post-employment benefits mainly include social security insurance and unemployment insurance, which are defined contribution plans.

Social security insurance

The Group's employees have participated in certain social security plans organized by the local labour and social security departments. The Group makes monthly contributions to these local organizations for the purposes of paying contribution of these social security plans according to the local basic pension insurance contribution base and rate. These contributions are recognised in the accounting period in which the service has been rendered by the employees as liability, with the corresponding expenses recognised in the income statement or capitalized as cost of the related assets according to whichever the employee service is attributable to.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(21) Share-based payment

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is recognized, together with a corresponding increase in capital surplus in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The repurchase obligation of restricted shares are accounted for as liabilities and treasury stocks if the vesting condition are not met under terms of incentive scheme.

(22) Repurchase payable

Sale for repurchase is a business that the Group sell specific assets at certain price and repurchase such assets at mature date with the predetermined price under the contract or agreement, to get the fund from the counterparty. Repurchase payable are recorded at the actual amount from sale of assets, the difference between the proceeds and payables is measured using the effective interest over the repurchase period and recognised in finance expense.

(23) Provisions

Provisions for product warranties, onerous contracts etc. are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in arriving at the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted accordingly to reflect the latest best estimate.

(24) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(24) Deferred tax assets and deferred tax liabilities (Cont'd)

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to settle the current tax assets and current tax liabilities on net basis.

(25) Revenue recognition

In preparation of the financial statements, investment income and fair value changes from financial assets that are held or disposed by companies with the Group's finance segment are presented in revenue, while other investment income and fair value changes are presented separately in the income statement. As an investment holding company, dividend income from subsidiaries is presented in revenue.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

(a) Refer to Note 4(5) for the recognition and measurement of investment income and fair value changes from financial assets that are held or disposed by companies within the Group's finance segment.

(b) Other revenue

(i) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer (for example, the Group has delivered products to the location where the buyer operates and the buyer has confirmed the acceptance of the products.). Value added tax or other goods turnover tax are excluded in revenue which is net of commercial discount.

(ii) Rendering of services

The Group provides business aircraft management, air charter, property management, insurance brokerage, staff outsource and consulting service. Revenue is recognised in the current period when the services are provided according to the contract terms.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(25) Revenue recognition (Cont'd)

(b) Other revenue (Cont'd)

(iii) Sales of properties

Revenue from sales of goods is recognised when (1) the primary risks and rewards of ownership of the goods are transferred to the purchasers; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) revenue and the associated costs incurred or to be incurred can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group.

Revenue from sales of properties is recognised when (1) the properties are completed and passed the acknowledgement tests; (2) sale contracts are signed; (3) the properties has been transferred to the purchasers; (4) all the conditions of recognition of revenue from sales of goods above are met. Receipts from selling properties in advance of recognising revenue is presented as advances from customer in the balance sheet.

(iv) Operating lease of properties

Operating lease revenue of investment properties is recognised using the straight-line method over lease period. Operating lease period is lessee's irrevocable properties lease period in accordance with contract. During such period, lessee has the right to decide whether to pay to extend lease period at starting stage of lease, which is reasonable to determine whether lessee will renew the lease.

(v) Revenue from construction of intelligent network infrastructure

When the profit of construction contract can be reliably estimated, revenue and cost of the contract are recognised separately during the contract period. The revenue and cost in corresponding period are determined by using percentage-of-completion method. When the profit of construction contract can't be reliably estimate, revenue of the contract is determined to the extent of the incurred cost that will be recovered in the future.

(vi) Revenue from hotel management service

Revenue from hotel management service comes from hotel room rent provided by hotel and relative restaurant service. Revenue is recognised when the service is provided or the goods are sold.

(vii) Revenue from medical service

The Group provide clients with clinic and inpatient medical services, of which the revenue is recognised when corresponding service is provided.

(viii) Transfer of asset use rights

Interest income is recognised on a time-proportion basis using the effective interest method.

Income from an operating lease is recognised on a straight-line basis over the period of the lease.

Interest income from a finance lease is recognised in each period over the entire period using the effective interest method.

(ix) Dividend income

Dividend income is recognised when the right to receive dividend payment is established.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(26) Government Grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy and etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets will be recorded as deferred income and recognised evenly in profit or loss over the useful lives of the related assets. However, the government grants measured at their nominal amounts will be directly recorded in profit and loss for the current period.

Government grants related to income will be recorded as deferred income and recognised in profit or loss in the period in which the related expenses are recognised if the grants are intended to compensate for future expenses or losses, and otherwise recognised in profit or loss for the current period if the grants are used to compensate for expenses or losses that have been incurred.

(27) Leases

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

(a) Operating leases

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period. Rental income from an operating lease is recognised on a straight-line basis over the period of the lease.

(b) Finance leases

The leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge and is amortised using the effective interest method over the period of the lease. A long-term payable is recorded at the amount equal to the minimum lease payments less the unrecognised finance charge.

(28) Profit distribution

Cash dividend of non-restricted shares is recognised as a liability when approved by the shareholders' meeting.

The company estimates, the number of awarded shares that are expected to vest under the incentive schemes, and accounted for the cash dividend of restricted shares as follows. Revocable cash dividend of restricted shares that are expected to vest is recognised as dividend payable meanwhile the treasury stock is reduced, while revocable cash dividend of restricted share that are not expected to vest is not accounted for as profit distribution. Irrevocable cash dividend of restricted shares that are expected to vest is recognised as dividend payable, while irrevocable cash dividend of restricted shares that are not expected to vest is charged as an expense of the current period.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(29) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(30) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangements.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(30) Preparation of consolidated financial statements (Cont'd)

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' equity, net profits and total comprehensive income for the period not attributable to the Company are recognised as minority interest and total comprehensive income attributed to minority interest and presented separately in the consolidated financial statements under equity, net profits and total comprehensive income respectively. Unrealised profits or losses resulting from the Company selling assets to its subsidiaries are offset against the parent company's net profits. Unrealised profits or losses resulting from the subsidiaries selling assets to the Company are offset against net profits attributable to shareholders of the parent company and minority interests based on the distribution percentage. Unrealised profits or losses resulting from transactions among subsidiaries are offset among net profits attributable to shareholders of the parent company and minority interest based on parent company's share percentage in the selling subsidiary.

When the Group disposes minority interest which does not results in loss of control, the difference between fair value of the consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary from the acquisition combination date is treated as an adjustment to capital surplus. If the capital surplus is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

The Group will not record any additional goodwill to reflect its subsequent purchases of additional shares in subsidiary if there is no change in control. The difference between the amount by which the minority interest is decreased and the fair value of the consideration paid is recognised in equity and attributed to the shareholders of the Company. If the capital surplus (Capital premium or stock premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

If the Group, as a reporting entity, and the Company or subsidiaries, as separate reporting entities, have different views on the accounting treatment of the same transaction, the transaction should be adjusted and accounted for based on the Group's perspective.

(31) Held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale when all of the following conditions are satisfied: (1) the non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such non-current asset or disposal group; (2) the Group has made a resolution and obtained appropriate approval for disposal of the non-current asset or the disposal group; (3) the Group has signed an irrevocable transfer agreement with the transferee; and (4) the transfer is to be completed within one year.

Non-current assets (except for financial assets, investment properties measured at fair value and deferred tax assets) that meet the recognition criteria for held for sale are recognised at the amount equal to the lower of the fair value less costs to sell and the carrying amount. Any excess of the original carrying amount over the fair value less the costs to sell is recognised as asset impairment losses.

Such non-current assets and assets and liabilities included in disposal groups classified as held for sale are classified as current assets and current liabilities respectively, and are separately presented in the balance sheet.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and is separately identifiable operationally and for financial reporting purposes, and satisfies one of the following conditions: (1) represents a separate major line of business or geographical area of operations; (2) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; and (3) is a subsidiary acquired exclusively with a view to resale.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(32) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system. The reportable segments are determined and disclose based on operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

(33) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(a) Determination of fair value of financial instruments

The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique that is appropriate under the current circumstances and that there are sufficient observable market data and other information available. Common valuation techniques mainly are market approach and income approach, including references to prices used in the recent market transactions between knowledgeable and willing parties, current fair value for similar instruments, discounted cash flow analysis, and option pricing model etc.

When a valuation technique is used to establish the fair value of a financial instrument, the Group chooses the inputs of the assets and liabilities with the same attributes in related transactions between knowledgeable and willing parties, and maximises the use of relevant observable inputs when available, including market interest rate, foreign exchange rate, share price or share price index. Under the situation where there are no observable inputs available or impractical to be obtained, unobservable inputs will be used. For example, the estimation by taking into account of factors such as its counterparty and its own credit risk, market volatility, liquidity adjustments, etc.

Using different valuation techniques or inputs may result in a material difference in the estimated fair value.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(33) Critical accounting estimates and judgements (Cont'd)

(b) Classification and fair value of investment property

For the land use right corresponding to buildings include residential, commercial and office buildings, the Group classifies the portion for commercial and office buildings which held for leasing purpose into investment properties. The corresponding cost is estimated on construction area-proportion basis on total cost of land use right. If the actual situation goes different, the result will have significant differences.

For investment properties, the Group commissions external valuers to assess fair value. Valuation methods include rental income model and comparable market method. Input values include rent growth rate, capitalization rate and unit price, etc. Using different valuation techniques or inputs may result in a material difference in the estimated fair value.

(c) Accounting estimates on impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of the asset groups with goodwill and combination of such asset groups is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates.

If management revises the gross margin that is used in the calculation of the future cash flows of such asset groups and combination of asset groups, and the revised gross margin is lower than the one currently used, the Group would need to recognise further impairment against goodwill.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognise further impairment against goodwill.

(d) Impairment of loan and receivable

At the balance sheet date, the Group assesses whether there is any indication that expected future cash flows from loan and receivable decrease so as to determine whether a provision for impairment should be recorded. The indication that expected future cash flows decrease includes adverse change of borrower's solvency, national and regional economic trends and conditions, etc. The management regularly review the methods and assumptions used to estimate future cash flows so as to minimize the difference between expected loss and actual loss.

(e) Income taxes and business taxes

The Group is subject to income taxes and business taxes under various jurisdictions. During the ordinary course of business, there are often uncertainties in the final tax treatment for many transactions and matters. Significant judgment is required from the Group in determining the provision for income taxes and business taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax, deferred tax provisions and business tax expenses in the period in which such determination is made.

(f) Judgment on whether the Group controls the structured entity

In determining if the Group has control over a structured entity, it requires that management make an overall assessment and conclude whether the Group is the principal or it is acting as an agent of another party based on all facts and circumstances. If the Group is the principal, then it has control over the structured entity. In determining whether the Group is the principal, the factors that are to be considered include asset managers' decision-making scope over the structured entity, the actual rights enjoyed by other party, risk exposure to variable returns due to remuneration and having other rights to receive income from the structured entity. The Group will re-assess if there is a change to the relevant facts and circumstances which leads to a change to any of these factors.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(33) Critical accounting estimates and judgements (Cont'd)

(g) Recognition of deferred tax

Taxable losses are recognised as deferred tax assets to the extent of future taxable income. The Group has used a lot of judgement to estimate the time and amount of taxable income to be generated in the future, so as to determine the amount of deferred tax asset from deductible carrying forward taxable losses. If the Group's actual operation differs from estimation, amount of deferred tax will be affected.

(h) Property development cost

Significant estimate and judgement is used when property development cost is estimated based on expected total development cost and percentage of completion. The carrying amount of inventories and cost of goods sold will be adjusted if actual development cost differs from the estimation.

(i) Provisions for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realisable value that was estimated with assumption. If the management revises the assumption such as unit price, costs and expenses to be incurred in completion, the estimation of net realisable value will be affected. Such difference will impact on provisions for impairment of inventories.

(j) Revenue recognition of properties sold

In common commercial environment, the Group enter into property sale contract with a customer. The Group need enter into contract with a customer and a bank when the customers need apply bank mortgage loan to pay the entire contract amount. Under such contract, the customer will normally make the down payments of 30% consideration while the Group need to provide joint and several liable guarantee for the mortgage loan with guarantee term from 6 months to 2 years, until the customer obtains property ownership certificate and pledges to bank.

Under above arrangement, the maximum guarantee exposure of the Group is the customer's outstanding mortgage loan, and the bank has recourse towards the Group only if the mortgage loan is overdue.

Based on the historical experience of similar arrangement, the Group believe that within guarantee term the probability that the Group assumes liability towards the bank when the mortgage loan is overdue while the customer doesn't have the ability to repay the loan is very small, and the Group has recourse the payments from the customer or exercise the right to dispose the properties according to contract terms if such circumstance takes place. Therefore, the Group believes the financial guarantee has no impact on revenue recognition of properties sold.

5 Taxation

The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax rate	Tax base
Enterprise income tax(a)	25% / 16.5% / 17%	Taxable income
Value added tax ("VAT") (b)	6% / 11% / 17%	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of current period)
Business tax (b)	5% / 3%	Taxable turnover amount
Land appreciation tax ("LAT") (c)	At progressive rates from 30% to 60%	Land value appreciation amount
Real estate tax	1.2%	70%-80% of original cost of real estate
	12%	Rental income

(a) Enterprise income tax rate of Hong Kong subsidiaries is 16.5%, and of Singapore subsidiaries is 17%.

According to "Measures of Enterprise income tax of real estate development business", an estimated gross margin (5%-15%) of consideration from properties sold less cost, expenses and other deductible items is taxable income. The enterprise income tax paid for advances from customers is presented as other current assets, and will be recognised as tax expenses once advances recognised as revenue.

(b) Different VAT and business tax rates are applicable to various sources of revenue.

(c) LAT applies according to "Provisional regulations of the People's Republic of China on Land Appreciation Tax". LAT is levied on certain gains realized from property transactions at progressive rates from 30% to 60%, based on the land value appreciation amount which is the consideration received from the transfer or disposition of properties less deductible cost including cost of land use right, costs of property development and construction, borrowing cost, taxes and other deductible items.

When advances from customers are received, prepaid LAT at 1.5%-5% of consideration receivable is paid and presented as other current assets. When relating revenue is recognised, LAT is recognised and calculated at progressive rates from 30% to 60%, business taxes and surcharges and other accounts payable are separately recognised.

6 Change of scope of consolidation

(1) Business combination involving entities not under common control in the current year

Primary acquiree	Consideration of business combination	Interest acquired	Acquisition Method	Acquisition date	Basis for determining acquisition date
China Minsheng Drawin Technology Group Limited (formerly known as South East Group Limited , "CM Drawin Tech")	1,026,233,000	63.67%	Capital injection	27 May 2015	Trading date
Wilder Treasure Limited ("WTL")	379,788,779	100%	Exercise of call option	30 June 2015	Trading date
Shanghai Minghua Property Management Co., Ltd. ("Minghua Property")	263,357,900	100%	Share transfer	13 November 2015	Trading date
SRE Group Limited ("SRE Group")	1,029,875,000	60.78%	Capital injection	4 December 2015	Trading date
China Minsheng Financial Holding Co., Ltd (formerly known as China Seven Star Holding Limited, "CM Financial")	3,250,100,488	70.64%	Capital injection	11 December 2015	Trading date

6 Change of scope of consolidation (Cont'd)

(1) Business combination not under common control in the current year (Cont'd)

Net assets and goodwill from acquisition in current year：

Consideration of business combination	CM Drawin Tech (a)	WTL	Minghua Property (b)	SRE Group(c)	CM Financial (d)	Others	Total
-cash payment	1,026,233,000	2	263,357,900	1,029,875,000	3,250,100,488	303,430,150	5,872,996,540
-fair value of call option	-	379,788,777	-	-	-	-	379,788,777
Total Consideration	1,026,233,000	379,788,779	263,357,900	1,029,875,000	3,250,100,488	303,430,150	6,252,785,317
Less: fair value of identifiable net assets acquired	(827,832,693)	(379,788,779)	(72,136,296)	(4,281,396,999)	(3,131,385,323)	(222,190,712)	(8,914,730,802)
Goodwill	198,400,307	-	191,221,604	(3,251,521,999)	118,715,165	81,239,438	(2,661,945,485)

6 Change of scope of consolidation (Cont'd)

(1) Business combination not under common control in the current year (Cont'd)

(a) Assets, liabilities and cash flows related to acquisition of CM Drawin Tech on acquisition date are as follows:

	Fair value	Carrying amount	
	Acquisition date	Acquisition date	31 December 2014
Cash at bank and on hand	1,265,089,863	1,265,089,863	104,519,499
Financial assets at fair value through profit or loss	105,879,616	105,879,616	55,860,317
Other receivables	28,302,615	28,302,615	85,132,432
Prepayments	450,818	450,818	910,453
Available-for-sale financial assets	1,655,393	1,655,393	1,691,258
Fixed assets	204,012	204,012	47,475
Investment properties	31,156,623	31,156,623	31,324,000
Less: Accounts payable	(636,109)	(636,109)	(658,401)
Other payables	(440,936)	(440,936)	(311,206)
Taxes payable	(130,110)	(130,110)	(130,809)
Deferred tax liabilities	(9,290,853)	(9,290,853)	(3,374,041)
Bonds payable	(121,957,381)	(121,957,381)	-
Total equity attributable to shareholders of CM Drawin Tech	1,300,283,551	1,300,283,551	
Less: minority interest	(472,450,858)	(472,450,858)	
Net assets purchased	827,832,693	827,832,693	
Consideration paid in cash	1,026,233,000		
Less: Cash and cash equivalents of the subsidiary acquired	(1,265,089,863)		
Net cash outflow on acquisition of the subsidiary	(238,856,863)		

CM Drawin Tech's revenue, net loss, cash flows from operating activities and net cash flows for the period from acquisition date to 31 December 2015 are as follows:

Revenue	292,434
Net loss	(128,598,422)
Cash flows from operating activities	9,625,350
Net cash flows	(269,629,318)

Most assets and liabilities of CM Drawin Tech are measured at fair value or the differences between fair value and book value are small. No valuation techniques are used to determine the fair value of net identifiable asset on acquisition date.

Fair value of financial assets at fair value through profit or loss is mainly determined at the quoted market price.

6 Change of scope of consolidation (Cont'd)

(1) Business combination not under common control in the current year (Cont'd)

(b) Assets, liabilities and cash flows related to acquisition of Minghua Property on acquisition date are as follows:

	Fair value	Carrying amount	
	Acquisition date	Acquisition date	31 December 2014
Cash at bank and on hand	19,368,538	19,368,538	55,470,484
Accounts receivables	73,408,481	73,408,481	61,588,116
Prepayments	545,435	545,435	1,802,392
Other receivables	4,573,421	4,573,421	4,743,957
Available-for-sale financial assets	30,500,000	30,500,000	62,500,000
Inventories	24,022,505	24,022,505	732,056
Long-term equity investments	7,843,578	7,843,578	3,550,775
Fixed assets	1,769,153	1,769,153	34,527,833
Intangible assets	29,100,000	-	2,214,930
Less: Accounts payable	(15,845,130)	(15,845,130)	-
Advances from customers	(5,375,008)	(5,375,008)	1,056,130
Employee benefits payable	(25,293,600)	(25,293,600)	(6,048,667)
Taxes payable	(975,915)	(975,915)	(6,660,644)
Dividend payable	(46,606,507)	(46,606,507)	(3,018,929)
Other payables	(21,271,717)	(21,271,717)	(28,938,867)
Long-term payables	(3,626,938)	(3,626,938)	-
Total equity attributable to shareholders of Minghua Property	72,136,296	43,036,296	
Less: Minority interest	-	-	
Net assets purchased	72,136,296	43,036,296	

Consideration paid in cash	263,357,900
Less: Cash and cash equivalents of the subsidiary acquired	(19,368,538)
Net cash outflow on acquisition of the subsidiary	243,989,362

Minghua Property's revenue, net profit, cash flows from operating activities and net cash flows for the period from acquisition date to 31 December 2015 are as follows:

Revenue	76,366,386
Net profit	9,821,040
Cash flows from operating activities	501,969
Net cash flows	36,716,407

Most assets and liabilities of Minghua Property are measured at fair value or the differences between fair value and carrying amount are small. The Group uses income approach to determine the acquiree's identifiable intangible assets on acquisition date. The key assumption is as follows:

6 Change of scope of consolidation (Cont'd)

(1) Business combination not under common control in the current year (Cont'd)

(b) Assets, liabilities and cash flows related to acquisition of Minghua Property on acquisition date are as follows (Cont'd):

The Group assumes the terms of licenses of Minghua Property could be easily extended after getting approval of regulators and assumes the contracts established with customers are effective and could be exercisable. The Group keeps market competence and has the abilities to maintain current customer relationship to continue current business model and operation size. No event that will result in adverse impact to future development and profit was expected.

The useful lives of above identifiable intangible assets are 10 years, which is consistent of profit forecast approved by the Group. The discounted rate used in profit forecast is19.85%, which was developed using CAPM model.

6 Change of scope of consolidation (Cont'd)

(1) Business combination not under common control in the current year (Cont'd)

(c) Assets, liabilities and cash flows related to acquisition of SRE Group on acquisition date are as follows:

	Fair value	Carrying amount	
	Acquisition date	Acquisition date	31 December 2014
Cash and cash equivalents	1,781,876,515	1,781,876,515	451,391,957
Restricted cash	1,183,256,677	1,183,256,677	1,212,395,720
Financial assets at fair value through profit or loss	2,300,000	2,300,000	-
Notes receivable	540,000	540,000	-
Accounts receivable	40,232,961	40,232,961	36,611,756
Other receivables	535,981,232	535,981,231	307,722,298
Inventories	9,133,970,385	8,311,727,564	17,023,562,630
Prepayments	2,166,161,038	2,127,056,915	2,608,282,754
Assets held for sale (Less liabilities held for sale)	1,783,325,092	1,758,826,716	-
Other current assets	258,837,779	258,837,779	553,574,899
Long-term equity investments	46,136,981	46,136,981	45,371,594
Fixed assets	1,085,660,912	393,449,462	420,410,133
Construction in progress	73,752	73,752	898,952,794
Investment properties	4,782,089,903	4,782,089,903	5,292,975,000
Available-for-sale financial assets	10,000,000	10,000,000	10,000,000
Long-term prepaid expenses	3,240,296	3,240,296	1,467,652
Intangible assets	105,942,775	40,233,990	104,949,309
Goodwill	-	190,490,851	449,143,452
Deferred tax assets	259,214,372	259,214,372	311,088,132
Other non-current assets	3,625,000	3,625,000	27,000,000
Less: Short-term borrowings	(877,737,400)	(877,737,400)	(1,475,880,000)
Accounts payable	(847,003,281)	(847,003,281)	(1,684,804,437)
Advances from customers	(1,858,413,861)	(1,858,413,861)	(1,216,684,943)
Employee benefits payable	(6,280,811)	(6,280,811)	(5,887,139)
Taxes payable	(1,076,802,592)	(1,076,802,592)	(1,270,905,954)
Interest payable	(138,057,424)	(138,057,424)	(36,801,396)
Dividend payable	(32,046,384)	(32,046,384)	(33,346,803)
Other payables	(865,728,850)	(865,728,850)	(464,694,129)
Current portion of long-term borrowings	(5,185,938,547)	(5,185,938,547)	(4,227,211,922)
Other current liabilities	(17,162,708)	(17,162,708)	(12,332)
Lon-term borrowings	(2,524,096,219)	(2,524,096,219)	(9,602,175,217)
Long-term accounts payable	(152,575,565)	(152,575,565)	(152,575,565)
Deferred tax liabilities	(1,773,357,266)	(1,362,415,877)	(1,699,962,357)
Minority interest	(783,176,247)	(343,831,040)	(447,151,833)
Total equity attributable to shareholders of SRE Group	7,044,088,515	6,441,100,406	
Less: Minority interest	(2,762,691,516)	(2,526,199,579)	
Net assets purchased	4,281,396,999	3,914,900,827	

6 Change of scope of consolidation (Cont'd)

(1) Business combination not under common control in the current year (Cont'd)

(c) Assets, liabilities and cash flows related to acquisition of SRE Group on acquisition date are as follows (Cont'd):

Consideration paid in cash	1,029,875,000
Less: Cash and cash equivalents of the subsidiary acquired	(1,781,876,515)
Net cash outflow on acquisition of the subsidiary	(752,001,515)

SRE Group's revenue, net loss, cash flows from operating activities and net cash flows for the period from acquisition date to 31 December 2015 are as follows:

Revenue	159,105,477
Net loss	(50,676,132)
Cash flows from operating activities	(168,551,840)
Net cash flows	(351,117,804)

The Group uses valuation techniques to determined fair value of non-cash assets transferred and fair value of liabilities incurred or assumed in on acquisition date. The main valuation techniques used is income approach. The key assumption is based on acquiree's going concern and the acquiree is traded on public market.

6 Change of scope of consolidation (Cont'd)

(1) Business combination not under common control in the current year (Cont'd)

(d) Assets, liabilities and cash flows related to acquisition of CM Financial on acquisition date are as follows:

	Fair value	Carrying amount	
	Acquisition date	Acquisition date	31 December 2014
Cash at bank and on hand	4,242,415,370	4,242,415,370	23,570,647
Accounts receivables	14,912	14,912	-
Other receivables	9,826,082	9,826,082	7,236,305
Available-for-sale financial assets	168,846	168,846	164,085
Fixed assets	1,781,936	1,781,936	736,016
Intangible assets	418,890	418,890	-
Less: Accounts payable	(16,006,507)	(16,006,507)	(16,253,089)
Taxes payable	(32,446)	(32,446)	(98,609)
Other payables	(13,944,237)	(13,944,237)	(12,335,560)
Minority interest	208,235,583	208,235,583	196,289,000
Total equity attributable to shareholders of CM Financial	4,432,878,429	4,432,878,429	
Less: Minority interest	(1,301,493,106)	(1,301,493,106)	
Net assets purchased	3,131,385,323	3,131,385,323	

Consideration paid in cash	3,250,100,488
Less: Cash and cash equivalents of the subsidiary acquired	(4,242,415,370)
Net cash outflow on acquisition of the subsidiary	(992,314,882)

CM Financial's revenue, net profit, cash flow from operating activities and net cash flow for the period from acquisition date to 31 December 2015 do not have a significant impact on the Group's financial statements.

Most assets and liabilities of CM Financial are measured at fair value or the differences between fair value and book value are small. No valuation techniques are used to determine the fair value of net identifiable asset on acquisition date.

6 Change of scope of consolidation (Cont'd)

(2) Change of scope of consolidation due to other reasons

The subsidiaries set up by the Group during 2015 and capital paid as of 31 December 2015 are as follows:

Name	Interest (%)		Capital paid
	Direct	Indirect	
Shanghai Yusheng Human Resource Service Co., Ltd.	-	100%	10,000,000
Shanghai Zhongjia Electric Business Co., Ltd.	-	100%	50,000,000
China Minsheng Youjia Property Investment Co.,Ltd.	-	100%	207,252
China Minsheng Zhixuan Investment Co., Ltd.	-	100%	250,000
China Minsheng Rongjia Asset Manangement Co., Ltd.	-	80%	500,000,000
China Minsheng Wealth Management (Shanghai) Co., Ltd.	-	80%	100,000,000
Ruipei Investment (Shanghai) Co.,Ltd	-	100%	353,000,000
Zhongchuang Investment (Holdings) Limited	-	100%	333,000,000
Yingchuang International Investment Limited	-	100%	309,796,090
Tiankun Investment Limited	-	100%	305,382,988
Shanghai Paksun Property Management Co., Ltd.	-	100%	305,382,730
Shanghai Boyin Property Management Co., Ltd.	-	100%	268,109,081
Jiazhi (Shanghai) Investment Limited	-	100%	-
Shanghai Jiawen Investment Management Limited	-	100%	-
Jiakai Investment (Shanghai) Limited	-	100%	416,800,000
Jiafeng (International) Investment Limited	-	100%	1,040,390,000
Jiayao (International) investment Limited	-	100%	1,073,189,000
Shanghai Jiayu Medical Investment Management Limited	-	100%	-
Jiaxin Investment (Shanghai) Limited	-	100%	-
Jiasheng (Holding) Investment Limited	-	100%	-
Jiashun (Holding) Investment Limited	-	100%	-
Jiaxing Huiling Investment Management Limited	-	100%	31,100,000
CM Chuangyuan Investment Management Limited	-	100%	30,000,000
Shanghai Dunheng Investment Management Limited	-	100%	-
Authentic Sino Limited	-	100%	-
CMI Financial Holding Company Limited	-	100%	-
CM New Energy Ningxia Tongxin Limited	-	100%	435,574,200
CM ALashanmeng New Energy Limited	-	100%	-
CM New Energy Ningxia Yancheng Limited	-	100%	1,804,600,000
Bobai Province Mingyan Energy investment Limited	-	100%	-
CM New Energy (Lushan) Power Energy Limited	-	100%	187,900,000
CM Huaheng investment Limited	100%	-	705,500,000

6 Change of scope of consolidation (Cont'd)

(2) Change of scope of consolidation due to other reasons (Cont'd)

The subsidiaries set up by the Group during 2015 and Capital paid as of 31 December 2015 are as follows (Cont'd):

Name	Interest (%)		Capital paid
	Direct	Indirect	
CM Huaheng International Limited	-	100%	HKD 10,000
Minsheng International Jet (Hong Kong) Co., Ltd.	-	61.25%	-
CM International Capital Limited	-	100%	-
CM Hence Capital Limited	-	100%	-
CMI Tsing Capital Limited	-	51%	-
Boom Up Investments Limited	-	100%	-
CM International Investment Holding Limited	-	100%	-
CM Luxembourg Investment S.A.	-	100%	-
CMS International Trading Corporation	-	51%	-
CM International Holding Limited	100%	-	-
CM Bermuda Limited	-	100%	-
CM International Financial Leasing Co., Ltd	60%	15%	3,000,000,000
CM Shen Ying 1 (Tianjin) Aviation Leasing Co., Ltd	-	75%	-
CM Shen Ying 2 (Tianjin) Aviation Leasing Co., Ltd	-	75%	-
CM Shen Ying 3 (Tianjin) Aviation Leasing Co., Ltd	-	75%	-
CM Shen Ying 5 (Tianjin) Aviation Leasing Co., Ltd	-	75%	-

7 Interest in other entities

(1) Interest in subsidiaries

(a) Main subsidiaries

	Place of registration	Primary Operating place	Nature of business	Interest (%) Direct	Interest (%) Indirect	Voting rights
China Minsheng Property Co., Ltd.("CM Property")	Shanghai	China Mainland	Property and investment management	100%	-	100%
China Minsheng Investment Capital Management Co., Ltd ("CMI Capital")	Shanghai	China Mainland	Investment management	100%	-	100%
China Minsheng Jiaye Investment Co., Ltd. ("CMJYI")	Shanghai	China Mainland	Industrial investment	100%	-	100%
China Minsheng Bund Property Development Co., Ltd. ("CM Bund")	Shanghai	China Mainland	Real estate development	85%	10%	95%
Minsheng (Shanghai) Asset Management Co., Ltd.	Shanghai	China Mainland	Investment and asset management	100%	-	100%
China Minsheng New Energy Investment Co., Ltd. ("CM New Energy")	Beijing	China Mainland	Photovoltaic power generation	100%	-	100%
CM International General Aviation Corporation Co., Ltd (Formerly known as Minsheng International Jet Co., Ltd. "CM Jet")	Beijing	China Mainland	Jet charter service, etc.	61.25%	-	61.25%
CM International Capital Limited ("CM International")	Hong Kong	Hong Kong	Investment management	100%	-	100%
CM International Holding Ltd("CMI Singapore")	Singapore	Singapore	Investment management	100%	-	100%
CM International Financial Leasing Co., Ltd. ("CMI Leasing")	Tianjing	China Mainland	Finance leases	60%	15%	75%
CM Huaheng investment Limited ("CMIH")	Beijing	China Mainland	Investment management	100%	-	100%
CM Drawin Tech	Bermuda	Hong Kong	Property development and investment	-	63.67%	63.67%
SRE Group	Bermuda	China Mainland /Hong Kong	Real estate development, property lease and hotel management	-	60.78%	60.78%
CM Financial	Hong Kong	Hong Kong	Security trading, consulting and asset management	-	70.64%	70.64%

Note: The proportion of shareholding in the above table is the sum of direct and indirect shareholding percentage (Indirect shareholding is calculated by multiplying shareholding ratios). The proportion of voting rights is the sum of direct hold percentage by the Group and indirect hold percentage by controlling company.

7 Interest in other entities (Cont'd)

(1) Interest in subsidiaries (Cont'd)

(b) Relevant information of major non-wholly owned subsidiaries

Subsidiary Name	Minority interest shareholding percentage as of 31 December 2015	Profit or loss attributable to minority interest for the period from 1 January 2015/ date of incorporation/ acquisition date to 31 December 2015	Dividend paid to minority interest for 2015	Accumulated minority interest as of 31 December 2015
CM Bund	5.00%	54,754,982	-	634,959,634
CM Jet	38.75%	(107,918,591)	-	(139,140,480)
CMI Leasing	25.00%	35,306,359	-	785,306,359
CM Drawin Tech	36.33%	(46,725,528)	-	448,399,789
SRE Group	39.22%	(26,615,227)	-	3,519,252,535
CM Financial	29.36%	-	-	1,093,257,524

Subsidiary Name	Minority interest shareholding percentage as of 31 December 2014	Profit or loss attributable to minority interest for the period from date of incorporation/ acquisition date to 31 December 2014	Dividend paid to minority interest for the period from 9 May 2014 (date of incorporation) to 31 December 2014	Accumulated minority interest as of 31 December 2014
CMJYI	10%	-	-	1,031,788,907
CM Bund	5%	80,204,652	-	580,204,652
CM Jet	38.75%	(7,696,513)	-	10,875,462

Key financial information of the above major non-wholly owned subsidiaries is as follow:

	31 December 2015		
	Current assets	Non-current assets	Total assets
CM Bund	9,971,167,560	20,989,310,572	30,960,478,132
CM Jet	559,618,751	500,688,215	1,060,306,966
CMI Leasing	3,906,473,582	4,985,349,816	8,891,823,398
CM Drawin Tech	1,179,225,454	226,835,667	1,406,061,121
SRE Group	24,299,524,691	6,307,356,629	30,606,881,320
CM Financial	4,252,256,364	15,689,511	4,267,945,875

	31 December 2015		
	Current liabilities	Non-current liabilities	Total liabilities
CM Bund	(2,361,553,466)	(15,899,731,992)	(18,261,285,458)
CM Jet	(1,324,174,400)	(95,204,772)	(1,419,379,172)
CMI Leasing	(2,910,415,968)	(2,839,992,212)	(5,750,408,180)
CM Drawin Tech	(26,555,490)	(145,415,651)	(171,971,141)
SRE Group	(18,964,952,642)	(3,865,340,049)	(22,830,292,691)
CM Financial	(29,983,190)	-	(29,983,190)

7 Interest in other entities (Cont'd)

(1) Interest in subsidiaries (Cont'd)

(b) Relevant information of major non-wholly owned subsidiaries (Cont'd)

Key financial information of the above major non-wholly owned subsidiaries is as follow (Cont'd):

	31 December 2014		
	Current assets	Non-current assets	Total assets
CMJYI	11,218,410,262	7,941,538,008	19,159,948,270
CM Bund	9,233,019,416	18,530,000,000	27,763,019,416
CM Jet	497,501,075	543,746,275	1,041,247,350

	31 December 2014		
	Current liabilities	Non-current liabilities	Total liabilities
CMJYI	(2,116,959,135)	(6,500,000,000)	(8,616,959,135)
CM Bund	(9,124,228,706)	(7,034,697,678)	(16,158,926,384)
CM Jet	(583,828,249)	(429,353,394)	(1,013,181,643)

	For the period from 1 January 2015/ date of incorporation/acquisition date to 31 December 2015			
	Revenue	Net profit/(loss)	Total comprehensive income	Cash flows from operating activities
CM Bund	120,000	1,095,099,641	1,095,099,641	(134,773,038)
CM Jet	1,203,243,364	(278,499,589)	(270,164,048)	(74,051,339)
CMI Leasing	327,657,738	141,225,435	141,225,435	(2,699,898,171)
CM Drawin Tech	292,434	(128,598,422)	(66,193,571)	9,625,350
SRE Group	159,105,477	(50,676,132)	(50,676,132)	(168,551,840)
CM Financial	-	-	-	-

	For the period from date of incorporation/acquisition date to 31 December 2014			
	Revenue	Net profit/(loss)	Total comprehensive incoı	Cash flows from operating activities
CMJYI	-	261,714,119	261,714,119	(8,506,088,407)
CM Bund	-	1,604,093,033	1,604,093,033	(210)
CM Jet	226,630,252	(19,861,969)	(24,038,160)	(57,924,037)

7 Interest in other entities (Cont'd)

(2) As at 31 December 2015, the Group has the following consolidated structured entities:

Name	The Group's percentage in the entity's total paid-in capital	Structured entities' total paid-in capital (RMB)	Business Nature
Ningbo Meishan Bonded-Port Xingsheng Jiaye Investment Centre(Limited Partnership) (a) ("Xingsheng Jiaye Investment")	3.16%	15,490,010,000	Financing platform
Jiaxing Huiling 1 Investment Partnership (LLP)(b) ("Jiaxing Huiling 1")	68.92%	500,250,000	Investment management
Jiaxing Huiling 2 Investment Partnership (LLP)(b) ("Jiaxing Huiling 2")	100%	10,500,000	Investment management
Jiaxing Huiling 5 Investment Partnership (LLP)(b) ("Jiaxing Huiling 5")	93.10%	14,496,960	Investment management
Huaneng Trust • Haitong asset management QDIIS Plan I to IV (b)	100%	1,400,000,000	Investment management
Clean Technology Investment Fund L.P(b)	100%	122,272,000	Investment management
CM International Leasing Asset-Backed Plan I (Note9(34)(b))	15%	1,200,000,000	Asset-backed securities offering

Note(a)：The Company's subsidiary (CMJYI) provides financing to CM Bund through the structured entity (Xingsheng Jiaye Investment). The Group does not have any obligations or intentions to provide financial support for this structured entity. The Group did not provide any liquidity support during the period.

Note(b)：The Group performs investment management through the structured entities. The Group does not have any obligations or intentions to provide financial support for this structured entity. The Group did not provide any liquidity support during the period.

Note(c)：Refer to Note 9(37)(b) for consolidated structured entities that are set up for share-based payment.

8 Segment information

The Group identified 2 reportable segments as follows:

Finance segment, which includes asset management, investment management, securities, finance lease, and other financial services.
Industry segment, which includes real estates, jet charter services, energy business, property management, etc.

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system. Business segments are part of the Group. The Group separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

Inter-segment transfer prices are determined according to the negotiation result with reference to transaction with third parties.

The assets are allocated based on the operations of the segment and the physical location of the assets. The liabilities are allocated based on the operations of the segment. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

8 Segment information (Cont'd)

(a) The segment information as at 31 December 2015 and for the year then ended is as follows:

	Finance segment	Industry segment	Eliminations between segments	Total
Revenue	3,255,303,133	1,466,079,813	(57,762,742)	4,663,620,204
Cost	(42,216,715)	(1,384,817,721)	-	(1,427,034,436)
Business taxes and surcharges	(30,886,177)	(35,713,948)	-	(66,600,125)
Selling expenses	-	(69,548,459)	-	(69,548,459)
General and administrative expenses	(1,729,218,906)	(741,392,556)	-	(2,470,611,462)
Finance expenses	(191,484,641)	(366,031,918)	49,527,439	(507,989,120)
Net gains from fair value changes	-	1,775,854,368	-	1,775,854,368
Asset impairment losses	(13,091,912)	(82,196,899)	-	(95,288,811)
Investment income	162,862,530	142,358,927	-	305,221,457
Non-operating income	27,833,200	3,275,024,047	-	3,302,857,247
Non-operating expenses	(53,600,163)	(77,767,346)	-	(131,367,509)
Profit before tax	1,385,500,349	3,901,848,308	(8,235,303)	5,279,113,354
Total assets	64,194,901,971	95,179,395,482	(15,330,897,978)	144,043,399,475
Total liabilities	56,208,792,039	58,142,220,779	(16,248,266,741)	98,102,746,077

(b) The segment information for the period from 9 May 2014 to 31 December 2014 and for the year then ended is as follows:

	Finance segment	Industry segment	Eliminations between segments	Total
Revenue	3,551,802,629	226,630,252	-	3,778,432,881
Cost	-	(218,579,261)	-	(218,579,261)
Business taxes and surcharges	(608,880)	(3,249,719)	-	(3,858,599)
Selling expenses	-	(5,896,492)	-	(5,896,492)
General and administrative expenses	(425,003,117)	(78,000,931)	-	(503,004,048)
Finance expenses	40,739,010	(13,430,214)	-	27,308,796
Net gains from fair value changes	58,196	2,156,558,650	-	2,156,616,846
Asset impairment losses	-	(4,299,792)	-	(4,299,792)
Investment income	300,000,000	4,610,389	(300,000,000)	4,610,389
Non-operating income	156	179,774,790	-	179,774,946
Non-operating expenses	(500,000)	-	-	(500,000)
Profit before tax	3,466,487,994	2,244,117,672	(300,000,000)	5,410,605,666
Total assets	31,592,620,937	39,037,319,320	(17,156,282,887)	53,473,657,370
Total liabilities	14,006,067,039	17,905,981,850	(17,716,985,936)	14,195,062,953

9 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	31 December 2015	31 December 2014
Cash on hand	2,356,045	829,935
Cash at bank	22,615,095,396	4,153,365,598
- restricted cash at bank (a)	3,702,029,602	-
Other cash balances (b)	2,518,936,430	-
- restricted other cash balances	2,445,669,695	-
	25,136,387,871	4,154,195,533

(a) As at 31 December 2015, restricted cash at bank mainly includes margin deposit and deposit pledged for borrowings.

(b) Other cash balances represent deposit placed in account opened in security companies. Restricted other cash balances mainly include deposit placed in collateralised security account and other cash pledged for borrowings.

(2) Financial assets at fair value through profit or loss

	31 December 2015	31 December 2014
Financial assets held for trading		
-Money market fund	921,623,261	1,664,700,433
-Stocks	4,772,861,962	-
-Total return swap (a)	1,830,771,522	-
Financial assets designated at fair value through profit or loss (b)		
-Stocks	8,494,732,000	-
-Asset management plans	4,245,685,967	11,106,406,819
-Trust plans	2,145,185,054	4,835,905,104
-Private equities	2,528,897,907	-
-Convertible bonds	212,014,653	-
-Bank wealth management products	39,000,000	560,000,000
-Private placed fund	243,175,844	-
-Others	61,091,432	-
	25,495,039,602	18,167,012,356
Less: Non-current portion of financial assets at fair value through profit or loss (presented in other non-current assets)	(14,814,916,147)	-
	10,680,123,455	18,167,012,356

9 Notes to the consolidated financial statements(Cont'd)

(2) Financial assets at fair value through profit or loss(Cont'd)

(a) As at 31 December 2015, the nominal amount of the total return swaps was RMB 1,939,424,031.

(b) The financial assets designated as at fair value through profit or loss compromise: (1) the investees that the Group has significant influence on their financial and operating decisions but are managed, evaluated and reported to the key management on fair value basis; (2) financial assets not for the purpose of selling in near time but are managed, evaluated and reported to the key management on fair value basis.

(c) As at 31 December 2015, the stocks of book value of RMB 8,666,661,072 are pledged as collateral to bank for borrowings. (31 December 2014: Nil)

(3) Loan and receivable

	31 December 2015	31 December 2014
Entrusted loans (a)	1,531,085,845	-
Less:Provision for impairment	(600,000)	-
Fixed income products (b)	4,389,119,683	-
	5,919,605,528	-
Less: non-current portion (presented in other non-current assets)	(4,741,918,833)	-
	1,177,686,695	-

(a) As at 31 December 2015, entrusted loans mainly include loans provided by the Group to borrowers through commercial banks, whose principal and interest are not overdue. After the Group's assessment, neither individual nor collective impairment provision was provided for other entrusted loans except for collective impairment provision of RMB 600,000 was provided by CM leasing. (31 December 2014: Nil)

(b) The fixed income products are issued by L.R. Capital. The term of the products are 3 years with fixed returns of 7% per annum and management fee of 2.2% per annum. After assessment of the Group, no provision is provided.

9 Notes to the consolidated financial statements(Cont'd)

(4) Accounts receivable

	31 December 2015	31 December 2014
Accounts receivable	241,345,574	134,402,309
Less: Provision for bad debts	-	-
	241,345,574	134,402,309

The ageing of accounts receivable and related provisions for bad debts are analysed below:

	31 December 2015			31 December 2014		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	214,624,697	88.93%	-	124,003,895	92.26%	-
1 to 2 years	26,720,877	11.07%	-	10,398,414	7.74%	-
	241,345,574	100.00%	-	134,402,309	100.00%	-

As at 31 December 2015, net amount of RMB 6,108,561 of accounts receivable are pledged as collateral to bank for long-term borrowing (31 December 2014: Nil).

As at 31 December 2015, after assessment of the Group, no bad debts provision was necessary (31 December 2014: Nil).

9 Notes to the consolidated financial statements(Cont'd)

(5) Prepayments

	31 December 2015	31 December 2014
Prepayments for land and demolition	2,106,626,100	-
Prepayments for finance lease	870,556,608	-
Prepayments for trade	102,806,130	-
Prepayments for equipment	11,985,214	-
Prepayments for lease hold improvement	4,290,000	-
Others	76,803,136	42,050,580
	3,173,067,188	42,050,580

The ageing of advances to suppliers is analysed as follows:

	31 December 2015		31 December 2014	
	Amount	% of total balance	Amount	% of total balance
Ageing				
Within 1 year	2,399,858,325	75.63%	42,050,580	100.00%
1 to 2 years	772,747,200	24.35%	-	-
2 to 3 years	208,333	0.01%	-	-
Over 3 years	253,330	0.01%	-	-
	3,173,067,188	100.00%	42,050,580	100.00%

(6) Other receivables

	31 December 2015	31 December 2014
Government subsidies	84,472,200	144,472,200
Receivables from disposals of equity investments	841,949,998	200,000,000
Receivables from disposals of asset management plans	-	1,013,856,986
Tender deposit	1,872,317,086	15,000,000
Others	776,795,532	56,550,829
	3,611,681,486	1,429,880,015
Less: Provision for bad debts	(8,200,000)	-
	3,603,481,486	1,429,880,015

As at 31 December 2015, after the Group's assessment, no provision for other receivables was provided except for an individual impairment provision of RMB 8,200,000 was provided for tender deposit (31 December 2014: Nil).

9 Notes to the consolidated financial statements(Cont'd)

(6) Other receivables(Cont'd)

Other receivables and related provision for bad debts are analysed below:

	31 December 2015			31 December 2014		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	3,167,386,526	87.70%	(8,200,000)	1,429,880,015	100.00%	-
1 to 2 years	295,309,097	8.18%	-	-	-	-
2 to 3 years	71,388	0.00%	-	-	-	-
Over 3 years	148,914,475	4.12%	-	-	-	-
	3,611,681,486	100.00%	(8,200,000)	1,429,880,015	100.00%	-

(7) Inventories

(a) Investments by category are as follows:

	31 December 2015			31 December 2014		
	Gross amount	Impairment provision	Carrying amount	Gross amount	Impairment provision	Carrying amount
Land use right held for future development	13,022,684,093	-	13,022,684,093	9,225,001,150	-	9,225,001,150
Development cost	3,749,134,280	-	3,749,134,280	-	-	-
Development product	2,059,377,862	-	2,059,377,862	-	-	-
Others	35,221,662	-	35,221,662	5,062,670	-	5,062,670
	18,866,417,897	-	18,866,417,897	9,230,063,820	-	9,230,063,820

(b) The borrowing cost capitalised and recorded as part of the cost of inventories is RMB 459,886,074 in 2015 (For the period from 9 May 2014 to 31 December 2014: RMB 412,500), and the weighted average rate of borrowing cost is 7.94% per annum (For the period from 9 May 2014 to 31 December 2014: 6.91%)

(c) As at 31 December 2015, inventories with net amount of RMB 14,298,323,522 had been pledged as collateral to banks and trust plans for short-term borrowings，long-term borrowings and long-term accounts payable. (31 December 2014: Nil).

9 Notes to the consolidated financial statements(Cont'd)

(8) Assets classified as held for sale

	31 December 2015	31 December 2014
Cash at bank and on hand	552,408,582	-
Prepayments	3,442,851	-
Other receivables	13,826,640	-
Inventories	7,419,361,164	-
Other current assets	286,497,479	-
Fixed assets	1,878,278	-
Intangible assets	61,435,999	-
Construction in progress	909,195,676	-
Investment properties	361,494,000	-
Deferred tax assets	44,610,780	-
	9,654,151,449	-

In 2015, the Group entered into uncancellable share transfer agreements with third parties to transfer two subsidiaries. The share transfer is expected to be completed in 2016. The assets and liabilities of the subsidiaries to be transferred meets the condition of classification as held for sale, therefore are recorded as current assets and current liabilities separately (Note 9 (30)).

As at 31 December 2015, assets held for sale with amount of 8,125,280,375 have been collateralised to banks (31 December 2014: Nil).

(9) As at 31 December 2015, all balance of current portion of non-current assets is long-term receivables due within 1 year (31 December 2014: Nil).

9 Notes to the consolidated financial statements(Cont'd)

(10) Other current assets

	31 December 2015	31 December 2014
Input VAT	113,002,616	96,749,986
Available-for-sale financial assets (Note 9(11))	462,730,318	-
Prepaid LAT	93,529,802	-
Prepaid business tax and surcharges	97,419,491	-
Prepaid enterprise income tax	62,396,704	-
Others	28,856,294	-
	857,935,225	96,749,986

(11) Available-for-sale financial assets

	31 December 2015	31 December 2014
Measured at fair value		
- Stocks	2,806,687,419	-
- Bank wealth management products	462,602,321	-
- Private placed fund	85,016,638	-
Measured at cost		
- Private equities	10,296,846	-
	3,364,603,224	-
Less: current portion (presented in other current assets)	(462,730,318)	-
	2,901,872,906	-

In 2015, impairment provision of RMB 72,978,468 was provided for available-for-sale financial assets (For the period from 9 May 2014 to 31 December 2014: Nil).

9 Notes to the consolidated financial statements(Cont'd)

(12) Long-term receivables

	31 December 2015	31 December 2014
Finance lease receivables	6,821,294,200	-
Less: Unearned finance income	(802,478,110)	-
Provision for impairment losses	(11,229,113)	-
	6,007,586,977	-
Less: Current portion (presented in current portion of non-current assets)	(1,553,027,054)	-
	4,454,559,923	-

As at 31 December 2015, finance lease receivables are neither overdue nor impaired. After assessment by the Group, collective assessment impairment provision of RMB 11,229,113 was provided.

Future minimum lease receivables subsequent to balance sheet date are as follows:

	31 December 2015	31 December 2014
Within one year	1,682,936,445	-
1-2 years	1,609,373,920	-
2-3 years	1,504,850,905	-
over 3 years	2,024,132,930	-
	6,821,294,200	-

(13) Long-term equity investments

	31 December 2015	31 December 2014
Associates (a)	3,845,018,054	-
Joint ventures (b)	399,533,793	-
	4,244,551,847	-
Less: Provision for impairment	-	-
	4,244,551,847	-

As at 31 December 2015, long-term equity investments with carrying amount of RMB 2,310,548,629 are pledged as collateral to security company for short-term borrowings (31 December 2014: Nil) Except from above, there is no material restriction on sale or transfer of the long-term equity investments held by the Group.

Per the Group's assessment, no provision for long-term equity investment was necessary.

9 Notes to the consolidated financial statements(Cont'd)

(13) Long-term equity investments(Cont'd)

(a) Associates

Investments in associates are set out below:

	31 December 2014	Transfer in from business combination	Increase in investment	Share of net profit/(loss) under equity method	Exchange difference	31 December 2015
Far East Horizon Limited	-	-	3,071,182,134	162,862,530	4,603,528	3,238,648,192
Luxaviation Holding Company	-	-	465,192,945	-	-	465,192,945
Others	-	77,387,130	61,199,850	2,589,937	-	141,176,917
	-	77,387,130	3,597,574,929	165,452,467	4,603,528	3,845,018,054

General information of significant associates:

	Primary operating places	Place of registration	% of interest	% of voting rights	Whether strategic investment to the Group's operating activities
Far East Horizon Limited	China	Hong Kong	13.38%	13.38%	Yes
Luxaviation Holding Company	Luxembourg	Luxembourg	33.71%	40.00%	Yes

Key financial information for Far East Horizon Limited:

	31 December 2015 Far East Horizon Limited (RMB '000)
Current assets	55,390,552
Including: Cash and cash equivalents	2,500,665
Non-current assets	83,922,337
Total assets	139,312,889
Current liabilities	57,112,459
Non-current liabilities	59,239,010
Total liabilities	116,351,469
Minority interest	343,180
Equity attributable to holders of perpetual securities	1,227,203
Equity attributable to shareholders of the Company	21,391,037
Net asset proportion calculated based on invest percentage	2,862,121
Adjustments	
- Goodwill	376,527
Carrying amount of investment in associates	3,238,648
Fair value of the investment in associates with quoted price in active market	3,192,952

9 Notes to the consolidated financial statements(Cont'd)

(13) Long-term equity investments(Cont'd)

(b) Joint ventures

Investments in joint ventures are set out below:

	31 December 2014	Increase in investments	31 December 2015
Luxaviation Acquisition S.A.	-	399,533,793	399,533,793
	-	399,533,793	399,533,793

	Primary operating places	Place of registration	% of ownership interest	% of voting rights	Whether strategic investment to the Group's operating activities
Luxaviation Acquisition S.A.	Luxembourg	Luxembourg	49.60%	50.00%	Yes

(14) Investment properties

	Land use rights	Buildings	Total
31 December 2014	18,530,000,000	-	18,530,000,000
Additions in current year	694,465,866	-	694,465,866
Amount reclassified into inventories	(85,171,791)	-	(85,171,791)
Acquisition of transfer-in from business combination	-	4,813,246,526	4,813,246,526
Changes in fair value	1,460,705,925	15,449,474	1,476,155,399
31 December 2015	20,600,000,000	4,828,696,000	25,428,696,000

Investment properties of the Group comprises the land use right corresponding the building and the buildings to be developed for the purpose of leasing.

As at 31 December 2015, investment properties with net amount of RMB 25,375,538,000 were pledged as collateral to banks and trust plans for long-term borrowings and long-term accounts payable (31 December 2014: Nil).

In 2015, the borrowing cost capitalised and recorded as cost of investment properties was RMB 612,200,680 (For the period from 9 May 2014 to 31 December 2014: Nil), and the weighted average rate of borrowing cost is 7.09% per annum.

9 Notes to the consolidated financial statements(Cont'd)

(15) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Computers and electronic equipment	Office equipment	Total
Original cost						
31 December 2014	-	217,631,683	7,850,452	10,687,173	10,456,723	246,626,031
Transfer-in from business combination	1,138,350,900	36,873,192	9,037,300	1,759,464	57,193,986	1,243,214,842
Transfer-in from construction in progress	84,397,581	-	-	-	-	84,397,581
Increases in current year	16,408,411	35,527,423	16,164,931	10,551,393	16,606,516	95,258,674
Decrease in current year	(1,440,157)	-	(1,834,673)	-	(1,283,790)	(4,558,620)
Exchange difference	-	-	-	-	11,673	11,673
31 December 2015	1,237,716,735	290,032,298	31,218,010	22,998,030	82,985,108	1,664,950,181
Cumulative depreciation						
31 December 2014	-	(2,565,943)	(1,098,329)	(1,008,281)	(331,058)	(5,003,611)
Increase in current year	(6,594,636)	(12,078,046)	(3,863,878)	(6,315,741)	(6,570,964)	(35,423,265)
Decrease in current year	1,440,157	-	1,415,139	-	400,905	3,256,201
31 December 2015	(5,154,479)	(14,643,989)	(3,547,068)	(7,324,022)	(6,501,117)	(37,170,675)
Net book value						
31 December 2015	1,232,562,256	275,388,309	27,670,942	15,674,008	76,483,991	1,627,779,506
31 December 2014	-	215,065,740	6,752,123	9,678,892	10,125,665	241,622,420

As at 31 December 2015, no impairment provision for fixed assets was necessary. (31 December 2014: Nil)

As at 31 December 2015, fixed assets with net amount of RMB 1,026,897,919 were pledged as collateral to bank for long-term borrowings. (31 December 2014: Nil)

9 Notes to the consolidated financial statements(Cont'd)

(16) Construction in progress

Project name	31 December 2014	Transfer-in from business combination	Increase in the current year	Transfer out to fixed assets	31 December 2015
Office lease held improvement	-	-	96,816,093	(79,419,786)	17,396,307
Buildings under construction	-	-	20,966,213	-	20,966,213
Photovoltaic infrastructure project	618,484	-	5,719,212,480	-	5,719,830,964
Construction industrial park project	-	-	62,323,100	-	62,323,100
Plant and park construction project	13,718,987	-	127,498,882	(84,397,581)	56,820,288
Others	-	73,752	208,000	-	281,752
	14,337,471	73,752	6,027,024,768	(163,817,367)	5,877,618,624
Less: Provision for impairment	-	-	-	-	-
	14,337,471	73,752	6,027,024,768	(163,817,367)	5,877,618,624

In 2015, the borrowing cost capitalised and recorded as cost of construction in progress was RMB 5,112,546.

9 Notes to the consolidated financial statements (Cont'd)

(17) Intangible assets

	Land use right	Computer software	License	Customer relationship	others	Total
Original cost						
31 December 2014	-	813,745	-	-	-	813,745
Transfer-in from business combination	130,187,869	110,053	19,700,000	101,162,892	-	251,160,814
Additions	276,281,699	11,758,299	-	-	1,220,890	289,260,888
31 December 2015	406,469,568	12,682,097	19,700,000	101,162,892	1,220,890	541,235,447
Cumulative amortization						
31 December 2014	-	-	-	-	-	-
Increase in current year	(5,608,622)	(784,121)	(8,167)	(18,988,766)	-	(25,389,676)
31 December 2015	(5,608,622)	(784,121)	(8,167)	(18,988,766)	-	(25,389,676)
Net book value						
31 December 2015	400,860,946	11,897,976	19,691,833	82,174,126	1,220,890	515,845,771
31 December 2014	-	813,745	-	-	-	813,745

As at 31 December 2015, no impairment provision for intangible assets was necessary. (31 December 2014: Nil)

As at 31 December 2015, intangible assets with net amount of RMB 105,942,775 were pledged to bank as collateral for long-term borrowings and long-term accounts payable. (31 December 2014: Nil)

9 Notes to the consolidated financial statements (Cont'd)

(18) Goodwill

	31 December 2014	Increase in current year	Exchange difference	31 December 2015
CM Jet(a)	556,086,382	71,646,492	-	627,732,874
CM Drawin Tech (b)	-	198,400,307	12,156,703	210,557,010
CM Financial (b)	-	118,715,165	-	118,715,165
Minghua Property(c)	-	191,221,604	-	191,221,604
Others	-	81,239,437	-	81,239,437
	556,086,382	661,223,005	12,156,703	1,229,466,090
Less: Provision for impairment	-			-
	556,086,382			1,229,466,090

(a) In 2015, the Group adjusted the purchase price allocation as at 31 October 2014 (acquisition date of CM JET), which resulted in increase of goodwill by RMB 71,646,492 and decrease of minority interest by RMB 45,327,373. The recoverable amount of CM Jet is determined at the present value of expected future cash flows. Cash flows forecast in next 5 years is calculated based on the five-year business plan approved by the management, and cash flow after then is projected by using perpetual growth rate of 3%; and the discounted rate used is 12%.

(b) The recoverable amount of CM Drawin Tech and CM Financial is determined by fair value less costs to sell, in which the fair value is calculated by using quoted price in active market without adjustments.

(c) The recoverable amount of Minghua Property is determined at the present value of expected future cash flows. Cash flows forecast in next 10 years is calculated based on the ten-year business plan approved by the management, and cash flow after then is projected by using perpetual growth rate of 10%; and the discounted rate used is 19.85%.

9 Notes to the consolidated financial statements (Cont'd)

(19) Long-term prepaid expenses

	31 December 2015	31 December 2014
Pilot introduction fee and training expenses	175,098,904	254,455,746
Lease held improvement	139,340,947	35,001,456
Rent payment for land	200,121,489	-
Others	819,858,939	2,687,317
	1,334,420,279	292,144,519

(20) Deferred tax assets and deferred tax liabilities

(a) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2015	31 December 2014
Deferred tax assets, net	1,105,846,548	88,393,874
Deferred tax liabilities, net	3,159,634,736	917,301,517

(b) Balances of deferred tax assets and deferred tax liabilities without taking into consideration of the offsetting are as follows:

Deferred tax assets

	31 December 2015		31 December 2014	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Elimination of intra-group unrealised profit	153,650,458	614,601,834	2,004,514	8,018,056
Differences between tax basis and book value arising from equity transfer	242,837,321	971,349,282	-	-
Employee benefits payable	117,006,117	468,024,470	76,297,398	305,189,590
Changes in fair value of financial assets at fair value through profit or loss	50,716,391	253,856,473	-	-
Changes in fair value of available-for-sale financial assets	24,391,736	145,286,885	-	-
Provision for impairments	5,322,978	21,291,912	-	-
Accrued expenses	8,671,561	34,686,244	-	-
Deductible carried forward losses	892,462,910	3,622,240,531	50,651,743	202,606,971
	1,495,059,472		128,953,655	

9 Notes to the consolidated financial statements (Cont'd)

(20) Deferred tax assets and deferred tax liabilities (Cont'd)

(b) Balances of deferred tax assets and deferred tax liabilities without taking into consideration of the offsetting are as follows: (Cont'd):

Deferred tax liabilities

	31 December 2015		31 December 2014	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Changes in fair value of financial assets at fair value through profit or loss	764,841,991	3,433,975,993	418,721,635	1,674,886,536
Changes in fair value of available-for-sale financial assets	3,940,868	144,751,711	-	-
Changes in fair value of investment properties	1,733,442,805	6,933,771,217	539,139,663	2,156,558,650
Enterprise income tax of expected dividend from subsidiaries	358,227,377	3,711,423,302	-	-
Differences between the fair value of the identifiable net assets and book value arising from business combinations not under common control	670,361,494	2,681,445,978	-	-
Capitalised borrowing cost at consolidation level	9,403,722	37,614,888	-	-
Differences between the tax basis and book value of convertible bonds	8,629,403	52,299,410	-	-
	3,548,847,660		957,861,298	

As at 31 December 2015, deferred tax assets and liabilities offset by RMB 389,212,924. (31 December 2014: RMB 40,559,781)

As at 31 December 2015, deferred tax liabilities estimated to be reversed within 1 year was RMB 572,997,214. (31 December 2014: RMB 418,721,635)

9 Notes to the consolidated financial statements (Cont'd)

(21) Other non-current assets

	31 December 2015	31 December 2014
Financial assets at fair value through profit or loss (Note9(2))	14,814,916,147	-
Loan and receivable (Note9(3))	4,741,918,833	-
Input VAT	375,430,932	-
Prepayment for equity investment	304,600,000	232,522,000
Prepayment for land use right	40,501,300	263,382,360
Prepayment for equipments	10,042,846	-
Other	38,463,965	-
	20,325,874,023	495,904,360

(22) Short-term borrowings

	31 December 2015	31 December 2014
Credit borrowings	15,471,404,297	3,030,000,000
Guaranteed borrowings	4,153,897,000	-
Collateralised borrowings (a)	6,988,709,584	-
	26,614,010,881	3,030,000,000

(a) As at 31 December 2015, collateralised borrowings amounting to RMB 101,980,400 were also with guarantee provided.

(b) As at 31 December 2015, the weighted average interest rate of short-term borrowings was 4.91% per annum.

(23) Notes payable

	31 December 2015	31 December 2014
Trade acceptance notes	299,795,343	-

(24) Accounts payable

	31 December 2015	31 December 2014
Payable for inventory construction	682,249,895	-
Others	69,005,618	24,439,883
	751,255,513	24,439,883

9 Notes to the consolidated financial statements (Cont'd)

(25) Advances from customers

	31 December 2015	31 December 2014
Advances from sales of properties	1,978,347,150	-
Others	189,611,953	90,147,643
	2,167,959,103	90,147,643

(26) Employee benefits payable

	31 December 2015	31 December 2014
Short-term employee benefits payable (a)	744,529,426	305,189,590
Defined contribution plans payable (b)	26,447,535	-
	770,976,961	305,189,590

(a) Short-term employee benefits payable

	31 December 2014	Accrual	Payment	31 December 2015
Wages and salaries, bonus, allowances and subsidies	305,183,582	1,860,663,305	(1,449,863,741)	715,983,146
Staff welfare	-	23,283,940	(20,025,543)	3,258,397
Social security contributions	-	23,211,881	(10,547,369)	12,664,512
Including: Medical insurance	-	20,504,732	(9,775,077)	10,729,655
Work injury insurance	-	1,115,561	(638,080)	477,481
Maternity insurance	-	1,591,588	(134,212)	1,457,376
Housing funds	6,008	35,928,658	(25,328,250)	10,606,416
Labour union funds and employee education funds	-	2,688,766	(671,811)	2,016,955
	305,189,590	1,945,776,550	(1,506,436,714)	744,529,426

(b) Defined contribution plans payable

	For the year ended 31 December 2015		For the period from 9 May 2014 to 31 December 2014	
	Amount payable	Ending balance	Amount payable	Ending balance
Pension insurance	56,916,922	24,088,874	1,167,200	-
Unemployment insurance	3,343,832	2,358,661	97,614	-
	60,260,754	26,447,535	1,264,814	-

9 Notes to the consolidated financial statements (Cont'd)

(27) Taxes payable

	31 December 2015	31 December 2014
Enterprise income tax payable	1,802,587,454	541,684,075
Deed tax payable	402,300,000	402,300,000
Stamp tax payable	45,434,301	28,683,281
Business taxes and levies payable	103,185,060	2,336,883
VAT payable	11,477,912	-
Land VAT payable	382,899,593	-
Real estate tax payable	26,608,633	-
Others	881,673,289	6,853,791
	3,656,166,242	981,858,030

(28) Dividend payable

	31 December 2015	31 December 2014
Dividends payable to shareholders of the Company	1,460,000,000	-
Dividends payable to restricted shares	116,700,000	-
Dividends payable to minority interest of subsidiaries	78,887,389	-
	1,655,587,389	-

(29) Other accounts payable

	31 December 2015	31 December 2014
Prepaid capital from shareholders	4,632,500,000	-
Payable for fixed assets construction	2,866,552,266	-
Prepaid capital from shareholders of subsidiaries	1,300,000,000	-
Payable from transfer-out beneficial right (a)	1,207,756,994	-
Borrowing from shareholders of subsidiaries	742,912,500	742,912,500
Share transfer consideration received in advance	375,274,005	-
Payable for demolition compensation	264,651,495	-
Guarantee deposit received	179,083,411	-
Repurchase payables	-	1,010,093,288
Aviation services reserves	82,045,233	50,534,555
Others	759,305,267	108,369,384
	12,410,081,171	1,911,909,727

(a) Subsidiaries of the Group transferred beneficial right of part of their debt and equity investments to other investors. As 31 December 2015, the principal of liabilities caused by above transactions was RMB 1,184,157,998, with weighted average interest rate of 8.56% per annum.

9 Notes to the consolidated financial statements (Cont'd)

(30) Liabilities classified as held for sale

	31 December 2015	31 December 2014
Accounts payable	454,983,194	-
Taxes payable	186,905,070	-
Advances from customers	3,073,545,889	-
Long-term borrowings	3,364,000,000	-
Current portion of non-current liabilities	47,978,688	-
Employee benefits payable	553,059	-
Other payables	191,858,503	-
Deferred tax liabilities	78,195,233	-
	7,398,019,636	-

(31) Current portion of non-current liabilities

	31 December 2015	31 December 2014
Current portion of long-term borrowings (Note 9(33))	5,285,714,526	-
Current portion of long-term payable (Note 9(34))	712,972,247	-
Current portion of other non-current liabilities (Note 9(36))	32,932,351	-
	6,031,619,124	-

9 Notes to the consolidated financial statements (Cont'd)

(32) Other current liabilities

	31 December 2015	31 December 2014
Bonds payable (Note9(35))	4,632,957,960	-
Others	17,164,262	-
	4,650,122,222	-

(33) Long-term borrowings

	31 December 2015	31 December 2014
Credit borrowings	1,414,635,143	-
Guaranteed borrowings	4,919,277,113	-
Collateralised borrowings (a)	8,250,892,585	-
	14,584,804,841	200,000,000
Less: Current portion of long-term borrowings	(5,285,714,526)	-
	9,299,090,315	200,000,000

(a) As at 31 December 2015, collateralised borrowings amounting to RMB 5,114,284,261 were also guarantee provided.

(b) As at 31 December 2015, the weighted average interest rate of long-term borrowings was 6.83% per annum.

9 Notes to the consolidated financial statements (Cont'd)

(34) Long-term accounts payable

	31 December 2015	31 December 2014
Due to limited partners of Xingsheng Jiaye Investment's senior tranche (a)	15,000,000,000	6,500,000,000
Asset-backed securities(b)	1,027,456,507	-
Finance lease payables (c)	300,409,500	-
Repurchase payable	250,000,000	-
Payable for equipment purchase	135,807,397	173,770,173
Others	294,202,552	-
	17,007,875,956	6,673,770,173
Less: Current portion (presented in current portion of non-current liabilities)	(712,972,247)	-
	16,294,903,709	6,673,770,173

(a) This balance will be matured on 28 December 2017. Interest will be paid on the 20th day of last month in every calendar quarter and on maturity date with interest rate of 6.91% per annum. The Group pledged land use right (record as inventory and investment property in the financial statement) as collateral to limited partners of the senior tranche. Meanwhile, the Company provided general continuing guaranty.

(b) CMI Leasing, a subsidiary of the Group issued finance lease receivables backed securities with amount of RMB 1.2 billion in 2015, and invested in part of senior tranche and all subordinate tranche. The Group recorded the senior tranche issued to external investors amounting to RMB 1.02 billion as liability due to almost all the risks and rewards of finance lease receivables are retained, among which, senior tranche with par value of 0.35 billion will be mature in 2016 and senior tranche with par value of 0.67 billion will be mature in 2017. Interest rate ranges from 5.05% to 5.74% per annum.

(c) Net amount of finance lease payables is as follows:

	31 December 2015	31 December 2014
Minimum lease payables	305,047,750	-
Less: unrecognised finance expense	(4,638,250)	-
Net	300,409,500	-

9 Notes to the consolidated financial statements (Cont'd)

(35) Bonds payable

Issuer	Type	Guarantee Type	Maturity	Par value (in million)	Issued year	Coupon rate (per annum)	31 December 2015
China Minsheng Investment Co., Ltd. (a)	Corporate bonds	None	3 year	RMB 4,000	2015	5.19%	3,983,597,960
CM Drawin Tech (b)	Convertible bonds	None	3 year	HKD 200	2015	-	136,786,249
Boom Up Investments Limited (c)	Corporate bonds	None	5 year	USD 300	2015	3.25%	1,803,634,362
CMI Singapore (d)	Convertible bonds	None	Uncertain	USD 100	2015	-	649,360,000
							6,573,378,571
Less: Current portion (presented in other current liabilities)							(4,632,957,960)
							1,940,420,611

(a) On 18 December 2015, the Company privately placed a 3-year RMB bond with par value of Rmb 4 billion and coupon rate of 5.19% per annum to qualifying investors. At the end of first and second year of the 3-year period, the issuer has option to adjust the interest rate applicable to the rest period of the bond, and issuer has call option while the investors has the put option. The Group classified the bond into current liabilities.

(b) CM Drawin Tech issued 3-year zero coupon rate convertible bonds ("Convertible Bonds") of HKD 200 million to external investors on 27 May 2015.

The holders of Convertible Bonds are entitled to convert all or part of bonds into ordinary shares at HKD 0.2 per share in the period from 6 months after bond issuance date to 10 business days before the maturity date. CM Drawin Tech will redeem all outstanding Convertible Bonds at par value upon maturity.

The Convertible Bond was separated into liabilities component and equity component at initial recognition on 27 May 2015. The fair value of liability component was calculated at the present value of the redeemable principal using discounted rate of 6.77%. The fair value of the equity component was determined by using binomial option pricing model.

(c) Boom Up Investments Limited, a subsidiary of CMI Hong Kong, issued a 5-year corporate bond with par value of USD 300 million in Hong Kong Exchange on 24 July 2015. Its coupon rate is 3.25%, and interest will be paid every 6 months and the principal will be paid on maturity date.

(d) CM International Holding Pte., Ltd issued a convertible bond with par value of USD 100 million to an external investor on 10 December 2015. The investor has option to convert the bond into equity at USD 1 Dollar per share if certain conditions are met before 31 August 2016. Otherwise the issuer will pay the aggregate principle amount together with the interest at 5% per annum. CM International Holding Pte., Ltd classified the bond into current liabilities.

9 Notes to the consolidated financial statements (Cont'd)

(36) Other non-current liabilities

	31 December 2015	31 December 2014
Guarantee deposit from leases	448,669,566	-
Financial liabilities at fair value through profit or loss		
- Other limited partners' interest in the consolidated structured entities	340,755,984	-
Deferred commission income	82,164,086	-
Others	-	55,583,221
	871,589,636	55,583,221
Less: current portion (presented in current portion of other non-current liabilities)	(32,932,351)	-
	838,657,285	55,583,221

(37) Capital surplus

	31 December 2014	Increase in current year	Decrease in current year	31 December 2015
Capital premium (a)	257,333,273	309,956,155	(299,584,146)	267,705,282
Share-based payment(b)	-	46,354,864	-	46,354,864
	257,333,273	356,311,019	(299,584,146)	314,060,146

	9 May 2014	Increase in current year	Decrease in current year	31 December 2014
Capital premium	-	257,333,273	-	257,333,273
	-	257,333,273	-	257,333,273

(a) Increase in capital premium is the difference between transfer price and identifiable net assets of subsidiaries on disposal date, net of tax, as the Group disposed some equity of subsidiaries in the current year without losing control. Decrease in capital premium is the difference between consideration paid and identifiable net assets of subsidiaries on purchasing date, as the Group purchased some minority interest of subsidiaries.

9 Notes to the consolidated financial statements (Cont'd)

(37) Capital surplus (Cont'd)

(b) Share-based payment

The Group set up a trust plan to implement share-based payment. The trust plan subscribed 2 billion shares of the Company as a sponsor shareholder. The subscribed shares will be paid from 30 June 2014 to 30 June 2019 in six instalments, but are entitled to receive dividends based on subscripted shares within the period. As of 31 December 2015, the paid-in capital from the trust plan is RMB 200 million.

(i) First batch share-based payment

According to resolution of Board of Directors in 2014, the Company granted share-based payment to senior management, who purchased 76 million units of trust plan on 30 June 2014. The units of trust plan can't be transferred to third parties before 30 June 2019.

(ii) Second batch share-based payment

On 30 November 2015, the Company set up a limited partnership to purchase the rest 124 million units of trust plan that are not granted to employees. According to Resolution of Board of Directors in 2015, the company granted share-based payment to key employees, who purchased shares of the limited partnership on 30 November 2015 corresponding to 40.7 million units of trust plan. The units of trust plan can't be transferred to third parties before 30 June 2019.

(iii) The differences between the fair value of units of trust plan and the present value of consideration by employees on grant date is amortised during the vesting period and recorded as expenses.

(iv) The trust plan and limited partnership set for share-based payment are controlled by the Company, so they are within consolidation scope of the Group's financial statements.

(38) Treasury stock

As at 31 December 2015, the units of trust plan granted to senior management and key employees that can't be transferred to third parties amounted to RMB 116,700,000, and the units of trust plan held by the limited partnership that haven't been granted amounted to RMB 83,300,000. In total, the corresponding RMB 200,000,000 shares are presented as treasury stock in the consolidated financial statements.

9 Notes to the consolidated financial statements (Cont'd)

(39) Other comprehensive income

	31 December 2015	31 December 2014
Changes in fair value of available-for-sale financial assets	(868,391,772)	-
Currency translation differences	612,891,652	(6,925,917)
	(255,500,120)	(6,925,917)

(a) Other comprehensive income items and enterprise income tax impact

	2015		
	Before enterprise income tax	Enterprise income tax	After tax
Items that may be subsequently reclassified to profit or loss			
- Changes in fair value for available-for-sale financial assets	(891,622,231)	20,115,886	(871,506,345)
- Currency translation differences	647,280,553	-	647,280,553
Total other comprehensive income	(244,341,678)	20,115,886	(224,225,792)

	For the period from 9 May 2014 to 31 December 2014		
	Before enterprise income tax	Enterprise income tax	After tax
Items that may be subsequently reclassified to profit or loss			
- Currency translation differences	(8,544,191)	-	(8,544,191)

(b) Change in other comprehensive income items

	Total equity attributable to shareholders of the Company				
	Changes in fair value of available-for-sale financial assets	Currency translation differences	Subtotal	Minority interest	Total other comprehensive income
9 May 2014	-	-	-	-	-
Increase or decrease during the period from 9 May 2014 to 31 December 2014	-	(6,925,917)	(6,925,917)	(1,618,274)	(8,544,191)
31 December 2014	-	(6,925,917)	(6,925,917)	(1,618,274)	(8,544,191)
Increase or decrease in 2015	(868,391,772)	619,817,569	(248,574,203)	24,348,411	(224,225,792)
31 December 2015	(868,391,772)	612,891,652	(255,500,120)	22,730,137	(232,769,983)

9 Notes to the consolidated financial statements (Cont'd)

(40) Retained earnings

As of 31 December 2015, included in the retained earnings, RMB 569,473,411 is subsidiaries' surplus reserve attributable to the Company.

(41) Revenue

	For the year ended 31 December 2015	For the period from 9 May 2014 to 31 December 2014
Investment income of finance segment	2,001,561,744	1,875,974,289
Gains from fair value changes of finance segment	809,089,948	1,674,828,340
Revenue from business aircraft management and jet charter	1,173,687,491	226,630,252
Commission and interest income from finance lease	327,657,738	-
Revenue from sale of properties	120,065,941	-
Revenue from property management	81,851,674	-
Revenue from consulting services	31,677,796	1,000,000
Revenue from trade	26,659,464	-
Revenue from medical services	22,612,473	-
Revenue from hotel services	10,754,284	-
Lease income	4,913,905	-
Others	53,087,746	-
	4,663,620,204	3,778,432,881

9 Notes to the consolidated financial statements (Cont'd)

(42) Expenses by nature

Costs, selling expenses and general and administrative expenses classified by nature are as follows:

	For the year ended 31 December 2015	For the period from 9 May 2014 to 31 December 2014
Employee benefits expenses	1,976,536,996	372,923,917
Rental expenses	234,537,597	35,619,738
Travelling expenses	98,778,900	26,274,259
Entertainment expenses	43,844,285	4,194,868
Professional fees	255,953,297	34,761,532
Stamp duties	45,178,718	53,275,691
Cost of business aircraft management and jet charter (a)	554,097,560	44,038,077
Cost of goods sold	132,964,698	-
Other taxes and levies	71,882,542	-
Office and meeting expenses	76,286,276	-
Cost of hotel services	11,882,359	-
Advertising and promotion expenses	27,425,853	-
Other expenses	437,825,276	156,391,719
	3,967,194,357	727,479,801

(a) Cost of jet charter servie and business aircraft management mainly includes airport ground service expenses, aircraft maintenance expenses, aircraft fuel expense and training expenses etc.

(43) Finance expense - net

	For the year ended 31 December 2015	For the period from 9 May 2014 to 31 December 2014
Interest income	(241,143,425)	(51,504,395)
Interest expenses	942,542,314	22,452,703
Commission and bank charges	52,652,975	1,742,896
Exchange gains or losses	(246,062,744)	-
	507,989,120	(27,308,796)

9 Notes to the consolidated financial statements (Cont'd)

(44) Profit arising from changes in fair value

	For the year ended 31 December 2015	For the period from 9 May 2014 to 31 December 2014
Investment properties	1,476,155,399	2,156,558,650
Financial assets at fair value through profit or loss of industrial segment	275,955,960	58,196
Assets classified as held for sale	23,743,009	-
	1,775,854,368	2,156,616,846

(45) Investment income

	For the year ended 31 December 2015	For the period from 9 May 2014 to 31 December 2014
Investment income from joint ventures and associates	165,452,467	-
Interest income from loan and receivable of industry segment	112,419,177	-
Income from disposal of financial assets at fair value through profit or loss of industrial segment	22,034,214	4,610,389
Others	5,315,599	-
	305,221,457	4,610,389

(46) Non-operating income

	For the year ended 31 December 2015	For the period from 9 May 2014 to 31 December 2014
Negative goodwill (Note6(1))	3,251,521,999	-
Government subsidies and grants	40,603,629	174,472,200
Tax refund	7,841,137	-
Others	2,890,482	5,302,750
	3,302,857,247	179,774,950

9 Notes to the consolidated financial statements (Cont'd)

(47) Income tax expenses

	For the year ended 31 December 2015	For the period from 9 May 2014 to 31 December 2014
Current income tax	1,132,301,400	490,202,142
Deferred income tax	(491,838,163)	867,677,411
	640,463,237	1,357,879,553

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	For the year ended 31 December 2015	For the period from 9 May 2014 to 31 December 2014
Total profit	5,279,113,354	5,410,605,670
Income tax expenses calculated at applicable tax rates	1,147,571,335	1,352,651,418
Income not subject to tax	(126,215,286)	(9,464,834)
Income from negative goodwill	(812,880,500)	-
Losses carried forward which not recognise deferred tax assets	135,151,625	-
Reversal of previously recognised deferred tax assets from losses carried forward	41,241,368	-
Retained earnings included in the considerations from disposals of subsidiaries	-	14,222,242
Undeductible costs, expenses and losses	46,593,160	906,299
Taxes for dividends and anticipated dividends from oversea subsidiaries	208,597,146	-
Others	404,389	(435,572)
	640,463,237	1,357,879,553

9 Notes to the consolidated financial statements (Cont'd)

(48) Notes to cash flow statement

(a) Reconciliation from net profit to cash flows from operating activities

	For the year ended 31 December 2015	For the period from 9 May 2014 to 31 December 2014
Net profit	4,638,650,117	4,052,726,117
Add: Depreciation of fixed assets and amortisation of long-term assets	60,059,042	1,118,974
Gains from fair value changes	(1,775,854,368)	(2,156,558,650)
Asset impairment loss	95,288,811	-
Negative goodwill	(3,251,521,999)	-
Investment income	(305,221,457)	(4,610,389)
Deferred tax (income) / expenses	(491,838,163)	867,677,411
Finance expenses	745,496,434	24,195,599
Decrease in inventories	106,521,789	-
Share-based payment expenses	46,354,864	-
Increase in financial assets in finance segment	(12,052,759,160)	-
Increase in operating receivables	(11,117,236,997)	(28,014,874,029)
Increase in operating payables	8,002,398,558	983,758,009
Others	-	(983,052)
Net cash flows used in operating activities	(15,299,662,529)	(24,247,550,010)

(b) The Group does not have significant non-cash investing or financing activities except the Group exercised call option to acquire WTL, as disclosed in Note 6.

(c) Net increase in cash and cash equivalents

	For the year ended 31 December 2015	For the period from 9 May 2014 to 31 December 2014
Cash and cash equivalents at the end of the year/period	18,988,688,574	4,154,195,533
Less: Cash and cash equivalents at the beginning of the year/period	(4,154,195,533)	-
Net increase in cash and cash equivalents	14,834,493,041	4,154,195,533

(d) Cash and cash equivalents

	31 December 2015	31 December 2014
Cash at bank and on hand (Note 9(1))	25,136,387,871	4,154,195,533
Less: Restricted cash at bank	(6,147,699,297)	-
Cash and cash equivalents	18,988,688,574	4,154,195,533

9 Notes to the consolidated financial statements (Cont'd)

(48) Notes to cash flow statement (Cont'd)

(e) Cash paid relating to other operating activities

Cash paid relating to other operating activities in the cash flow statement mainly includes:

	For the year ended 31 December 2015	For the period from 9 May 2014 to 31 December 2014
Tender deposit paid	1,564,064,576	232,522,000
Performance deposit paid	400,000,000	-
Rental expenses paid	59,021,242	-
Professional service expenses paid	50,027,920	-
Travel expenses paid	44,530,297	-
Others	781,672,751	102,377,788
	2,899,316,786	334,899,788

10 Significant related parties and related party transactions

(1) Shareholder and subsidiaries

The Company does not have controlling shareholder or shareholders which have significant influence on the Company. The related parties of the Group mainly include subsidiaries, joint ventures and associates. The general information and other related information of the subsidiaries is set out in Note 7. The related party transactions are mainly among companies within the Group and among subsidiaries, joint ventures and associates within the Group in current period.

(2) Related party transactions between the Company and its subsidiaries

(a) Pricing policy

Related party transactions are negotiated by both parties involved with reference to the market price.

10 Significant related parties and related party transactions (Cont'd)

(2) Related party transactions between the Company and its subsidiaries (Cont'd)

(b) Significant intercompany balances and transactions with subsidiaries have been offset in the consolidated financial statements, details of major transactions and balances as follows:

Year/period end balance

	31 December 2015	31 December 2014
Loans to related parties	6,462,099,619	8,148,500,000
Entrusted loans to related parties	400,000,000	400,000,000
Other receivables	30,271,818	343,200,840
Interest receivable	248,593,173	5,277,611
Prepayments	6,605,500	1,196,600
Borrowing from related parties	(10,127,159,000)	(3,050,000,000)
Other payables	(8,503,306,061)	(8,500,000,000)
Interest payable	(102,487,703)	(74,181)

Transaction during the year/period

	For the year ended 31 December 2015	For the period from 9 May 2014 to 31 December 2014
Interest income	462,237,414	10,524,459
General and administrative expenses	(21,141,819)	(7,300,360)
Interest expenses	(103,975,495)	(74,180)

(c) The Company provides guarantee for its subsidiaries

As at 31 December 2015, the amount of borrowings guaranteed by the Company for its subsidiaries was RMB 22,348,080,000. (31 December 2014: RMB 6,500,000,000)

(3) Significant related party transactions between the Group and its joint ventures or associates

(a) Pricing policy

Related party transactions are negotiated by both parties involved with reference to the market price.

(b) Significant transactions and balances are as follows:

Year/period end balance

	31 December 2015	31 December 2014
Accounts receivable	246,724	-
Short-term borrowings	(214,288,800)	-
Accounts payable	(111,546)	-

10 Related parties and related party transactions (Cont'd)

(3) Significant related party transactions between the Group and its joint ventures or associates (Cont'd)

(c) The Group provides guarantee for joint ventures or associates

As at 31 December 2015, the amount of borrowings guaranteed by the Group for joint ventures and associates was RMB 446,997,600. (31 December 2014: Nil)

11 Commitments

(1) Capital commitments

Capital expenditures contracted for by the Group at the balance sheet date but are not yet necessary to be recognised on the balance sheet are as follows:

	31 December 2015	31 December 2014
Buildings and constructions	472,437,865	12,863,081
Construction in progress	2,963,159,169	-
Demolition compensation	3,618,000,000	-
Intangible assets	39,600,000	-
Design consulting fees	-	780,000
	7,093,197,034	13,643,081

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2015	31 December 2014
Within one year	190,878,599	97,952,889
Between 1 and 2 years	173,430,707	97,530,477
Between 2 and 3 years	110,609,928	93,217,011
Over 3 years	219,183,812	476,714,587
	694,103,046	765,414,964

11 Commitments (Cont'd)

(3) External guarantee

According to the announcement of SRE Group, the subsidiary of the Group, on 24 September 2015, the former Chairman of SRE Group entered into several financing agreements with financial institutions as guarantors on behalf of several subsidiaries within SRE Group to provide guarantee to bank loans of several companies which are related with him, from 2011 to 2014. Except for the guarantee, the borrowers also pledged their properties to banks as collateral. CMJYI, the subsidiary of the Group, provided counter guarantee for the borrowings after acquiring SRE Group on 4 December 2015. As at 31 December 2015, total above guaranteed borrowings was RMB 2.347 billion. After assessment of the borrowers' financial positions and fair value of properties pledged as collateral, the management concluded no provision was necessary for the counter guarantee.

12 Financial instrument and risk

The Group's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(1) Market risk

(a) Foreign exchange risk

Foreign exchange risk is the risk of loss resulting from foreign exchange rate volatility. The fluctuation of exchange rate of RMB against currencies of other countries or regions where the Group operates will influence the Group's financial position and operating performance. The Group monitor the balance of assets and liabilities, and transactions denominated in foreign currencies to minimise its exposure to foreign exchange risk. The foreign currency risk of the Group mainly comes from fluctuation in the USD/RMB, HKD/RMB and EUR/RMB exchange rates.

As at 31 December 2015, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized as below:

	31 December 2015			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Financial assets denominated in foreign currency				
- Cash at bank and on hand	7,934,875,083	6,468,771,616	258,262,919	14,661,909,618
- Financial assets at fair value through profit or loss	504,364,096	5,646,017,357	1,417,817,461	7,568,198,914
- Loan and receivable	-	4,389,119,683	-	4,389,119,683
- Other receivables	-	419,488	-	419,488
- Available-for-sale financial assets	-	2,805,634,478	-	2,805,634,478
	8,439,239,179	19,309,962,622	1,676,080,380	29,425,282,181
Financial liabilities denominated in foreign currency				
- Short-term borrowings	(311,692,800)	(4,999,076,384)	(216,404,297)	(5,527,173,481)
- Interest payable	-	(17,967,322)	-	(17,967,322)
- Other payables	(143,736,726)	(4,085,850)	(2,415,935)	(150,238,511)
- Bonds payable	(2,452,994,364)	(136,786,249)	-	(2,589,780,613)
- Long-term payables	-	(174,862,698)	-	(174,862,698)
- Long-term borrowings	(480,526,400)	(653,552,178)	-	(1,134,078,578)
	(3,388,950,290)	(5,986,330,681)	(218,820,232)	(9,594,101,203)

12 Financial instrument and risk (Cont'd)

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

	31 December 2014			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Financial assets denominated in foreign currency				
- Cash at bank and on hand	25,457,012	2,684,674	27,806	28,169,492
- Other non-current assets	232,522,000	-	-	232,522,000
	257,979,012	2,684,674	27,806	260,691,492

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the pre-tax impact on profit and equity (due to changes in fair value of foreign currency denominated non-monetary assets and liabilities measured at fair value, as well as monetary assets and liabilities). The correlation of variables will have a significant effect on determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

		31 December 2015		31 December 2014	
	Change in variables	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity before tax	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity before tax
USD	+10% against RMB	(47,384,647)	505,028,889	1,933,801	25,797,901
HKD	+10% against RMB	39,906,571	1,332,363,194	-	-
Others	+10% against RMB	20,933	145,726,015	2,781	2,781
		(7,457,143)	1,983,118,098	1,936,582	25,800,682
USD	+10% against RMB	47,384,647	(505,028,889)	(1,933,801)	(25,797,901)
HKD	+10% against RMB	(39,906,571)	(1,332,363,194)	-	-
Others	+10% against RMB	(20,933)	(145,726,015)	(2,781)	(2,781)
		7,457,143	(1,983,118,098)	(1,936,582)	(25,800,682)

(b) Interest rate risk

Interest rate risk is the risk of fluctuation of the fair value or future cash flows of financial instrument due to market interest rate changes. Floating rate instrument expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest rate risk.

The Group's interest rate risk arises from debt instruments such as entrusted loan, asset management plans investing in debt securities, borrowings from bank, payables to the limited partners of the senior tranche of the consolidated structured entities, bonds payable etc. The Group's finance department at its headquarter continuously monitors the interest rate position of the Group.

As at 31 December 2015, the fixed rate debt investments and borrowings are measured at amortised cost, therefore there is no significant fair value interest rate risk (31 December 2014: insignificant). As for floating rate long-term interest bearing assets and liabilities, the profit and equity before tax will decrease or increase RMB 30,430,739 when market interest rate increase or decrease 50 basis points, assuming the yield curve moved in parallel with the changes in market interest rate.

12 Financial instrument and risk (Cont'd)

(2) Credit risk

Credit risk refers to the risk of loss arising from a borrower's failure to meet the contractual obligation or adverse changes in credit conditions.

The Group's maximum credit risk exposure are as follows:

	31 December 2015	31 December 2014
Cash at bank	23,734,645,385	4,153,365,598
Other cash at bank and on hand	1,399,386,441	-
Financial assets at fair value through profit or loss		
- Assets management products and trusts	3,475,461,734	11,765,929,428
- Convertible bonds	212,014,653	-
Loan and receivables	5,919,605,528	-
Notes receivables	540,000	-
Interest receivables	52,704,064	-
Accounts receivables	241,345,574	134,402,309
Other receivables	3,603,481,486	1,429,880,015
Long-term receivables	6,007,586,977	-
Total	44,646,771,842	17,483,577,350

Cash at bank of the Group is deposited in domestic and overseas large or medium size banks.

For asset management plans and trusts investing in debt securities, the asset managers selects issuers and counterparties with high credit quality through rating policies and procedures, and regularly monitors the risks after the insurance.

For loan and receivables, accounts receivables, other receivables and long-term receivables, the credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will take necessary actions to ensure the overall credit risk of the Group is limited to a controllable extent.

As at 31 December 2015, other than impaired other receivables amounting to RMB 8,200,000, above financial assets are neither overdue nor impaired.

(3) Liquidity risk

Liquidity risk refers to the risk that the Group cannot raise sufficient amount of money or trade assets with reasonable price in order to convert into cash to repay due debts.

Cash flow forecasting is performed by each subsidiary within the Group and aggregated by the finance department of the Company. The Company's finance department monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

12 Financial instrument and risk (Cont'd)

(3) Liquidity risk (cont'd)

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2015					
	On demand	Within 1 year (include 1 year)	1 to 2 years (include 2 years)	2 to 5 years (include 5 years)	Over 5 years	Total
Short-term borrowings	(226,142,490)	(27,448,580,807)	-	-	-	(27,674,723,297)
Note payable	-	(299,795,343)	-	-	-	(299,795,343)
Accounts payable	-	(751,255,513)	-	-	-	(751,255,513)
Other payables	(742,912,500)	(11,737,678,548)	-	-	-	(12,480,591,048)
Dividends payable	-	(1,655,587,389)	-	-	-	(1,655,587,389)
Bonds payable	-	(4,952,740,600)	(63,312,600)	(2,305,573,800)	-	(7,321,627,000)
Long-term payable	-	(1,777,486,574)	(16,545,344,256)	(766,351,383)	(91,640,209)	(19,180,822,422)
Long-term borrowings	-	(5,945,481,202)	(2,372,127,635)	(6,155,180,088)	(2,109,711,465)	(16,582,500,390)
Other non-current liabilities	-	-	-	(340,755,984)	-	(340,755,984)
	(969,054,990)	(54,568,605,976)	(18,980,784,491)	(9,567,861,255)	(2,201,351,674)	(86,287,658,386)

	31 December 2014					
	On demand	Within 1 year (include 1 year)	1 to 2 years (include 2 years)	2 to 5 years (include 5 years)	Over 5 years	Total
Short-term borrowings	-	(3,195,807,101)	-	-	-	(3,195,807,101)
Accounts payable	-	(24,439,883)	-	-	-	(24,439,883)
Other payables	(742,912,500)	(1,168,997,227)	-	-	-	(1,911,909,727)
Long-term borrowings	-	(13,530,000)	(204,228,125)	-	-	(217,758,125)
Long-term payables	-	(449,150,000)	(622,920,173)	(6,949,150,000)	-	(8,021,220,173)
Other non-current liabilities	-	-	(55,583,221)	-	-	(55,583,221)
	(742,912,500)	(4,851,924,211)	(882,731,519)	(6,949,150,000)	-	(13,426,718,230)

13 Fair value measurement

The selected level of fair value measurement must be decided by the lowest level of input that is significant to the overall fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

13 Fair value measurement (Cont'd)

(1) Assets and liabilities continuously measured at fair value

As at 31 December 2015, the assets and liabilities continuously measured at fair value by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
- Money market fund	921,623,261	-	-	921,623,261
- Bank wealth management products	-	-	39,000,000	39,000,000
- Asset management products and trust plans	-	2,915,409,287	3,475,461,734	6,390,871,021
- Stocks	4,054,621,386	9,212,972,576	-	13,267,593,962
- Convertible bonds	-	82,142,653	129,872,000	212,014,653
- Private equities	-	-	2,528,897,907	2,528,897,907
- Total return swap	-	1,830,771,522	-	1,830,771,522
- Private placement funds	-	-	243,175,844	243,175,844
- Others	-	-	61,091,432	61,091,432
	4,976,244,647	14,041,296,038	6,477,498,917	25,495,039,602
Available-for-sale financial assets				
- Stocks	2,520,280,707	42,494,689	243,912,023	2,806,687,419
- Private placement funds	-	85,016,638	-	85,016,638
- Bank wealth management products	-	-	462,603,321	462,603,321
	2,520,280,707	127,511,327	706,515,344	3,354,307,378
Total financial assets	7,496,525,354	14,168,807,365	7,184,014,261	28,849,346,980

13 Fair value measurement (Cont'd)

(1) Assets and liabilities continuously measured at fair value(Cont'd)

As at 31 December 2015, the assets and liabilities continuously measured at fair value by the above three levels are analysed below(Cont'd):

	Level 1	Level 2	Level 3	Total
Investment properties				
- Land use right	-	-	20,600,000,000	20,600,000,000
- Buildings and properties	-	-	4,828,696,000	4,828,696,000
Total non-financial assets	-	-	25,428,696,000	25,428,696,000
Total assets	7,496,525,354	14,168,807,365	32,612,710,261	54,278,042,980
Financial liabilities				
Financial liabilities at fair value through progit or loss				
- Interest attributable to other limited partners in the consolidated structured entity	-	340,755,984	-	340,755,984
Total financial liabilities	-	340,755,984	-	340,755,984

The Group takes the occurrence date of events resulting transfers between different levels as the confirmation date of transfer. There are no transfers between Level 1 and Level 2 for the fair value measurements in current year (For the period from 9 May 2014 to 31 December 2014: Nil).

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include discounted cash flow analysis and using comparable company model, etc. Inputs to valuation techniques include risk-free rate, benchmark interest rates, foreign exchange rates, rates of credit premium, liquidity premium, EBITDA multiplier, liquidity discount, etc.

13 Fair value measurement (Cont'd)

(1) Assets and liabilities continuously measured at fair value(Cont'd)

As at 31 December 2014, the assets and liabilities continuously measured at fair value by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
- Money market fund	1,664,700,433	-	-	1,664,700,433
- Bank wealth management products and trust plans	-	-	560,000,000	560,000,000
- Asset management products	-	4,176,382,495	11,765,929,428	15,942,311,923
Total financial assets	1,664,700,433	4,176,382,495	12,325,929,428	18,167,012,356
Non-financial assets				
Investment properties				
- Land use right	-	-	18,530,000,000	18,530,000,000
Total non-financial assets	-	-	18,530,000,000	18,530,000,000
Total assets	1,664,700,433	4,176,382,495	30,855,929,428	36,697,012,356

13 Fair value measurement (Cont'd)

(1) Assets and liabilities continuously measured at fair value(Cont'd)

Movement of level 3 assets are analysed below:

	Financial assets at fair value through profit or loss	Investment properties	Available-for-sale financial assets	Total
1 January 2015	12,325,929,428	18,530,000,000	-	30,855,929,428
Transfer-in from business combination	-	4,813,246,526	11,500,000	4,824,746,526
Purchases	8,561,137,164	694,465,866	1,919,150,172	11,174,753,202
Sales	(14,169,801,873)	-	(1,159,897,682)	(15,329,699,555)
Reclassify out to inventory	-	(85,171,791)	-	(85,171,791)
Transfer out of level 3	(799,999,999)	-	-	(799,999,999)
Fair value changes through other comprehensive income	-	-	(64,238,146)	(64,238,146)
Fair value changes through profit or loss	560,234,197	1,476,155,399	-	2,036,389,596
31 December 2015	6,477,498,917	25,428,696,000	706,514,344	32,612,709,261
Changes in unrealised profit or loss of assets held as at 31 December 2015 recognised in current period's profit of loss				
- Gains from changes in fair value	101,319,045	1,476,155,399	-	1,577,474,444

13 Fair value measurement (Cont'd)

(1) Assets and liabilities continuously measured at fair value(Cont'd)

	Financial assets at fair value through profit or loss	Investment properties	Total
9 May 2014	-	-	-
Purchases	44,671,027,382	16,373,441,350	61,044,468,732
Sales	(33,264,669,382)	-	(33,264,669,382)
Fair value changes through profit or loss	919,571,428	2,156,558,650	3,076,130,078
31 December 2014	12,325,929,428	18,530,000,000	30,855,929,428
Changes in unrealised profit or loss of assets held as at 31 December 2014 recognised in current period's profit of loss			
- Gains from changes in fair value	144,484,508	2,156,558,650	2,301,043,158

Gains or losses are recognised respectively in revenue, profit arising from changes in fair value, investment income, etc. in the income statement.

The Group's post-investment management department is responsible for the valuation of financial assets and liabilities and commissions external independent values to assess fair value of the Group's investment properties.

13 Fair value measurement (Cont'd)

(1) Assets continuously measured at fair value (Cont'd)

Major unobservable inputs in Level 3 are as follows:

			Unobservable input		
	Fair value as at 31 December 2015	Valuation technique	Name	Range/weighted average number	Relations with fair value
Financial assets at fair value through profit or loss					
- Bank wealth management products	39,000,000	Income approach	Discount rate	3.2%-3.45%	Negative related
- Asset management products and trust plans	3,229,733,333	Income approach	Discount rate	10%-15%	Negative related
- Others	61,091,432	Income approach	Discount rate	20%	Negative related
Available-for-sale financial assets					
- Stocks	243,912,023	Income approach	Discount rate	10%	Negative related
- Bank wealth management products	462,602,321	Income approach	Discount rate	2.3%-5.4%	Negative related
Investment properties					
			Market unit price (RMB/square meter)	37,263-42,821	Positive related
- Land use right	20,600,000,000	Market approach	Adjustment factor	107%-127%	Positive related
			Lease rate of return	5%-6%	Negative related
			Reversionary rate of return	5.5%-6.5%	Negative related
			Market unit rental price	16-282	Positive related
- Buildings	4,828,696,000	Income approach	(RMB/Square meter/Month)		

13 Fair value measurement (Cont'd)

(1) Assets continuously measured at fair value (Cont'd)

Major unobservable inputs in Level 3 are as follows (Cont'd):

	Fair value as at 31 December 2014	Valuation technique	Unobservable input		Relations with fair value
			Name	Range/weighted average number	
Financial assets at fair value through profit or loss					
- Bank wealth management products	560,000,000	Income approach	Discount rate	2.5%-3.5%	Negative related
- Asset management products and trust plans	11,765,929,428	Income approach	Discount rate	5.6%-9.5%	Negative related
Investment properties					
- Land use rights	18,530,000,000	Market approach	Market unit price (RMB/square meter) Adjustment factor	34,059-42,821 95%-120%	Positive related

13 Fair value measurement (Cont'd)

(1) Assets and liabilities continuously measured at fair value(Cont'd)

Note: As at 31 December 2015, financial assets whose fair value are determined using initial recognised fair value, recent transaction prices or inputs not developed by the Group as follows: RMB 2,528,897,907 of private equity, RMB 129,872,000 of convertible bonds, RMB 243,175,844 of private placed funds and RMB 245,728,401 of asset management and trust products, are not included in the disclosure above (31 December 2014: Nil).

(2) **Financial instruments not measured at fair value but disclosed at fair value**

The Group's financial assets and liabilities measured at amortised cost mainly include loans and receivables, accounts receivable, long-term receivables, short-term borrowings, notes payable, other receivables, accounts payable, other payables, long-term borrowings, bonds payables and long-term accounts payable, etc.

As at 31 December 2015, there is no significant difference between carrying amount and fair value.

14 The Group's maximum risk exposure to unconsolidated structured entities

The Group uses structured entities in the ordinary course of business for various purposes, eg: to invest through structured entities, to generate fees from managing assets on behalf of external investors, etc.

The following table shows total assets of the various types of unconsolidated structured entities, amount of funding provided by the Group and the Group’s maximum exposure to these unconsolidated structured entities as at 31 December 2015. The Group’s maximum exposure represents the Group’s maximum possible risk exposure that could occur as a result of the Group’s arrangements with structured entities. The Group do not have the obligation or intention to provide financial support to the unconsolidated structured entities and do not provide liquidity support in 2015.

	31 December 2015			
	Total assets	Investment amount	Maximum risk exposure	Nature of holding interest
Money market fund	Note(a)	921,623,261	921,623,261	Investment income
Asset management plans-one to one	3,591,178,251	3,591,178,251	3,591,178,251	Investment income
Asset management plans-one to many	Note(a)	654,507,716	654,507,716	Investment income
Bank wealth management products	Note(a)	501,602,321	501,602,321	Investment income
Private placed funds	Note(a)	328,192,482	328,192,482	Investment income
Individual trust products	1,518,549,460	1,518,549,460	1,518,549,460	Investment income
Collective trust products	Note(a)	626,635,594	626,635,594	Investment income
		8,142,289,085	8,142,289,085	

	31 December 2014			
	Total assets	Investment amount	Maximum risk exposure	Nature of holding interest
Money market fund	Note(a)	1,664,700,433	1,664,700,433	Investment income
Asset management plans-one to one	10,218,119,989	10,218,119,989	10,218,119,989	Investment income
Asset management plans-one to many	Note(a)	888,286,830	888,286,830	Investment income
Bank wealth management products	Note(a)	560,000,000	560,000,000	Investment income
Individual trust products	4,835,905,104	4,835,905,104	4,835,905,104	Investment income
		18,167,012,356	18,167,012,356	

Note(a)：These products’ total size is non-public information.

15 Capital Management

The objectives of the Group's capital management policy is to guarantee the Group's going concern so as to provide returns to shareholders and benefit other stakeholders, while maintaining the optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividends paid to shareholders, return capital to shareholders, and issue new shares or trade assets to reduce debts.

The Group's total capital is the shareholder's equity listed in the consolidated balance sheet. The Group is not subject to any external capital requirements.

16 Notes to the Company's Financial Statements

(1) Cash at bank and on hand

	31 December 2015	31 December 2014
Cash at bank	2,265,346,490	3,411,173,594
Including: Restricted cash at bank (a)	898,328,700	-

(a) As at 31 December 2015, restricted cash at bank include in the amount of RMB400,000,000 which deposited for the purpose of applying for unconditional and irrevocable bank acceptance notes and in the amount of RMB498,328,700 which deposited for the purpose of subsidiary's bank borrowings.

(2) Financial assets at fair value through profit or loss

	31 December 2015	31 December 2014
Financial assets held for trading		
- Money market fund	921,623,261	1,604,700,433
Financial assets designated at fair value through profit or loss		
- Asset management plans	364,383,509	10,351,267,902
- Bank wealth management products	-	400,000,000
	1,286,006,770	12,355,968,335

The following table shows the total assets of the various types of unconsolidated structured entities and the amount of funding provided by the Company to these unconsolidated structured entities as at 31 December 2015. The table also shows the Company's maximum exposure to the unconsolidated structured entities representing the Company's maximum possible risk exposure that could occur as a result of the Company's arrangements with structured entities. The Company do not have the obligation or intention to provide financial support to the unconsolidated structured entities and do not provide liquidity support in the period.

16 Notes to the company's financial statements(Cont'd)

(2) Financial assets at fair value through profit or loss (Cont'd)

	31 December 2015			
	Total assets	Investment amount	Maximum risk exposure	Nature of holding interest
Money market fund	Note(a)	921,623,261	921,623,261	Investment income
Asset management plans - one to one	361,444,918	361,444,918	361,444,918	Investment income
Asset management plans - one to many	Note(a)	2,938,591	2,938,591	Investment income
		1,286,006,770	1,286,006,770	

	31 December 2014			
	Total assets	Investment amount	Maximum risk exposure	Nature of holding interest
Money market fund	Note(a)	1,604,700,433	1,604,700,433	Investment income
Asset management pans - one to one	10,218,119,989	10,218,119,989	10,218,119,989	Investment income
Asset management plans - one to many	Note(a)	133,147,913	133,147,913	Investment income
Bank wealth management products	Note(a)	400,000,000	400,000,000	Investment income
		12,355,968,335	12,355,968,335	

Note(a)：These products' total size is non-public information.

(3) Loan and receivable

	31 December 2015	31 December 2014
Entrusted loan receivables due from related parties	400,000,000	-
Less: non-current portion (presented in the non-current assets)	-	-
	400,000,000	-

16 Notes to the company's financial statements(Cont'd)

(4) Interest receivables

	31 December 2015	31 December 2014
Interest receivables due from related parties (Note10 (2)(b))	248,593,173	5,277,611

(5) Other receivables

	31 December 2015	31 December 2014
Loan due from related parties(Note10(2)(b))	6,462,099,619	8,548,500,000
Receivables due from related parties(Note10(2)(b))	30,271,818	343,200,840
Receivables from disposal of financial assets	-	1,013,856,986
Tender deposit	1,564,064,576	-
Rental Deposit	26,949,028	6,740,953
Others	2,830,389	1,326,731
	8,086,215,430	9,913,625,510
Less: provision for bad debts	-	-
	8,086,215,430	9,913,625,510

Other than the related party loans to the Group's subsidiaries without specified maturity date, the Company's other receivables are all within 1 year. No bad debts provision was necessary per the Company's assessment.

(6) Other current assets

	31 December 2015	31 December 2014
Input VAT	9,949,768	803,040

16 Notes to the company's financial statements(Cont'd)

(7) Long-term equity investments

	31 December 2014	Additions in current period	Disposal in current period	31 December 2015
Subsidiaries using cost method				
CM property	100,000,000	2,241,000,000	-	2,341,000,000
CM Capital	3,959,335,036	6,040,664,964	-	10,000,000,000
Minsheng (Shanghai) Asset Management Co., Ltd.	1,810,000,000	8,190,000,000	-	10,000,000,000
CMJYI	9,000,000,000	1,339,231,111	-	10,339,231,111
CM Bund	8,500,000,000	-	-	8,500,000,000
CMI Hong Kong	243,009,000	2,653,967,000	-	2,896,976,000
CMI Singapore	-	11,221,610,124	-	11,221,610,124
CM New Energy	30,000,000	5,276,465,038	-	5,306,465,038
CM Jet	588,000,000	-	-	588,000,000
CMI Leasing	-	1,800,000,000	-	1,800,000,000
CMIH	-	705,500,000	-	705,500,000
	24,230,344,036	39,468,438,237	-	63,698,782,273

As at 31 December 2015, no provision for impairment of long-term equity investments was necessary per the Company's assessment.

16 Notes to the company's financial statements(Cont'd)

(8) Long-term accounts receivables

	31 December 2015	31 December 2014
Accounts receivables due from related parties	91,546,700	-
Less: provision for impairment	-	-
	91,546,700	-

(9) Long-term prepaid expenses

	31 December 2015	31 December 2014
Lease held improvement	101,678,551	24,238,560
Others	818,181,818	-
	919,860,369	24,238,560

(10) Deferred tax assets and liabilities

(a) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2015	31 December 2014
Deferred tax assets, net	572,622,054	29,033,701

(b) The balances of deferred tax assets and deferred tax liabilities without taking into consideration of offsetting are as follows:

Deferred tax assets

	31 December 2015		31 December 2014	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Employee benefits payable	73,882,784	295,531,138	65,136,947	260,547,789
Deductible carried forward losses	501,297,375	2,005,189,500	-	-
	575,180,159	2,300,720,638	65,136,947	260,547,789

16 Notes to the company's financial statements (Cont'd)

(10) Deferred tax assets and deferred tax liabilities (Cont'd)

(b) The balances of deferred tax assets and deferred tax liabilities without taking into consideration of offsetting are as follows:

Deferred tax liabilities

	31 December 2015		31 December 2014	
	31 December 2015	31 December 2015	31 December 2015	31 December 2015
Changes in fair value for financial assets at fair value through profit or loss	2,558,105	10,232,420	36,103,246	144,412,982

As at 31 December 2015, The balance of deferred tax liabilities are estimated to be reversed within 1 year.

(11) Short-term borrowings

	31 December 2015	31 December 2014
Credit borrowings	14,380,000,000	3,030,000,000
	14,380,000,000	3,030,000,000

As at 31 December 2015, the weighted average interest rate of short-term borrowings was 4.77% per annum.

(12) Employee benefits payable

	31 December 2015	31 December 2014
Short-term employee benefits payable (a)	295,531,138	260,544,890
Defined contribution plans payable (b)	-	2,899
	295,531,138	260,547,789

16 Notes to the company's financial statements (Cont'd)

(12) Employee benefits payable (Cont'd)

(a) Short-term employee benefits payable

	31 December 2014	Accrual	Payment	31 December 2015
Wages and salaries, bonus, allowances and subsidies	260,543,072	1,023,241,336	(988,253,270)	295,531,138
Staff welfare	-	7,692,361	(7,692,361)	-
Social security contributions	1,818	1,471,448	(1,473,266)	-
Including: Medical insurance	1,611	1,310,226	(1,311,837)	-
Work injury insurance	70	49,993	(50,063)	-
Maternity insurance	137	111,229	(111,366)	-
Housing funds	-	3,065,534	(3,065,534)	-
Other short-term employee benefits	-	8,905,798	(8,905,798)	-
	260,544,890	1,044,376,477	(1,009,390,229)	295,531,138

(b) Defined contribution plans payable

	For the year ended 31 December 2015		Period from 9 May to 31 December 2014	
	Amount payable	Ending balance	Amount payable	Ending balance
Pension insurance	2,549,832	-	452,639	2,693
Unemployment insurance	154,209	-	51,119	206
	2,704,041	-	503,758	2,899

(13) Taxes payable

	31 December 2015	31 December 2014
Enterprise income tax payable	228,855,867	207,079,911
Business taxes and levies payable	26,064,089	554,509
Stamp tax payable	3,194,894	-
Others	742,284,777	2,696,818
	1,000,399,627	210,331,238

(14) Interest payable

	31 December 2015	31 December 2014
Interest payable to related parties (Note10(2)(b))	102,487,703	74,181
Interest payable on bank borrowings	44,129,878	4,480,224
Interest payable on bond issued	7,940,984	-
	154,558,565	4,554,405

16 Notes to the company's financial statements (Cont'd)

(15) Dividends payable

	31 December 2015	31 December 2014
Profit distribution	1,460,000,000	-

As at 25 April 2016, the dividends payable, in amount of RMB 1,430,000,000 has been paid to shareholders

(16) Other payables

	31 December 2015	31 December 2014
Borrowings from related parties(Note10(2)(b))	10,127,159,000	3,050,000,000
Payables to related parties (Note10(2)(b))	8,503,306,061	8,500,000,000
Prepaid Capital from shareholders	4,632,500,000	-
Share transfer price received in advance	140,000,000	-
Repurchase payables	-	1,010,093,288
Others	48,782,229	24,060,331
	23,451,747,290	12,584,153,619

(17) Other current liabilities - bond payable

Type	Guarantee Type	Maturity	Par value (in million)	Issuance year	Coupon rate (per annum)	31 December 2015
Corporate bonds	None	3 year	RMB 4,000	2015	5.19%	3,983,597,960

On 18 December 2015, the Company privately placed a 3-year RMB bond with par value of RMB 4 billion and coupon rate of 5.19% per annum to qualified investors. At the end of first and second year of the 3-year period, the issuer has option to adjust the interest rate applicable to the rest period of the bond, and issuer has call option while the investors has the put option. The Company classified the bond into current liabilities.

(18) Capital surplus

	31 December 2014	Increase in current period	Decrease in current period	31 December 2015
Other capital surplus (Note(37)(b))	-	46,354,864	-	46,354,864

16 Notes to the company's financial statements (Cont'd)

(19) Surplus reserve

	31 December 2014	Increase in current period	Decrease in current period	31 December 2015
Statutory surplus reserve	69,035,755	330,964,245	-	400,000,000
	69,035,755	330,964,245	-	400,000,000

	9 May 2014	Increase in current period	Decrease in current period	31 December 2014
Statutory surplus reserve	-	69,035,755	-	69,035,755
	-	69,035,755	-	69,035,755

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase equity after approval from the appropriate authorities.

(20) Retained earnings

	Amount
31 December 2014	621,321,800
Add: net profit	1,549,017,311
Less: Appropriation to statutory surplus reserve (a)	(330,964,245)
Profit distribution(a)	(3,600,000,000)
31 December 2015	(1,760,625,134)

(a) In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase equity after approval from the appropriate authorities.

In accordance with the Company Law and [2015] No.34 Board of Directors' approval of "Resolution of profits distribution as at 30 June 2015" and [2015] No.7 Shareholders' meeting's approval of "Resolution of profits distribution as at 30 June 2015", after the appropriation to statutory surplus reserve in amount of RMB 330,964,245, the Company declared cash dividend of RMB 3.6 billion to all shareholders.

(21) Revenue

	For the year ended 31 December 2015	For the period from 9 May 2014 to 31 December 2014
Dividend income from subsidiaries	2,501,736,463	-
Investment income	558,461,346	843,668,148
(Losses)/gains from fair values changes	(134,180,562)	144,412,982
Revenue from consulting services	3,035,473	-
	2,929,052,720	988,081,130

16 Notes to the company's financial statements (Cont'd)

(22) Expenses by nature

General and administrative expenses classified by nature are as follows:

	For the year ended 31 December 2015	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Employee benefits expenses	1,093,435,382	308,229,675
Rental expenses	96,770,461	20,797,914
Travelling expenses	44,530,297	17,151,389
Entertainment expenses	14,110,983	3,945,831
Professional fees	51,943,567	32,269,107
Conference expenses	47,685,391	2,205,196
Advertising expenses	18,347,672	2,145,708
Stamp duties	(2,248,014)	22,290,908
Depreciation expenses	4,245,967	-
Office expenses	9,580,619	-
Equipment maintenance expenses	3,382,851	-
Others	8,458,521	10,025,039
	1,390,243,697	419,060,767

(23) Finance expenses- net

	For the year ended 31 December 2015	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Interest expenses	703,923,232	19,840,716
Interest income	(495,929,295)	(62,021,367)
Commission and bank charges	20,482,192	1,742,896
Exchange gains	1,006	-
	228,477,135	(40,437,755)

16 Notes to the company's financial statements (Cont'd)

(24) Non-operating income and loss

(a) Non-operating income

	For the year ended 31 December 2015	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Tax refund	5,833,000	-
Other	200	156
	5,833,200	156

(b) Non-operating expenses

	For the year ended 31 December 2015	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Donation	53,600,000	500,000

(25) Income tax expenses

	For the year ended 31 December 2015	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Current income tax	231,019,716	247,079,911
Deferred income tax	(543,588,353)	(29,033,701)
	(312,568,637)	218,046,210

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	For the year ended 31 December 2015	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Total profit	1,236,448,674	908,403,765
Income tax expenses calculated at applicable tax rates	309,112,169	227,100,941
Income not subject to tax	(635,438,250)	(9,449,314)
Undeductible cost, expense or loss	13,457,390	394,583
Others	300,054	-
	(312,568,637)	218,046,210

16 Notes to the company's financial statements (Cont'd)

(26) Notes to cash flow statement

(a) Reconciliation from net profit to cash flows from operating activities

	For the year ended 31 December 2015	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Net profit	1,549,017,311	690,357,555
Add: Depreciation of fixed assets and amortisation of long-term assets	16,674,226	628,166
Share-based payment	46,354,864	-
Finance expenses	241,685,818	19,840,716
Investment income	(2,501,736,463)	(300,000,000)
Decrease in deferred tax assets	(543,588,353)	(29,033,701)
Increase/decrease in operating receivables	9,148,117,099	(12,714,153,535)
Increase in operating payables	853,670,457	478,850,007
Others	-	(3,239,718)
Net cash flows from/used in operating activities	8,810,194,959	(11,856,750,510)

(b) The Group does not have significant non-cash investing or financing activities.

(c) Net increase / (decrease) in cash and cash equivalents

	For the year ended 31 December 2015	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Cash at the end of the year	1,367,017,790	3,411,173,594
Less: Cash at the beginning of the year	(3,411,173,594)	-
Net increase/Decrease in cash and cash equivalents	(2,044,155,804)	3,411,173,594

(d) Cash and cash equivalents

	31 December 2015	31 December 2014
Cash at bank and on hand (Note16(1))	2,265,346,490	3,411,173,594
Less: Restricted cash at bank	(898,328,700)	-
Cash and cash equivalents	1,367,017,790	3,411,173,594

16 Notes to the company's financial statements (Cont'd)

(26) Notes to cash flow statement (Cont'd)

(e) Cash paid relating to other operating activities

Cash paid relating to other operating activities in the cash flow statement mainly includes:

	For the year ended 31 December 2015	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Tender deposit paid	1,564,064,576	-
Performance deposit paid	400,000,000	-
Long-term receivables	91,546,700	-
Deed tax paid on behalf of subsidiaries	-	343,200,510
Rental expenses paid	59,021,242	20,797,914
Donation	53,600,000	-
Professional services expenses paid	50,027,920	32,269,107
Others	205,469,299	37,707,267
	2,423,729,737	433,974,798

17 Subsequent events

In July 2015, the Group entered into contact with White Mountains Insurance Group Limited to purchase 100% shares of its reinsurance subsidiaries Sirius International Insurance Group. The transaction has been completed after the Group obtained approval from regulator and paid total consideration of around USD 2.5 billion in April 2016.

On 24 March 2016, the Ministry of Finance and the State Administration of Taxation jointly released Caishui [2016] No.36 on the Comprehensive Roll-out of the B2V transformation Pilot Program, under which all industries formerly subjected to business tax (including financial industry, real estate industry and construction industry, etc.) will transform to value-added tax ("B2V Reform") starting on 1 May 2016. The impact to the financial statement is still subject to the assessment by the Group.

Except from above, as of 25 April 2016, the Group had no material events for disclosure after the balance sheet date.

pwc

普华永道

REPORT OF THE AUDITOR

PwC ZT Shen Zi (2015) No. 23272
(Page 1 of 2)

TO THE BOARD OF DIRECTORS OF CHINA MINSHENG INVESTMENT CO., LTD.

We have audited the accompanying financial statements of China Minsheng Investment Co., Ltd. ("the Company") which comprise the consolidated and company's balance sheets as at 31 December 2014, the consolidated and company's income statements, the consolidated and company's cash flow statements, the consolidated and company's statements of changes in shareholders' equity for the period from 9 May 2014 (date of incorporation) to 31 December 2014 and notes to the financial statements.

Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

普华永道中天会计师事务所(特殊普通合伙)
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REPORT OF THE AUDITOR
(Continued)

PwC ZT Shen Zi (2015) No. 23272
(Page 2 of 2)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial positions of the Company as at 31 December 2014, and their financial performances and cash flows for the period from 9 May 2014 (date of incorporation) to 31 December 2014 in accordance with the requirements of Accounting Standards for Business Enterprises.

Other Matters

This report, including the opinion, has been prepared for and only for you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers Zhong Tian LLP

Certified Public Accountant

张诚

Shanghai,
the People's Republic of China

Certified Public Accountant

30 March 2015

CHINA MINSHENG INVESTMENT CO., LTD.
CONSOLIDATED AND COMPANY'S BALANCE SHEETS
AS AT 31 DECEMBER 2014
(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Notes	31 December 2014 Consolidated	31 December 2014 Company
Current Assets			
Cash at bank and on hand	7(1)	4,154,195,533	3,411,173,594
Financial assets at fair value through profit or loss	7(2)	18,167,012,356	12,355,968,335
Accounts receivable	7(3)(a)	134,402,309	-
Prepayments		42,050,580	1,639,065
Interest receivable		-	5,277,611
Other receivables	7(3)(b)	1,429,880,015	9,913,625,510
Inventories	7(4)	9,230,063,820	-
Other current assets		96,749,986	803,040
Total Current Assets		33,254,354,599	25,688,487,155
Non-current Assets			
Long-term equity investments	7(5)	-	24,230,344,036
Investment properties	7(6)	18,530,000,000	-
Fixed assets		241,622,420	7,841,154
Construction in progress		14,337,471	-
Intangible assets		813,745	-
Goodwill	7(7)	556,086,382	-
Long-term prepaid expenses	7(8)	292,144,519	24,238,560
Deferred tax assets	7(15)	88,393,874	29,033,701
Other non-current assets	7(9)	495,904,360	-
Total Non-current Assets		20,219,302,771	24,291,457,451
TOTAL ASSETS		53,473,657,370	49,979,944,606

The accompanying notes form an integral part of these financial statements.

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 December 2014 Consolidated	31 December 2014 Company
Current Liabilities			
Short-term borrowings	7(10)	3,030,000,000	3,030,000,000
Accounts payable		24,439,883	-
Advances from customers		90,147,643	-
Employee benefits payable	7(11)	305,189,590	260,547,789
Taxes payable	7(12)	981,858,030	210,331,238
Interest payable		4,863,169	4,554,405
Other payables	7(13)	1,911,909,727	12,584,153,619
Total Current Liabilities		6,348,408,042	16,089,587,051
Non-current Liabilities			
Long-term borrowings		200,000,000	-
Long-term payables	7(14)	6,673,770,173	-
Deferred tax liabilities	7(15)	917,301,517	-
Other non-current liabilities		55,583,221	-
Total Non-current Liabilities		7,846,654,911	-
TOTAL LIABILITIES		14,195,062,953	16,089,587,051
SHAREHOLDERS' EQUITY			
Paid-in capital		33,200,000,000	33,200,000,000
Capital surplus	7(16)	257,333,273	-
Other comprehensive income	7(17)	(6,925,917)	-
Surplus reserve	7(18)	69,035,755	69,035,755
Retained earnings	7(19)	3,911,182,223	621,321,800
Total equity attributable to shareholders of the Company		37,430,625,334	
Minority interest		1,847,969,083	
TOTAL SHAREHOLDERS' EQUITY		39,278,594,417	33,890,357,555
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		53,473,657,370	49,979,944,606

The accompanying notes form an integral part of these financial statements.

Chief Executive Officer: Chief Finance Officer : Director of finance department:

CHINA MINSHENG INVESTMENT CO., LTD.
CONSOLIDATED AND COMPANY'S INCOME STATEMENTS
FOR THE PERIOD FROM 9 MAY 2014 (DATE OF INCORPORATION) TO 31 DECEMBER 2014
(All amounts in RMB Yuan unless otherwise stated)

ITEM		Notes	For the period from 9 May 2014 (date of incorporation) to 31 December 2014 Consolidated	For the period from 9 May 2014 (date of incorporation) to 31 December 2014 Company
Revenue		7(20)	3,778,432,881	988,081,130
Less:	Cost	7(21)	(218,579,261)	-
	Business taxes and levies		(3,858,599)	(554,509)
	Selling expenses	7(21)	(5,896,492)	-
	General and administrative expenses	7(21)	(503,004,048)	(419,060,767)
	Finance expenses - net	7(21)	27,308,796	40,437,755
	Asset impairment losses		(4,299,792)	-
Add:	Net gains from fair value changes	7(22)	2,156,616,846	-
	Investment income	7(23)	4,610,389	300,000,000
Operating profit			5,231,330,720	908,903,609
Add:	Non-operating income	7(24)	179,774,950	156
Less:	Non-operating expenses		(500,000)	(500,000)
Total Profit			5,410,605,670	908,403,765
Less:	Income tax expenses	7(25)	(1,357,879,553)	(218,046,210)
Net Profit			4,052,726,117	690,357,555
	Net profit attributable to shareholders of the Company		3,980,217,978	
	Minority interest		72,508,139	
Other comprehensive income, net of tax			(8,544,191)	-
	Other comprehensive income attributable to shareholders of the Company, net of tax			
	Items that may be subsequently reclassified to profit or loss			
	- Currency translation differences		(6,925,917)	
	Other comprehensive income attributable to minority interest, net of tax		(1,618,274)	
Total comprehensive income			4,044,181,926	690,357,555
	Total comprehensive income attributable to shareholders of the Company		3,973,292,061	
	Total comprehensive income attributable to minority interest		70,889,865	

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.
CONSOLIDATED AND COMPANY'S CASH FLOW STATEMENTS
FOR THE PERIOD FROM 9 MAY 2014 (DATE OF INCORPORATION) TO 31 DECEMBER 2014
(All amounts in RMB Yuan unless otherwise stated)

ITEM	Notes	For the period from 9 May 2014 (date of incorporation) to 31 December 2014 Consolidated	For the period from 9 May 2014 (date of incorporation) to 31 December 2014 Company
Cash flows from operating activities:			
Cash receipts from the sale of goods and the rendering of services		228,541,837	-
Cash receipts from disposals of financial assets at fair value through profit or loss		40,832,536,823	38,984,693,191
Cash receipts from other operating activities		12,363,319	67,047,496
Sub-total of cash inflows		41,073,441,979	39,051,740,687
Cash payments for goods purchased and services received		(9,304,354,671)	-
Cash payments to and on behalf of employees		(91,378,722)	(44,985,069)
Payments of taxes and levies		(127,813,468)	(63,093,948)
Cash payments for purchases of financial assets at fair value through profit or loss		(55,462,545,340)	(50,366,437,382)
Cash payments for other operating activities	7(26)	(334,899,788)	(433,974,798)
Sub-total of cash outflows		(65,320,991,989)	(50,908,491,197)
Net cash used in operating activities		(24,247,550,010)	(11,856,750,510)
Cash flows from investing activities			
Cash receipts from investment income		4,610,389	-
Net cash receipts from acquisition of subsidiaries		189,828,367	-
Cash receipts from disposals of subsidiaries		-	1,300,000,000
Sub-total of cash inflows		194,438,756	1,300,000,000
Cash payments for acquisitions of subsidiaries		-	(16,730,344,036)
Cash payments to acquire fixed assets, intangible assets and other long-term assets		(16,417,836,800)	(32,707,880)
Cash payments for other investing activities		(1,588,000,000)	(9,548,500,000)
Sub-total of cash outflows		(18,005,836,800)	(26,311,551,916)
Net cash used in investing activities		(17,811,398,044)	(25,011,551,916)

The accompanying notes form an integral part of these financial statements.

ITEM	Notes	For the period from 9 May 2014 (date of incorporation) to 31 December 2014 Consolidated	For the period from 9 May 2014 (date of incorporation) to 31 December 2014 Company
Cash flows from financing activities			
Cash receipts from capital contributions		35,300,000,000	33,200,000,000
Including: Capital contributions by minority interest of subsidiaries		2,100,000,000	-
Cash receipts from borrowings		4,230,000,000	4,030,000,000
Cash receipts from other financing activities		8,241,976,020	4,049,476,020
Sub-total of cash inflows		47,771,976,020	41,279,476,020
Cash repayments of borrowings		(1,550,000,000)	(1,000,000,000)
Cash payments for interest		(288,242)	-
Sub-total of cash outflows expenses		(1,550,288,242)	(1,000,000,000)
Net cash generated from financing activities		46,221,687,778	40,279,476,020
Net effect of foreign exchange rate changes on cash and cash equivalents		(8,544,191)	-
Net increase in cash and cash equivalents	7(26)	4,154,195,533	3,411,173,594
Add: Cash and cash equivalents at beginning of the period		-	-
Cash and cash equivalents at end of the period		4,154,195,533	3,411,173,594

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM 9 MAY 2014 (DATE OF INCORPORATION) TO 31 DECEMBER 2014
(All amounts in RMB Yuan unless otherwise stated)

ITEM	Equity attributable to shareholders of the Company					Minority interest	Total shareholders' equity
	Paid-in capital	Capital surplus	Other comprehensive income	Surplus reserve	Retained earnings		
Balance as at 9 May 2014	-	-	-	-	-	-	-
Movements for the period from 9 May 2014 (date of incorporation) to 31 December 2014							
Total comprehensive income							
Net profit	-	-	-	-	3,980,217,978	72,508,139	4,052,726,117
Other comprehensive income	-	-	(6,925,917)	-	-	(1,618,274)	(8,544,191)
Total comprehensive income	-	-	(6,925,917)	-	3,980,217,978	70,889,865	4,044,181,926
Capital contributions from shareholders	33,200,000,000	-	-	-	-	-	33,200,000,000
Profit distribution							
Appropriation to surplus reserve	-	-	-	69,035,755	(69,035,755)	-	-
Setting up of subsidiaries	-	-	-	-	-	500,000,000	500,000,000
Acquisition of subsidiaries	-	-	-	-	-	20,190,248	20,190,248
Equity transactions with minority interest	-	257,333,273	-	-	-	1,256,888,970	1,514,222,243
Balance as at 31 December 2014	33,200,000,000	257,333,273	(6,925,917)	69,035,755	3,911,182,223	1,847,969,083	39,278,594,417

The accompanying notes form an integral part of these financial statements.

CHINA MINSHENG INVESTMENT CO., LTD.
COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM 9 MAY 2014 (DATE OF INCORPORATION) TO 31 DECEMBER 2014
(All amounts in RMB Yuan unless otherwise stated)

ITEM	Paid-in capital	Surplus reserve	Retained earnings	Total shareholders' equity
Balance as at 9 May 2014	-	-	-	-
Movements for the period from 9 May 2014 (date of incorporation) to 31 December 2014				
Total comprehensive income				
Net profit	-	-	690,357,555	690,357,555
Total comprehensive income	-	-	690,357,555	690,357,555
Capital contributions from shareholders	33,200,000,000	-	-	33,200,000,000
Profit distribution				
Appropriation to surplus reserve	-	69,035,755	(69,035,755)	-
Balance as at 31 December, 2014	33,200,000,000	69,035,755	621,321,800	33,890,357,555

The accompanying notes form an integral part of these financial statements.

1 General information

China Minsheng Investment Co., Ltd. ("the Company") is a limited liability company incorporated in Shanghai, the People's Republic of China on 9 May 2014. The registered capital is RMB 50 billion. As of 31 December 2014, the Company's paid-in capital is RMB 33.2 billion.

The approved business scope of the Company and its subsidiaries (together "the Group") includes equity investment, equity investment management, business consulting, financial consulting, industrial investment, asset management, investment consulting and other approved services.

Please refer to Note 6 for the details of major subsidiaires that were included in the consolidated financial statements.

The financial statements were authorised for issuance by the Company's Board of Directors on 30 March 2015.

2 Basis of preparation

The financial statements were prepared in accordance with the Basic Standard and specific standards of the Accounting Standards for Business Enterprise and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and thereafter(hereafter referred to as "the Accounting Standards for Business Enterprises" or "CAS").

The financial statements have been prepared on a going concern basis.

3 Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the period from 9 May 2014 (date of incorporation) to 31 December 2014 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and company's financial positions as of 31 December 2014 and the consolidated and company's financial performances, cash flows and other information for the period from 9 May 2014 (date of incorporation) to 31 December 2014.

4 Summary of significant accounting policies and accounting estimates

(1) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December. The financial statements are prepared for the period from 9 May 2014 (date of incorporation) to 31 December 2014.

(2) Functional currency

The functional currency is Renminbi (RMB).

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(3) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the date of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates as at the balance sheet date. Except for foreign currency borrowings that are specifically for the acquisition or construction of assets qualified for capitalisation of borrowing cost, where the foreign exchange gains/losses are capitalised as part of the costs of these assets, all other foreign exchange gains/losses are recognised in the profit or loss for the current period. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated into RMB on the balance sheet date using the spot exchange rate as at the date of the transactions. The effect of exchange rate changes on cash and cash equivalents is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items included in the balance sheets of overseas operations are translated into RMB using the spot exchange rates as at the balance sheet date. Other than 'Retained earnings', items under 'Shareholders' equity' are translated into RMB using the spot exchange rates on the transaction dates. The income and expense items included in the income statements of overseas operations are translated using the spot exchange rates on the transaction dates. The differences arising from the above translation are presented separately in other comprehensive income. The cash flows of overseas operations are translated into RMB using the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash and cash equivalents is presented separately in the cash flow statement.

(4) Cash and cash equivalents

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

(5) Financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets is determined based on the Group's intention and ability to hold the financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated at fair value through profit or loss. A financial asset is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of selling in the near term; (2) being part of a portfolio of identified financial instruments which the Group manages together and there is objective evidence that the Group manages the portfolio for short-term profit-taking recently; or (3) a derivative but is not designated as an effective hedging instrument, a financial guarantee contract, or linked to an equity instrument type of investments which is not quoted in an active market and its fair value cannot be reliably measured, and its settlement requires the delivery of such equity instrument.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Financial assets (Cont'd)

(a) Financial assets at fair value through profit or loss (Cont'd)

Asset management products, bank wealth management products and trusts hold by the Group are designated at fair value through profit or loss at inception as these financial assets' risk and performance are evaluated and reported to management and the Board of Directors on a fair value basis in accordance with the Group's documented investment strategy.

(b) Receivables

Receivables, including accounts receivable and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market (Note 4 (6)).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as this category at initial recognition or not classified in any other categories. Available-for-sale financial assets are included in 'Other current assets' in the balance sheet if management intends to dispose them within 12 months after the balance sheet date.

(d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that management has the positive intention and ability to hold to maturity. Held-to-maturity investments with maturities over 12 months when the investments were made but are due within 12 months at the balance sheet date are included in the current portion of non-current assets; held-to maturity investments with maturities no more than 12 months when the investments were made are included in other current assets.

(e) Recognition and measurement

A financial asset is recognised on the balance sheet at its fair value when the Group becomes a party to the contractual agreement of a financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initially recognised amounts.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains or losses arising from change in the fair value of financial assets at fair value through profit or loss are recognised in current period's profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Financial assets (Cont'd)

(e) Recognition and measurement (Cont'd)

Gains or losses arising from change in fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from translation of monetary financial assets. When such financial assets are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are recycled into profit or loss for the current period. Interests from available-for-sale debt instruments are calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the investee on available-for-sale equity instruments are recognised as investment income in the profit or loss for the current period.

(f) Impairment of financial assets

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

If there is objective evidence that an impairment loss on available-for-sale financial assets incurred, the cumulative losses arising from the decline in fair value that had been recognised in other comprehensive income are transferred out from equity and charged into the income statement. For a debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the previously recognised impairment loss is reversed into profit or loss for the current period. For an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised in other comprehensive income.

If an impairment loss incurred on an investment in an equity instrument not quoted in an active market and whose fair value cannot be reliably measured, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The impairment loss is not allowed to be reversed when the value is recovered in a subsequent period.

(g) Derecognition of financial assets

The Group derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

When such financial assets are derecognised, the differences between (1) the carrying amount and (2) the sum of the consideration received and any cumulative gain or loss which has been previously recognised in other comprehensive income are recognised in profit or loss of the current period.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(6) Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

Receivables with amounts that are individually significant are subject to individual assessment for impairment. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made at the difference between its carrying amount and the present value of its estimated future cash flows.

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are grouped into different categories based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for each particular group of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

When the Group transfers the accounts receivable to the financial institutions without recourse, the difference between the proceeds received from the transaction and their carrying amounts and the related taxes is recognised in profit or loss for the current period.

(7) Inventories

(a) Classification

Inventories mainly include land held for development, properties under development, and completed properties held for sale. They are measured at the lower of cost and net realisable value. Land held for development represents land obtained for property development and sale subsequently.

(b) Valuation

Inventories are initially measured at cost. Land use right which is either purchased or acquired by paying land use right granting fee is included in land held for development, separately listed under inventories. It is then transferred to properties under development in full during the construction stage. After construction is completed, the properties under development are transferred to completed properties held for sale.

Development cost of properties comprise cost of land use rights, construction costs, borrowing costs eligible for capitalisation incurred during the construction period and other direct or indirect development cost.

Cost of properties sold is determined on the construction area-proportion basis according to the actual total cost of each project.

(c) Basis for determining net realisable value of inventories and provisions for decline in value of inventories

If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Long-term equity investments

Long-term equity investments comprise investments in its subsidiaries, joint ventures and associates.

(a) Subsidiaries

Subsidiaries are the investees over which the Company is able to exercise control. Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements.

Investment in subsidiary is measured at initial investment cost, cash dividend or profit distribution declared is recognised as investment income in the profit or loss of the current period.

(b) Joint ventures and associates

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangements having rights to the net assets of the arrangements. Associates are the investees that the Group has significant influence on their financial and operating decisions.

Investments in joint ventures and associates are accounted for using the equity method. Where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

Under the equity method of accounting, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in shareholders' equity of the investee other than those arising from its net profit or loss, other comprehensive income and profit distribution, the Group records its proportionate share directly into capital surplus and adjusts the carrying amount. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gain or losses are recognised. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(9) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing and buildings that is being constructed or developed for leasing in future, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

The Group adopts the fair value model for subsequent measurement of investment properties. Buildings and land use rights are not depreciated or amortised. The investment properties are revaluated on each balance sheet date, difference between the fair value and the carrying amount is included in the profit or loss of the current period.

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible asset at the date of the transfer. The fair value of such investment property as at the transfer date is deemed as the cost of the fixed asset or intangible asset. The difference between fair value and carrying amount of the investment property is recognised in profit or loss. When an owner-occupied property is used for earning rental income or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at the date of the transfer at its fair value. If the fair value of the investment property is less than the carrying amount of the fixed asset or intangible asset, the differences are recognised in profit or loss for the current period. If the fair value of the investment property is more than the carrying amount of the fixed asset or intangible asset, the differences are recognised in other comprehensive income.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(10) Fixed assets

Fixed assets comprise buildings, machinery and equipment, motor vehicles, computers and electronic equipment and office equipment. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated residual values	Annual Depreciation rates
Buildings	5-30 years	5%	3.2% to 19%
Machinery and equipment	5 years	3%	19.4%
Motor vehicles	5 years	5%	19%
Computer and electronic equipment	5 years	3%	19.4%
Office equipment	5 years	3%	19.4%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(11) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

(12) Goodwill

Goodwill is recognised at the excess of the cost of a business combination involving enterprises not under common control over the interest in the fair value of the acquirees' identifiable net assets acquired in the business combination as at the acquisition date.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(13) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for pilots' introduction and development, improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(14) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment to assess whether there is any indication that the assets may be impaired as at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(15) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of fixed assets, inventories and investment properties that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(16) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently stated at amortised cost using the effective interest method. Borrowings of which the period is within one year (including one year) are classified as the short-term borrowings, and the others are classified as long-term borrowings.

(17) Employee benefits

Employee benefits refers to all forms of consideration given by the Group in exchange for service rendered by employees or for the termination of employment, including short-term employee benefits, post-employment benefits, etc.

(a) Short-term employee benefits

Short-term employee benefits include wages or salaries, bonuses, allowances and subsidies, staff welfare, medical care, disability benefit, maternity insurance, housing funds, labour union funds, employee education funds and paid short-term leave, etc. Short-term employee benefits are recognised in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable. Non-monetary benefits are measured at fair value.

(b) Post-employment benefits

Post-employment benefits include defined contribution plans and defined benefit plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. During the reporting period, the Group's post-employment benefits mainly include social security insurance and unemployment insurance, which are defined contribution plans.

Social security insurance

The Group's employees have participated in certain social security plans organized by the local labour and social security departments. The Group makes monthly contributions to these local organizations for the purposes of paying contribution of these social security plans according to the local basic pension insurance contribution base and rate. These contributions are recognised in the accounting period in which the service has been rendered by the employees as liability, with the corresponding expenses recognized in the income statement or capitalized as cost of the related assets according to whichever the employee service is attributable to.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(18) Repurchase payable

Sale for repurchase is a business that the Group sell specific assets at certain price and repurchase such assets at mature date with the predetermined price under the contract or agreement, to get the fund from the counterparty. Repurchase payable are recorded at the actual amount from sale of assets, the difference between the proceeds and payables is measured using the effective interest over the repurchase period and recognised in finance expense.

(19) Provisions

Provisions for product warranties, onerous contracts etc. are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in arriving at the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted accordingly to reflect the latest best estimate.

(20) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to settle the current tax assets and current tax liabilities on net basis.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(21) Revenue recognition

The Company is an investment company. Subsidiaries in the Group are classified into investment companies and non-investment companies. When preparing the financial statements, the Group presents the Company and its investment-business subsidiaries' investment income and fair value changes arising from financial assets at fair value through profit or loss as revenue. Other investment incomes and fair value changes are presented in the income statement separately.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

(a) Revenue of investment business

See Note 4(5) for the recognition and measurement of the Company and its investment-business subsidiaries' investment income and fair value changes arising from financial assets at fair value through profit or loss.

(b) Revenue of non-investment business

(i) Rendering of services

The Group provides business aircraft management services and air charter services. Revenue is recognised when the services are provided.

The Group provides consulting service. The related revenue is recognised according to the contract terms.

(ii) Selling of properties

Revenue is recognised when (1) the properties are completed and passed the acknowledgement tests; (2) legally binding sale contracts are signed; (3) the significant risks and rewards of ownership of the properties has been transferred to the buyer; (4) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties sold; (5) revenue and the associated costs incurred or to be incurred can be measured reliably.

Receipts from selling properties in advance of recognizing revenue is presented as advances from customer in the balance sheet.

(iii) Transfer of asset use rights

Interest income is recognised on a time-proportion basis using the effective interest method.

Income from an operating lease is recognised on a straight-line basis over the period of the lease.

(22) Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease. Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(23) Profit distribution

Proposed profit distribution is recognised as a liability in the period in which it is approved by the shareholders' meeting.

(24) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in their initially recognised amounts.

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(25) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangements.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(25) Preparation of consolidated financial statements (Cont'd)

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' equity, net profits and total comprehensive income for the period not attributable to the Company are recognised as minority interest and total comprehensive income attributed to minority interest and presented separately in the consolidated financial statements under equity, net profits and total comprehensive income respectively. Unrealised profits or losses resulting from the Company selling assets to its subsidiaries are offset against the parent company's net profits. Unrealised profits or losses resulting from the subsidiaries selling assets to the Company are offset against net profits attributable to shareholders of the parent company and minority interests based on the distribution percentage. Unrealised profits or losses resulting from transactions among subsidiaries are offset among net profits attributable to shareholders of the parent company and minority interest based on parent company's share percentage in the selling subsidiary.

When the Group disposes minority interest which does not results in loss of control, the difference between fair value of the consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary from the acquisition combination date is treated as an adjustment to capital surplus. If the capital surplus is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

If the Group, as a reporting entity, and the Company or subsidiaries, as separate reporting entities, have different views on the accounting treatment of the same transaction, the transaction should be adjusted and accounted for based on the Group's perspective.

(26) Segment information

Since the Company and its subsidiaries were set up with short term operating period, the internal organization structure and performance evaluation system are still subject to adjustment as of 31 December 2014. Therefore, segment information disclosure is not necessary.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(27) Critical accounting estimates and judgments

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

(a) Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(i) Determination of fair value of financial instruments

The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique that is appropriate under the current circumstances and that there are sufficient observable market data and other information available. Common valuation techniques mainly are market approach and income approach, including references to prices used in the recent market transactions between knowledgeable and willing parties, current fair value for similar instruments, discounted cash flow analysis, and option pricing model etc.

When a valuation technique is used to establish the fair value of a financial instrument, the Group chooses the inputs of the assets and liabilities with the same attributes in related transactions between knowledgeable and willing parties, and maximises the use of relevant observable inputs when available, including market interest rate, foreign exchange rate, share price or share price index. Under the situation where there are no observable inputs available or impractical to be obtained, unobservable inputs will be used. For example, the estimation by taking into account of factors such as its counterparty and its own credit risk, market volatility, liquidity adjustments, etc.

Using different valuation techniques or inputs may result in a material difference in the estimated fair value.

(ii) The classification and fair value of the investment property

For the land use right corresponding to buildings include residential, commercial and office buildings, the Group classifies the portion for commercial and office buildings which held for leasing purpose into investment properties. The corresponding cost is estimated on construction area-proportion basis on total cost of land use right. If the actual situation goes different, the result will have significant differences.

For investment properties, the Group commissions external valuers to assess fair value. Valuation methods include rental income model and comparable market method. Input values include rent growth rate, capitalization rate and unit price, etc.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(27) Critical accounting estimates and judgments (Cont'd)

(a) Critical accounting estimates and key assumptions (Cont'd)

(iii) Accounting estimates on impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of the asset groups with goodwill and combination of such asset groups is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates.

If management revises the gross margin that is used in the calculation of the future cash flows of such asset groups and combination of asset groups, and the revised gross margin is lower than the one currently used, the Group would need to recognise further impairment against goodwill.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognise further impairment against goodwill.

(iv) Income taxes and business taxes

The Group is subject to income taxes and business taxes under various jurisdictions. During the ordinary course of business, there are often uncertainties in the final tax treatment for many transactions and matters. Significant judgment is required from the Group in determining the provision for income taxes and business taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax, deferred tax provisions and business tax expenses in the period in which such determination is made.

(v) Judgment on whether the Group controls the structured entity

In determining if the Group has control over a structured entity, it requires that management make an overall assessment and conclude whether the Group is the principal or it is acting as an agent of another party based on all facts and circumstances. If the Group is the principal, then it has control over the structured entity. In determining whether the Group is the principal, the factors that are to be considered include asset managers' decision-making scope over the structured entity, the actual rights enjoyed by other party, risk exposure to variable returns due to remuneration and having other rights to receive income from the structured entity. The Group will re-assess if there is a change to the relevant facts and circumstances which leads to a change to any of these factors.

5 Taxation

The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax rate	Tax base
Enterprise income tax	25%	Taxable income
Value added tax ("VAT") (a)(b)	6 -11%	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of current period)
Business tax (a)	5%	Taxable turnover amount

(a) Pursuant to the Circular on the Pilot Plan for Levying VAT in Place of Business Tax (Caishui No.110, 2011) and the Circular on Levying VAT in Place of Business Tax for the Transportation Industry and Some Modern Service (Caishui No.37, 2013) jointly issued by the Ministry of Finance and the State Administration of Taxation, the Company is subject to VAT since 1 November 2014, and the applicable tax rate is 6%. Before 1 November 2014, the Company's consultation revenue is subject to business tax, and the applicable tax rate is 5%.

(b) In the current accounting period, income from air charter services of Minsheng International Jet Co., Ltd. is subject to VAT, and the applicable tax rate is 11%.

6 Subsidiaries

(1) Main subsidiaries included in the consolidation scope as at 31 December 2014 are as follows:

	Place of registration	Primary Operating place	Nature of business	Shareholding Direct	Shareholding Indirect	Voting rights
China Minsheng Property Co., Ltd.("CM Property")	Shanghai	Shanghai	Property management	100%	-	100%
China Minsheng Investment Capital Management Co., Ltd. ("CMI Capital")	Shanghai	Shanghai	Investment management	100%	-	100%
China Minsheng Jiaye Investment Co., Ltd. ("CMJYI")(Note (a))	Shanghai	Shanghai	Industrial investment	90%	-	90%
Minsheng (Shanghai) Asset Management Co., Ltd.	Shanghai	Shanghai	Asset management	100%	-	100%
China Minsheng New Energy Investment Co., Ltd. ("CM New Energy")	Beijing	Beijing	Investment and asset management	100%	-	100%
Minsheng International Jet Co., Ltd. ("Minsheng Jet")	Beijing	Beijing	Jet charter service, etc.	61.25%	-	61.25%
CM International Capital Limited ("CM International")	Hong Kong	Hong Kong	Investment management	100%	-	100%
Shanghai Jiadu Real Estate Co., Ltd. ("SH Jiadu")	Shanghai	Shanghai	Real estate development	-	90%	100%
China Minsheng Zhuyou Co., Ltd. ("CM Zhuyou")(Note (a))	Shanghai	Shanghai	Real estate related operation, etc.	-	72%	80%
Shanghai Dongjia Real Estate Co., Ltd ("SH Dongjia")	Shanghai	Shanghai	Real estate development	-	90%	100%
China Minsheng Bund Property Development Co., Ltd. ("CM Bund")	Shanghai	Shanghai	Real estate development	85%	9%	95%

The above main subsidiaries were established by set up other than Minsheng Jet which was acquired by acquisition.

Note (a): The Company established CMJYI and transferred 10% of its equity in current period. CMJYI established CM Zhuyou and transferred 20% of its equity in current period. As at 31 December 2014, the Company indirect holds 72% equity of CM Zhuyou.

Note (b): The proportion of shareholding in the above table is the sum of direct and indirect shareholding percentage (Indirect shareholding is calculated by multiplying shareholding ratios). The proportion of voting rights is the sum of direct hold percentage by the Group and indirect hold percentage by controlling company.

6 Subsidiaries (Cont'd)

(2) As at 31 December 2014, the Group has the following consolidated structured entity:

Name	The Group's percentage in the entity's total paid-in capital	The entity's total paid-in capital (RMB)	Business Nature
Ningbo Meishan Bonded-Port Xingsheng Jiaye Investment Centre(Limited Partnership) (a) ("Xingsheng Jiaye Investment")	7.01%	6,990,010,000	Investment management

Note (a): The Company's subsidiary (CMJYI) provides financing to CM Bund through the structured entity (Xingsheng Jiaye Investment). The structured entity's total committed capital is RMB 15.49001 billion. At 31 December 2014, the General Partner's committed and paid-in capital is RMB 10,000. CMJYI is the limited partner of the subordinated tranche, and its committed and paid-in capital is RMB 0.49 billion. The limited partners of the senior tranche's committed capital is RMB 15 billion, and paid-in capital is RMB 6.5 billion. The Group does not have any obligations or intentions to provide financial support for this structured entity. The Group did not provide any liquidity support during the period.

(3) Relevant information of major non-wholly owned subsidiaries

Subsidiary Name	Minority interest shareholding percentage	Profit or loss attributable to minority interest for the period from date of incorporation/ acquisition date to 31 December 2014	Dividend paid to minority interest for the period from 9 May 2014 (date of incorporation) to 31 December 2014	Accumulated minority interest as of 31 December 2014
CMJYI	10%	-	-	1,031,788,907
CM Bund	5%	80,204,652	-	580,204,652
CM Zhuyou	20%	-	-	225,100,062
Minsheng Jet	38.75%	(7,696,513)	-	10,875,462

Key financial information of the above major non-wholly owned subsidiaries is as follow:

	31 December, 2014					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
CMJYI	11,281,410,262	7,941,538,008	19,159,948,270	(2,116,959,135)	(6,500,000,000)	(8,616,959,135)
CM Bund	9,233,019,416	18,530,000,000	27,763,019,416	(9,124,228,706)	(7,034,697,678)	(16,158,926,384)
CM Zhuyou	894,425,918	278,300,427	1,172,726,345	(47,226,037)	-	(47,226,037)
Minsheng Jet	497,501,075	543,746,275	1,041,247,350	(583,828,249)	(429,353,394)	(1,013,181,643)

	For the period from date of incorporation/acquisition date to 31 December, 2014			
	Revenue	Net profit/(loss)	Total comprehensive income	Cash flows from operating activities
CMJYI	-	261,714,119	261,714,119	(8,506,088,407)
CM Bund	-	1,604,093,033	1,604,093,033	(210)
CM Zhuyou	-	125,500,308	125,500,308	16,210,212
Minsheng Jet	226,630,252	(19,861,969)	(24,038,160)	(57,924,037)

7 Notes to the consolidated financial statements

(1) Cash at bank and on hand

The Group

	31 December 2014
Cash on hand	829,935
Cash at bank	4,153,365,598
	4,154,195,533

The Company

	31 December 2014
Cash at bank	3,411,173,594
	3,411,173,594

As at 31 December 2014, the Group and the Company do not have restricted cash at bank.

(2) Financial assets at fair value through profit or loss

The Group

	31 December 2014
Financial assets held for trading	
—Money market fund	1,664,700,433
Financial assets designated at fair value through profit or loss	
—Asset management plans for specific clients issued by asset management companies	11,106,406,819
—Bank wealth management products	560,000,000
—Trust products	4,835,905,104
	18,167,012,356

The Company

	31 December 2014
Financial assets held for trading	
—Money market fund	1,604,700,433
Financial assets designated at fair value through profit or loss	
—Asset management plans for specific clients of asset management companies	10,351,267,902
—Wealth management products	400,000,000
	12,355,968,335

7 Notes to the consolidated financial statements (Cont'd)

(2) Financial assets at fair value through profit or loss (Cont'd)

The form below is the size of the unconsolidated structured entities of the Group and the Company, the corresponding investment amount and the maximum risk exposure. The maximum exposure represents the greatest risk that faced by the Group and the Company based on the structured entity arrangement. The maximum risk exposure is uncertain and is the sum of the carrying value of the investment. The Group and the Company do not have the obligation or intention to provide financial support to the unconsolidated structured entities and do not provide liquidity support in the period.

The Group	Total assets	Investment amount	Maximum risk exposure	Nature of holding interest
Money market fund	Note (a)	1,664,700,433	1,664,700,433	Investment income
Asset management plans for specific clients issued by asset management companies — one to one	10,218,119,989	10,218,119,989	10,218,119,989	Investment income
— one to many	Note (a)	888,286,830	888,286,830	Investment income
Bank wealth management products	Note (a)	560,000,000	560,000,000	Investment income
Trust products	4,835,905,104	4,835,905,104	4,835,905,104	Investment income
		18,167,012,356	18,167,012,356	

The Company	Total assets	Investment amount	Maximum risk exposure	Nature of holding interest
Money market fund	Note (a)	1,604,700,433	1,604,700,433	Investment income
Asset management plans for specific clients issued by asset management companies — one to one	10,218,119,989	10,218,119,989	10,218,119,989	Investment income
— one to many	Note (a)	133,147,913	133,147,913	Investment income
Bank wealth management products	Note (a)	400,000,000	400,000,000	Investment income
		12,355,968,335	12,355,968,335	

Note (a): These products' total size is non-public information.

7 Notes to the consolidated financial statements (Cont'd)

(3) Accounts receivable and other receivables

(a) Accounts receivable

The Group

	31 December 2014
Accounts receivable	170,408,055
Less: provision for bad debts	(36,005,746)
	134,402,309

The aging of accounts receivable and related provision for bad debts are analysed below:

	31 December 2014		
	Amount	Percentage of total balance	Provision for bad debts
Within 1 year	125,021,623	73.37%	(1,017,728)
1 to 2 years	14,711,236	8.63%	(4,312,822)
2 to 3 years	-	-	-
Over 3 year	30,675,196	18.00%	(30,675,196)
	170,408,055	100.00%	(36,005,746)

(b) Other receivables

The Group

	31 December 2014
Government subsidies	144,472,200
Receivables from disposals of long-term equity investments	200,000,000
Receivables from disposals of financial assets	1,013,856,986
Tender deposit	15,000,000
Others	56,550,829
	1,429,880,015
Less: provision for bad debts	-
	1,429,880,015

The aging of the Group's other receivables are all within 1 year. Per the Group's assessment, no provision for bad debts is required.

7 Notes to the consolidated financial statements (Cont'd)

(3) Accounts receivable and other receivables (Cont'd)

(b) Other receivables (Cont'd)

The Company

	31 December 2014
Loans due from related parties (Note 9(2)(b))	8,548,500,000
Receivables due from related parties (Note 9(2)(b))	343,200,840
Receivables from disposals of financial assets	1,013,856,986
Others	8,067,684
	9,913,625,510
Less: provision for bad debts	-
	9,913,625,510

Other than the related party loans to the Group's subsidiaries without specified maturity date (Note 9(2)(b)), the Company's other receivables are all within 1 year. No provision for bad debts is required per the Company's assessment.

(4) Inventory

The Group

	31 December 2014
Land use right held for future development (a)	9,225,001,150
Others	5,062,670
	9,230,063,820

(a) Land held for future development

Project	Expected start time	Expected completion time of first tranche	Expected total investment	31 December 2014
Project Magnolia	Second quarter of 2016	By the end of 2018	18,000,000,000	9,225,001,150

7 Notes to the consolidated financial statements (Cont'd)

(5) Long-term equity investments

The Company

	9 May 2014	Additions in current period	Disposal in current period	31 December 2014
Subsidiaries				
CM Property	-	100,000,000	-	100,000,000
CMI Capital	-	3,959,335,036	-	3,959,335,036
CMJYI	-	10,000,000,000	(1,000,000,000)	9,000,000,000
Minsheng (Shanghai) Asset Management Co., Ltd.	-	1,810,000,000	-	1,810,000,000
CM New Energy	-	30,000,000	-	30,000,000
Minsheng Jet	-	588,000,000	-	588,000,000
CM International	-	243,009,000	-	243,009,000
CM Bund	-	8,500,000,000	-	8,500,000,000
	-	25,230,344,036	(1,000,000,000)	24,230,344,036

7 Notes to the consolidated financial statements (Cont'd)

(6) Investment properties

The Group

	Land use right
9 May 2014	-
Purchases	16,373,441,350
Changes in fair value	2,156,558,650
31 December 2014	18,530,000,000

Investment property of the Group comprises the land use right corresponding the building to be developed for the purpose of leasing. For the period from 9 May 2014 (date of incorporation) to 31 December 2014, changes in fair value of investment properties affect the Group's current period profit by RMB 2,156,558,650.

(7) Goodwill

	31 December 2014
Minsheng Jet	556,086,382
Less: provision for impairment	-
	556,086,382

The goodwill is from synergies from the acquisition of Minsheng Jet on 31 October 2014 (Note 8(1)).

(8) Long-term prepaid expenses

The Group

	31 December 2014
Pilot introduction fee and training expenses	254,455,746
Lease held improvement	35,001,456
Others	2,687,317
	292,144,519

The Company

	31 December 2014
Lease held improvement	24,238,560
	24,238,560

(9) Other non-current assets

The Group

	31 December 2014
Prepayment for equity investment	232,522,000
Prepayment for land use right	263,382,360
	495,904,360

7 Notes to the consolidated financial statements (Cont'd)

(10) Short-term borrowings

The Group and the Company

	31 December 2014
Credit borrowings(a)	3,030,000,000

(a) As at 31 December 2014, the credit borrowings comprise RMB 1,210,000,000 of working capital loans and RMB 1,820,000,000 of trust loans.

(11) Employee benefits payable

The Group

	9 May 2014	Accrual	Payment	31 December 2014
Salaries and staff benefits	-	368,220,593	(63,037,011)	305,183,582
Expenses for social security welfare and housing fund	-	4,703,324	(4,697,316)	6,008
	-	372,923,917	(67,734,327)	305,189,590

The Company

	9 May 2014	Accrual	Payment	31 December 2014
Salaries and staff benefits	-	304,531,760	(43,988,688)	260,543,072
Expenses for social security welfare and housing fund	-	3,697,915	(3,693,198)	4,717
	-	308,229,675	(47,681,886)	260,547,789

(12) Taxes payable

The Group

	31 December 2014
Enterprise income tax payable	541,684,075
Deed tax payable	402,300,000
Stamp tax payable	28,683,281
Business taxes and levies payable	2,336,883
Others	6,853,791
	981,858,030

The Company

	31 December 2014
Enterprise income tax payable	207,079,911
Business taxes and levies payable	554,509
Withholding individual income tax payable	2,696,818
	210,331,238

7 Notes to the consolidated financial statements (Cont'd)

(13) Other payables

The Group

	31 December 2014
Borrowings from shareholders of subsidiaries (a)	742,912,500
Repurchase payables (b)	1,010,093,288
Aviation services reserves	50,534,555
Others	108,369,384
	1,911,909,727

(a) The lenders of the loan are the shareholders of the Group's subsidiaries. Lending period is not specified.

(b) As at 31 December 2014, leased metals are as collateral for repurchase payable.

The Company

	31 December 2014
Borrowings from related parties (Note 9(2)(b))	3,050,000,000
Payables to related parties (Note 9(2)(b))	8,500,000,000
Repurchase payables	1,010,093,288
Others	24,060,331
	12,584,153,619

(14) Long-term payables

The Group

	31 December 2014
Due to limited partners of Xingsheng Jiaye Investment's senior tranche (a)	6,500,000,000
Payable for equipment purchase	173,770,173
	6,673,770,173

(a) The Group pledged land use right (record as inventory and investment property in the financial statement) and CM Bund's equity as collateral to limited partners of the senior tranche. Meanwhile, the Company provided general continuing guaranty.

7 Notes to the consolidated financial statements (Cont'd)

(15) Deferred tax assets and deferred tax liabilities

The Group

(a) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2014
Deferred tax assets, net	88,393,874
Deferred tax liabilities, net	917,301,517

Balances of deferred tax assets and deferred tax liabilities without taking into consideration of the offsetting are as follows:

(b) Deferred tax assets

	31 December 2014	
	Deferred tax assets	Deductible temporary differences
Elimination of intra-group unrealised profit	2,004,514	8,018,056
Employee benefits payable	76,297,398	305,189,590
Deductible losses	50,651,743	202,606,971
	128,953,655	515,814,617

(c) Deferred tax liabilities

	31 December 2014	
	Deferred tax liabilities	Taxable temporary differences
Changes in fair values	957,861,298	3,831,445,186

The estimated amount of reversal within 1 year is RMB 418,721,634.

The Company

(a) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2014
Deferred tax assets, net	29,033,701

Balances of deferred tax assets and deferred tax liabilities without taking into consideration of the offsetting are as follows:

7 Notes to the consolidated financial statements (Cont'd)

(15) Deferred tax assets and deferred tax liabilities (Cont'd)

(b) Deferred tax assets

	31 December 2014	
	Deferred tax assets	Deductible temporary differences
Employee benefits payable	65,136,947	260,547,789

(c) Deferred tax liabilities

	31 December 2014	
	Deferred tax liabilities	Taxable temporary differences
Changes in fair values	36,103,246	144,412,982

All balances of deferred tax liabilities are estimated to be reversed within 1 year.

(16) Capital surplus

The Group

	31 December 2014
Capital premium	257,333,273

Capital premium comprises:

(a) CMJYI disposed 20% of equity interests in CM Zhuyou on 31 December 2014. The difference between transfer price and identifiable net assets on disposal date, net of tax, amounts to RMB 56,174,954.

(b) The Company disposed 10% of equity interests in CMJYI on 31 December 2014. The difference between transfer price and identifiable net assets on disposal date, net of tax, amounts to RMB 201,158,319.

(17) Other comprehensive income

The Group

	31 December 2014
Changes from translation of foreign currency financial statements	(6,925,917)

7 Notes to the consolidated financial statements (Cont'd)

(18) Surplus reserve

The Group and the Company

	9 May 2014	Increase in current period	Decrease in current period	31 December 2014
Statutory surplus reserve	-	69,035,755	-	69,035,755
	-	69,035,755	-	69,035,755

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase equity after approval from the appropriate authorities.

(19) Retained earnings

As at 31 December 2014, included in the retained earnings, RMB 206,417,515 is subsidiaries' surplus reserve attributable to the Company, of which RMB 206,417,515 is appropriated for the period.

(20) Revenue

The Group

	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Non-investment business revenue	
—rendering of services	227,630,252
Investment business revenue	
—Gains from changes in fair values	1,674,828,340
—Investment income	1,875,974,289
	3,778,432,881

The Company

	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Investment business revenue	
—Gains from changes in fair values	144,412,982
—Investment income	843,668,148
	988,081,130

7 Notes to the consolidated financial statements (Cont'd)

(21) Expenses by nature

Costs, selling expenses, general and administrative expenses and finance expenses classified by nature are as follows:

The Group

	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Employee benefits expenses	372,923,917
Rental expenses	35,619,738
Travelling expenses	26,274,259
Entertainment expenses	4,194,868
Professional fees	34,761,532
Stamp duties	53,275,691
Net finance expenses	(27,308,796)
Cost of jet charter and aircraft management	44,038,077
Other expenses	156,391,719
	700,171,005

The Company

	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Employee benefits expenses	308,229,675
Rental expenses	20,797,914
Travelling expenses	17,151,389
Business entertainment expenses	3,945,831
Professional fees	32,269,107
Stamp duties	22,290,908
Net finance expenses	(40,437,755)
Other expenses	14,375,943
	378,623,012

7 Notes to the consolidated financial statements (Cont'd)

(22) Gains from fair value changes

The Group

	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Investment properties	2,156,558,650
Others	58,196
	2,156,616,846

(23) Investment income

The Group

	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Income from financial assets held for trading	4,610,389

The Company

	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Income from disposal of long-term equity investments	300,000,000

(24) Non-operating income

The Group

	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Government subsidies	174,472,200
Others	5,302,750
	179,774,950

7 Notes to the consolidated financial statements (Cont'd)

(25) Income tax expenses

The Group

	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Current income tax	490,202,142
Deferred income tax	867,677,411
	1,357,879,553

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Total profit	5,410,605,670
Income tax expenses calculated at applicable tax rates	1,352,651,418
Income not subject to tax	(9,464,834)
Retained earnings included in the considerations from disposals of subsidiaries	14,222,242
Costs, expenses and losses not deductible	906,299
Others	(435,572)
	1,357,879,553

The Company

	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Current income tax	247,079,911
Deferred income tax	(29,033,701)
	218,046,210

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the Company's financial statements to the income tax expenses is listed below:

	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Total profit	908,403,765
Income tax expenses calculated at applicable tax rates	227,100,941
Income not subject to tax	(9,449,314)
Costs, expenses and losses not deductible	394,583
Income tax expenses	218,046,210

7 Notes to the consolidated financial statements (Cont'd)

(26) Notes to cash flow statement

The Group

(a) Reconciliation from net profit to cash flows from operating activities

	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Net profit	4,052,726,117
Add: Depreciation of fixed assets and amortisation of long-term assets	1,118,974
Gains from fair value changes	(2,156,558,650)
Investment income	(4,610,389)
Deferred tax	867,677,411
Increase in operating receivables	(27,990,678,430)
Increase in operating payables	983,758,009
Others	(983,052)
Net cash flows used in operating activities	(24,247,550,010)

(b) The Group does not have significant non-cash investing or financing activities.

(c) Net increase in cash and cash equivalents

	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Cash at end of period	4,154,195,533
Less: cash equivalents at beginning of the period	-
Net increase in cash and cash equivalents	4,154,195,533

(d) Cash and cash equivalents

	31 December 2014
Cash at bank and on hand (Note 7(1))	4,154,195,533
Cash and cash equivalents	4,154,195,533

(e) Cash paid relating to other operating activities

In the cash flow statement, cash paid relating to other operating activities comprises:

	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Prepayment for investment	232,522,000
Others	102,377,788
	334,899,788

7 Notes to the consolidated financial statements (Cont'd)

(26) Notes to cash flow statement (Cont'd)

The Company

(a) Reconciliation from net profit to cash flows from operating activities

	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Net profit	690,357,555
Add: Depreciation of fixed assets and amortisation of long-term assets	628,166
Investment income	(300,000,000)
Deferred tax	(29,033,701)
Increase in operating receivables	(12,714,153,535)
Increase in operating payables	498,690,723
Others	(3,239,718)
Net cash flows used in operating activities	(11,856,750,510)

(b) The Company does not have significant non-cash investing and financing activities.

(c) Net increase in cash and cash equivalents

	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Cash at end of the period	3,411,173,594
Less: Cash equivalents at beginning of the period	-
Net increase in cash and cash equivalents	3,411,173,594

(d) Cash and cash equivalents

	31 December 2014
Cash at bank and on hand (Note 7(1))	3,411,173,594
Cash and cash equivalents	3,411,173,594

(e) Cash paid relating to other operating activities

In the cash flow statement, cash paid relating to other operating activities comprises:

	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Pay deed duties on behalf of the subsidiaries	343,200,510
Rental expenses	20,797,914
Professional fees	32,269,107
Others	37,707,267
	433,974,798

8 Business combinations

(1) Business combination involving entities not under common control

On 31 October 2014, the Company acquired 61.25% of the equity interests in Minsheng Jet. The acquisition date is 31 October 2014, on which the Company effectively obtains the rights to control Minsheng Jet. Details of net assets obtained and goodwill recognised are as follows:

Cost of business combination -	
Cash paid	588,000,000
Less: Fair value of the identifiable net assets obtained	(31,913,618)
Goodwill	556,086,382

The assets and liabilities of Minsheng at the acquisition date, and the cash flows relating to the acquisition are as follows:

	Fair value Acquisition date	Carrying amount Acquisition date
Cash and cash equivalents	189,828,367	189,828,367
Accounts receivable	135,313,894	135,313,894
Prepayments	35,908,064	35,908,064
Inventories	5,195,982	5,195,982
Other receivables	41,727,710	41,727,710
Other current assets	110,000,000	110,000,000
Fixed assets	266,928,232	266,928,232
Intangible assets	802,179	802,179
Long-term prepaid expenses	272,937,418	272,937,418
Goodwill	-	735,957,524
Deferred tax assets	38,769,768	38,769,768
Less: Borrowings	(550,000,000)	(550,000,000)
Accounts payable	(22,527,439)	(22,527,439)
Advances from customers	(113,289,730)	(113,289,730)
Employee benefits payable	(23,644,395)	(23,644,395)
Taxes payable	22,492,677	22,492,677
Interest payable	(2,894,745)	(2,894,745)
Other payables	(122,781,204)	(122,781,204)
Long-term payables	(202,725,043)	(202,725,043)
Other liabilities	(29,937,869)	(29,937,869)
Net assets	52,103,866	
Less: Minority interest	(20,190,248)	
Net assets purchased	31,913,618	
Consideration paid in cash	588,000,000	
Less: Cash and cash equivalents of the subsidiary acquired	(189,828,367)	
Net cash outflow on acquisition of the subsidiary	398,171,633	

The fair values of the assets and liabilities above equal to the carrying amount on the acquisition date.

Minsheng Jet's revenue, net profit, cash flow from operating activities and net cash flow for the period from acquisition date to 31 December 2014 do not have a significant impact on the Group's financial statements.

9 Related parties and related party transactions

(1) Shareholder and subsidiaries

The Company does not have controlling shareholder or shareholders which have significant influence on the Company. The related party transactions are mainly between the Company and its subsidiaries in current period. The general information and other related information of the subsidiaries is set out in Note 6.

(2) Related party transactions

(a) Pricing policy

Related party transactions are negotiated by both parties involved and by making reference to the market price.

(b) Significant intercompany balances and transactions with subsidiaries have been offset in the consolidated financial statements, details of major transactions and balances as follows:

Period end balance

	31 December 2014
Loans to related parties	8,548,500,000
Other receivables	343,200,840
Prepayments	1,196,600
Borrowing from related parties	(3,050,000,000)
Other payables	(8,500,000,000)

Transaction during the period

	For the period from 9 May 2014 (date of incorporation) to 31 December 2014
Interest income	10,524,459
General and administrative expenses	(7,300,360)
Interest expenses	(74,180)

10 Commitments

(1) Capital commitments

Capital expenditures contracted for by the Group at the balance sheet date but are not yet necessary to be recognised on the balance sheet are as follows:

	31 December 2014
Buildings and constructions	12,863,081
Design consulting fees	780,000
	13,643,081

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2014
Within one year	97,952,889
Between 1 and 2 years	97,530,477
Between 2 and 3 years	93,217,011
Over 3 years	476,714,587
	765,414,964

(3) Investment commitments

In accordance with the agreement signed between CMI Capital and BesTV New Media Co., Ltd. dated November 2014, CMI Capital is committed to acquire newly-issued ordinary shares of BesTV New Media Co Ltd at a consideration of RMB 500,000,000.

11 Financial instrument and risk

The Group's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group’s overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

(1) Market risk

(a) Foreign exchange risk

Foreign exchange risk is the risk of loss resulting from foreign exchange rate volatility. The fluctuation of exchange rate of RMB against currencies of other countries or regions where the Group operates will influence the Group’s financial position and operating performance. As the Group’s majority of transactions are dominated in RMB, there is no significant foreign exchange risk.

11 Financial instrument and risk (Cont'd)

(1) Market risk (Cont'd)

(b) Interest rate risk

The Group's interest rate risk arises from asset management plans investing in debt securities, borrowings from bank, payables to the limited partners of the senior tranche of the consolidated structured entities, etc. The Group's finance department at its headquarter continuously monitors the interest rate position of the Group.

As at 31 December 2014, there is no significant interest rate risk regarding the liabilities to prior investors in the consolidated structured entities as these liabilities are measured at amortised cost. Other interest-bearing assets and liabilities are with short-term period and the Group is not significantly influenced by interest rate volatility.

(2) Credit risk

Credit risk refers to the risk of loss arising from a borrower's failure to meet the contractual obligation or adverse changes in credit conditions. Credit risk in the Group mainly arises from cash at bank, accounts receivable, asset management plans investing in debt securities and other receivables, etc.

The Group's maximum credit risk exposure are as follows:

	31 December 2014
Cash at bank	4,153,365,598
Financial assets at fair value through profit or loss	
Bank wealth management product	560,000,000
Assets management products and trusts	11,765,929,428
Accounts receivable	134,402,309
Other receivables	1,429,880,015
Total	18,043,577,350

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group expects that there is no significant credit risk associated the with wealth management products since they are low risk products issued by state-owned banks and other medium or large size listed banks.

For asset management plans investing in debt securities, the asset managers selects issuers and counterparties with high credit quality through rating policies and procedures, and regularly monitors the risks after the insurance.

In addition, the Group has policies to limit the credit exposure on accounts receivable and other receivables. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will take necessary actions to ensure the overall credit risk of the Group is limited to a controllable extent.

11 Financial instrument and risk (Cont'd)

(3) Liquidity risk

Liquidity risk refers to the risk that the Group cannot raise sufficient amount of money or trade assets with reasonable price in order to convert into cash to repay due debts.

Cash flow forecasting is performed by each subsidiary within the Group and aggregated by the finance department of the Company. The Company's finance department monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

11 Financial instrument and risk (Cont'd)

(3) Liquidity risk (cont'd)

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2014					
	On demand	Within 1 year (include 1 year)	1 to 2 years (include 2 years)	2 to 5 years (include 5 years)	Over 5 years	Total
Short-term borrowings	-	(3,195,807,101)	-	-	-	(3,195,807,101)
Accounts payable	-	(24,439,883)	-	-	-	(24,439,883)
Other payables	(742,912,500)	(1,168,997,227)	-	-	-	(1,911,909,727)
Long-term borrowings	-	(13,530,000)	(204,228,125)	-	-	(217,758,125)
Long-term payables	-	(449,150,000)	(622,920,173)	(6,949,150,000)	-	(8,021,220,173)
Other non-current liabilities	-	-	(55,583,221)	-	-	(55,583,221)
	(742,912,500)	(4,851,924,211)	(882,731,519)	(6,949,150,000)	-	(13,426,718,230)

12 Fair value measurement

The selected level of fair value measurement must be the decided by the lowest level of input that is significant to the overall fair value measurement.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

12 Fair value measurement (Cont'd)

(1) Assets continuously measured at fair value

As at 31 December 2014, the assets continuously measured at fair value by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Money market fund	1,664,700,433	-	-	1,664,700,433
Bank wealth management products	-	-	560,000,000	560,000,000
Asset management products	-	4,176,382,495	11,765,929,428	15,942,311,923
Total financial assets	1,664,700,433	4,176,382,495	12,325,929,428	18,167,012,356
Non-financial assets				
Investment properties				
Land use right	-	-	18,530,000,000	18,530,000,000
Total non-financial assets	-	-	18,530,000,000	18,530,000,000
Total assets	1,664,700,433	4,176,382,495	30,855,929,428	36,697,012,356

The Group takes the occurrence date of events resulting transfers between different levels as the confirmation date of transfer. There are no transfers between Level 1 and Level 2 for the fair value measurements in the current period.

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include discounted cash flow analysis and using comparable company model, etc. Inputs to valuation techniques include risk-free rate, benchmark interest rates, foreign exchange rates, rates of estimated credit losses, liquidity premium, EBITDA multiplier, liquidity discount, etc.

12 Fair value measurement (Cont'd)

(1) Assets continuously measured at fair value (Cont'd)

The changes in level 3 assets are analysed below:

	Financial assets at fair value through profit or loss	Investment properties	Total
	Asset management plans	Land use right	
9 May 2014	-	-	-
Purchases	44,671,027,382	16,373,441,350	61,044,468,732
Sales	(33,264,669,382)	-	(33,264,669,382
Changes in fair value recognised in profit or loss	919,571,428	2,156,558,650	3,076,130,078
31 December 2014	12,325,929,428	18,530,000,000	30,855,929,428
Changes in unrealized profit or loss of assets held as at 31 December 2014 recognised in current period's profit of loss —Gains from changes in fair value	144,484,508	2,156,558,650	2,301,043,158

Gains or losses are recognized respectively in revenue, gain or loss from changes in fair values, investment income, etc. in the income statement.

The Group's post-investment management department is responsible for the valuation of financial assets and liabilities and commissions external independent values to assess fair value of the Group's investment properties. The above valuation results are independently verified and recorded by the Group's finance department which will disclose information relevant to fair value measurement based on valuation results per validation.

Unobservable inputs in Level 3 are as follows:

	Fair value as at 31 December 2014	Valuation technique	Unobservable input		
			Name	Range/weighted average number	Relations with fair value
Financial assets at fair value through profit or loss —					
Bank wealth management products	560,000,000	Income approach	Discount rate	2.5%-3.5%	Negative related
Asset management products and trusts	11,765,929,428	Income approach	Discount rate	5.6%-9.5%	Negative related
Investment properties —					
Land use rights	18,530,000,000	Market approach	Market unit price (RMB/square meter) Adjustment factor	34,059-42,821 95%-120%	Positive related

(2) The Group does not have assets not continuously measured at fair value during the period

(3) Financial instruments not measured at fair value but disclosed at fair value

The Group's financial assets and liabilities measured at amortised cost mainly include accounts receivable, other receivables, accounts payable, other payables, long-term borrowings, and long-term accounts payable, etc.

As at 31 December 2014, there is no significant difference between carrying amount and fair value.

13 Capital management

The objectives of the Group’s capital management policy is to guarantee the Group’s going concern so as to provide returns to shareholders and benefit other stakeholders, while maintaining the optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividends paid to shareholders, return capital to shareholders, and issue new shares or trade assets to reduce debts.

The Group’s total capital is the shareholder’s equity listed in the consolidated balance sheet. The Group is not subject to any external capital requirements.

14 Subsequent events

As of 30 March 2015, the Group had no material events for disclosure after the balance sheet date.

CM INTERNATIONAL FINANCIAL LEASING CO., LTD.

INTERIM FINANCIAL STATEMENTS AND REVIEW REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2017

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

CM International Financial Leasing Co., Ltd.

Interim Financial Statements and Review Report
For the Six Months Ended 30 June 2017
[English translation for reference only]

Contents	**Page(s)**

[English Translation for Reference Only]

Review Report

PwC ZT Yue Zi (2017) No. 015

To the Board of Directors of CM International Financial Leasing Co., Ltd.,

We have reviewed the interim financial statements of CM International Financial Leasing Co., Ltd. (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated and the company's balance sheets as at 30 June 2016 and the consolidated and the company's income statements, the consolidated and the company's statements of changes in owner's equity and the consolidated and the company's cash flow statements for the six-month period then ended, and notes to financial statements. The Company's management is responsible for the preparation of the interim financial statements in accordance with the Accounting Standards for Business Enterprises No. 32 "Interim Financial Reporting". Our responsibility is to express an opinion on the interim financial statements based on our review.

We conducted our review in accordance with China Standards on Review Engagements 2101 "Review of Financial Statements". This Standard requires that we plan and perform the review to obtain limited assurance whether the financial statements are free from material misstatement. A review primarily consists of making inquiries of related persons and applying analytical procedures on financial information, providing less assurance than an audit. We do not perform an audit, and do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe the interim financial statements are not prepared in all material respects in accordance with the Accounting Standards for Business Enterprises No. 32 – Interim Financial Reporting.

PricewaterhouseCooper Zhong Tian LLP

Yan Lin

Shanghai, the People's Republic of China
11 September 2017

Li Dan

CM INTERNATIONAL FINANCIAL LEASING CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEETS
AS AT 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

		Consolidated		Company	
ASSETS	**Note 7**	**30 June 2017 (Unaudited)**	**31 December 2016 (Audited)**	**30 June 2017 (Unaudited)**	**31 December 2016 (Audited)**
Current Assets					
Cash at bank and on hand	1	2,028,661,446	2,071,258,341	1,929,129,334	1,989,440,028
Prepayment		-	7,639,707	-	7,639,707
Interests receivable	2	43,973,512	15,285,965	23,482,763	14,309,961
Other receivables	3	2,883,699,943	2,147,914,306	1,249,537,651	2,611,298,449
Current portion of non-current assets	4	6,289,131,305	5,123,748,221	6,041,402,558	5,009,190,175
Other current assets	5	59,074,315	142,867,693	55,359,869	138,280,952
Total Current Assets		11,304,540,521	9,508,714,233	9,298,912,175	9,770,159,272
Non-Current Assets					
Available-for-sale financial assets	6	45,684,545	30,000,000	45,450,000	30,000,000
Long-term receivables	7	23,325,791,193	17,756,072,326	20,921,535,380	15,928,496,493
Long-term equity investments	8	526,400,320	520,022,356	528,200,320	520,922,356
Financial assets at fair value through profit or loss	9	671,720,000	597,850,000	333,000,000	251,000,000
Fixed assets	10	1,657,684,809	1,737,784,740	2,617,194	2,630,889
Intangible assets		4,075,998	4,023,176	4,075,998	4,023,176
Long-term prepaid expenses		7,204,584	-	7,204,584	-
Deferred tax assets	11	54,876,966	54,881,453	53,821,852	53,821,852
Other non-current assets	12	104,304,245	-	104,304,245	-
Total Non-Current Assets		26,397,742,660	20,700,634,051	22,000,209,573	16,790,894,766
TOTAL ASSETS		37,702,283,181	30,209,348,284	31,299,121,748	26,561,054,038

The accompanying notes form an integral part of these financial statements.

CM INTERNATIONAL FINANCIAL LEASING CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEETS (CONT'D)
AS AT 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

LIABILITIES AND OWNERS' EQUITY	Note 7	Consolidated 30 June 2017 (Unaudited)	Consolidated 31 December 2016 (Audited)	Company 30 June 2017 (Unaudited)	Company 31 December 2016 (Audited)
Current Liabilities					
Short-term borrowings	13	9,314,626,666	7,355,623,800	7,729,430,615	5,778,150,000
Derivative financial liabilities		2,235,500	-	2,235,500	-
Advance from customers	14	26,106,924	41,194,503	184,218	11,835,544
Employee benefits payable	15	98,744,549	66,136,017	98,744,549	66,136,017
Taxes payable	16	54,510,303	64,746,390	39,103,740	60,204,618
Interests payable	17	145,616,520	54,093,302	99,528,286	44,346,254
Dividends payable		317,000,000	-	317,000,000	-
Other payables	18	3,585,424,864	1,617,406,871	1,591,768,798	1,021,378,295
Current portion of non-current liabilities	19	4,151,722,017	2,858,367,040	3,951,538,827	2,717,541,615
Other current liabilities	20	681,828,306	-	-	-
Total Current Liabilities		18,377,815,649	12,057,567,923	13,829,534,533	9,699,592,343
Non-Current Liabilities					
Long-term borrowings	21	5,298,539,820	4,099,090,078	4,664,455,980	4,099,090,078
Debt securities payable	22	6,606,256,621	6,645,640,032	6,606,256,621	6,645,640,032
Long-term payables	23	1,120,238,055	1,226,344,253	-	-
Other non-current liabilities	24	1,506,408,339	1,301,572,840	1,473,918,574	1,263,693,459
Total Non-Current Liabilities		14,531,442,835	13,272,647,203	12,744,631,175	12,008,423,569
TOTAL LIABILITIES		32,909,258,484	25,330,215,126	26,574,165,708	21,708,015,912
Owners' Equity					
Share capital	25	4,500,000,000	4,500,000,000	4,500,000,000	4,500,000,000
Capital reserve	26	189,784	189,784	189,784	189,784
Other comprehensive income		352,975	490,917	-	-
Surplus reserve	27	35,284,834	35,284,834	35,284,834	35,284,834
Undistributed profits	28	257,197,104	343,167,623	189,481,422	317,563,508
TOTAL OWNERS' EQUITY		4,793,024,697	4,879,133,158	4,724,956,040	4,853,038,126
TOTAL LIABILITIES AND OWNERS' EQUITY		37,702,283,181	30,209,348,284	31,299,121,748	26,561,054,038

The accompanying notes form an integral part of these financial statements.

Chairman and President
(Legal Representative)

Chief Financial Officer and General Manager of
Finance and Operations Department

(Company stamp)

CM INTERNATIONAL FINANCIAL LEASING CO., LTD.

CONSOLIDATED AND COMPANY INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

		Consolidated		Company	
	Note 7	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Operating income	29	1,100,493,525	406,065,070	900,287,183	398,716,403
Less: Operating expense	29	(653,601,514)	(141,041,112)	(509,064,162)	(140,763,084)
Taxes and surcharges	30	(922,483)	(3,504,877)	(899,612)	(3,502,333)
General and administrative expenses	31	(114,042,910)	(77,752,529)	(113,935,112)	(77,752,079)
Financial income-net	32	21,769,410	2,032,684	10,802,489	2,014,154
Asset impairment losses	33	(87,667,186)	(8,619,421)	(78,801,687)	(8,619,421)
Net losses from fair value changes		(2,235,500)	-	(2,235,500)	-
Add: Investment income		6,377,964	-	6,377,964	-
Operating Profit		270,171,306	177,179,815	212,531,563	170,093,640
Add: Non-operating income	34	38,168,672	25,953,089	38,019,842	25,953,089
Total Profit		308,339,978	203,132,904	250,551,405	196,046,729
Less: Income tax expenses	35	(77,310,497)	(50,852,791)	(61,633,491)	(49,011,682)
Net Profit		231,029,481	152,280,113	188,917,914	147,035,047
Net profit attributable to shareholders of the Company		231,029,481	152,280,113	188,917,914	147,035,047
Other Comprehensive Loss, net of tax	36	(137,942)	(4,299)	-	-
Attributable to shareholders of the Company					
Items that will be subsequently reclassified to profit or loss					
Currency translation differences		(137,942)	(4,299)	-	-
Total Comprehensive Income		230,891,539	152,275,814	188,917,914	147,035,047
Attributable to shareholders of the Company		230,891,539	152,275,814	188,917,914	147,035,047

The accompanying notes form an integral part of these financial statements.

Chairman and President
(Legal Representative)

Chief Financial Officer and General Manager of Finance and Operations Department

(Company stamp)

CM INTERNATIONAL FINANCIAL LEASING CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

		OWNERS' EQUITY ATTRIBUTABLE TO THE COMPANY					
	Note 7	Share Capital	Capital Reserve	Other Comprehensive Income	Surplus Reserve	Undistributed Profits	Total
Balance as at 1 January 2017 (Audited)		4,500,000,000	189,784	490,917	35,284,834	343,167,623	4,879,133,158
Movements for the current period							
(1) Net profit		-	-	-	-	231,029,481	231,029,481
(2) Other comprehensive loss	36	-	-	(137,942)	-	-	(137,942)
(3) Capital contributions by shareholders	25	-	-	-	-	-	-
(4) Profit distribution	28	-	-	-	-	(317,000,000)	(317,000,000)
Balance as at 30 June 2017 (Unaudited)		4,500,000,000	189,784	352,975	35,284,834	257,197,104	4,793,024,697

The accompanying notes form an integral part of these financial statements.

Chairman and President
(Legal Representative)

Chief Financial Officer and General Manager of Finance and Operations Department

(Company stamp)

CM INTERNATIONAL FINANCIAL LEASING CO., LTD.

COMPANY STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017
(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

	Note 7	Share Capital	Capital Reserve	Surplus Reserve	Undistributed Profits	Total
Balance as at 1 January 2017 (Audited)		4,500,000,000	189,784	35,284,834	317,563,508	4,853,038,126
Movements for the current period						
(1) Net profit		-	-	-	188,917,914	188,917,914
(2) Capital contributions by shareholders	25	-	-	-	-	-
(3) Profit distribution	28	-	-	-	(317,000,000)	(317,000,000)
Balance as at 30 June 2017 (Unaudited)		4,500,000,000	189,784	35,284,834	189,481,422	4,724,956,040

The accompanying notes form an integral part of these financial statements.

Chairman and President
(Legal Representative)

Chief Financial Officer and General Manager of Finance and Operations Department

(Company stamp)

CM INTERNATIONAL FINANCIAL LEASING CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

		OWNERS' EQUITY ATTRIBUTABLE TO THE COMPANY					
	Note 7	Share Capital	Capital Reserve	Other Comprehensive Income	Surplus Reserve	Undistributed Profits	Total
Balance as at 1 January 2016 (Audited)		3,000,000,000	189,784	-	14,097,620	127,127,815	3,141,415,219
Movements for the current period							
(1) Net profit		-	-	-	-	237,227,022	237,227,022
(2) Other comprehensive income		-	-	490,917	-	-	490,917
(3) Capital contributions by shareholders	25	1,500,000,000	-	-	-	-	1,500,000,000
(4) Profit distribution	27	-	-	-	21,187,214	(21,187,214)	-
Balance as at 31 December 2016 (Unaudited)		4,500,000,000	189,784	490,917	35,284,834	343,167,623	4,879,133,158

The accompanying notes form an integral part of these financial statements.

CM INTERNATIONAL FINANCIAL LEASING CO., LTD.

COMPANY STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

	Note 7	Share Capital	Capital Reserve	Surplus Reserve	Undistributed Profits	Total
Balance as at 1 January 2016 (Audited)		3,000,000,000	189,784	14,097,620	126,878,576	3,141,165,980
Movements for the current period						
(1) Net profit		-	-	-	211,872,146	211,872,146
(2) Capital contributions by shareholders	25	1,500,000,000	-	-	-	1,500,000,000
(3) Profit distribution	27	-	-	21,187,214	(21,187,214)	-
Balance as at 31 December 2016 (Unaudited)		4,500,000,000	189,784	35,284,834	317,563,508	4,853,038,126

The accompanying notes form an integral part of these financial statements.

CM INTERNATIONAL FINANCIAL LEASING CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016
(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

		OWNERS' EQUITY ATTRIBUTABLE TO THE COMPANY					
	Note 7	Share Capital	Capital Reserve	Other Comprehensive Loss	Surplus Reserve	Undistributed Profits	Total
Balance as at 1 January 2016 (Audited)		3,000,000,000	189,784	-	14,097,620	127,127,815	3,141,415,219
Movements for the current period							
(1) Net profit		-	-	-	-	152,280,113	152,280,113
(2) Other comprehensive loss	36	-	-	(4,299)	-	-	(4,299)
(3) Capital contributions by shareholders		1,500,000,000	-	-	-	-	1,500,000,000
(4) Profit distribution		-	-	-	-	-	-
Balance as at 30 June 2016 (Unaudited)		4,500,000,000	189,784	(4,299)	14,097,620	279,407,928	4,793,691,033

The accompanying notes form an integral part of these financial statements.

CM INTERNATIONAL FINANCIAL LEASING CO., LTD.

COMPANY STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016
(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

	Note 7	Share Capital	Capital Reserve	Surplus Reserve	Undistributed Profits	Total
Balance as at 1 January 2016 (Audited)		3,000,000,000	189,784	14,097,620	126,878,576	3,141,165,980
Movements for the current period						
(1) Net profit		-	-	-	147,035,047	147,035,047
(2) Capital contributions by shareholders		1,500,000,000	-	-	-	1,500,000,000
(3) Profit distribution		-	-	-	-	-
Balance as at 30 June 2016 (Unaudited)		4,500,000,000	189,784	14,097,620	273,913,623	4,788,201,027

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

	Note 7	Consolidated		Company	
		Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
I. Cash flows from operating activities					
Cash received from financial leasing services		3,811,363,783	1,412,543,151	2,930,238,611	1,361,440,450
Cash received from operating lease services		106,624,277	-	-	-
Cash received from borrowings		11,399,448,504	6,152,359,941	7,616,199,615	5,820,800,001
Cash received relating to other operating activities		2,387,437,258	1,287,101,107	2,378,476,312	1,356,489,422
Sub-total of cash inflows		17,704,873,822	8,852,004,199	12,924,914,538	8,538,729,873
Cash paid for acquiring finance lease assets		(9,665,060,201)	(7,783,320,656)	(8,092,113,849)	(7,726,017,005)
Cash repayments of borrowings		(7,492,736,990)	(1,734,409,030)	(3,765,494,449)	(1,734,409,030)
Cash payments for interest expense and fees		(277,230,167)	(115,558,649)	(224,755,741)	(115,764,386)
Cash paid to and on behalf of employees		(33,848,957)	(31,117,119)	(33,848,957)	(31,117,119)
Payments of taxes and surcharges		(100,137,570)	(63,835,092)	(95,205,042)	(63,508,495)
Cash paid relating to other operating activities	37(d)	(1,144,537,860)	(66,847,183)	(1,009,137,262)	(140,643,547)
Sub-total of cash outflows		(18,713,551,745)	(9,795,087,729)	(13,220,555,300)	(9,811,459,582)
Net cash flows from operating activities	37(a)	(1,008,677,923)	(943,083,530)	(295,640,762)	(1,272,729,709)
II. Cash flows from investing activities					
Cash received from investments		3,337,000,000	-	3,337,000,000	-
Sub-total of cash inflows		3,337,000,000	-	3,337,000,000	-
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(81,865,850)	(37,612,207)	(81,865,850)	(37,612,207)
Cash paid for investments		(2,109,684,545)	(1,325,000,000)	(2,110,350,000)	(1,325,900,000)
Sub-total of cash outflows		(2,191,550,395)	(1,362,612,207)	(2,192,215,850)	(1,363,512,207)
Net cash flows from investing activities		1,145,449,605	(1,362,612,207)	1,144,784,150	(1,363,512,207)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (CONT'D)
FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

		Consolidated		Company	
	Note 7	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
III. Cash flows from financing activities					
Cash received from capital contributions		-	1,500,000,000	-	1,500,000,000
Cash received from issuing asset-backed notes/securities		1,030,000,000	892,668,344	1,030,000,000	892,668,344
Cash received from issuing debt securities		688,570,400	-	-	-
Sub-total of cash inflows		1,718,570,400	2,392,668,344	1,030,000,000	2,392,668,344
Cash repayments of asset-backed securities		(753,909,664)	(268,621,508)	(753,909,664)	(268,621,508)
Sub-total of cash outflows		(753,909,664)	(268,621,508)	(753,909,664)	(268,621,508)
Net cash flows from financing activities		964,660,736	2,124,046,836	276,090,336	2,124,046,836
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(62,260)	(481,752)	152,939	(477,453)
V. Net increase/(decrease) in cash and cash equivalents	37(b)	1,101,370,158	(182,130,653)	1,125,386,663	(512,672,533)
Add: Opening balances of cash and cash equivalents		137,026,558	1,287,056,838	55,208,245	1,285,997,530
VI. Closing balances of cash and cash equivalents	37(c)	1,238,396,716	1,104,926,185	1,180,594,908	773,324,997

The accompanying notes form an integral part of these financial statements.

Chairman and President
(Legal Representative)

Chief Financial Officer and General Manager
of Finance and Operations Department

(Company stamp)

1 General information

CM International Financial Leasing Co., Ltd. ("the Company") is a limited liability company incorporated in Tianjin Free Trade Zone of the People's Republic of China on 16 April 2015 by China Minsheng Investment Co., Ltd. and CM International Investment Holding Co., Ltd. as per approval of the Ministry of Commerce of the People's Republic of China. Hana Bank Co., Ltd. made capital contribution to the Company on 5 June 2015. The registered capital of the Company was RMB 4.5 billion as at 30 June 2017.

The approved scope of business of the Company and all its subsidiaries (hereinafter referred to as "the Group") includes financial leasing, leasing business, acquisition of leasing assets at home and abroad, disposal and maintenance of leasing assets, advisory services and guarantee for leasing transactions, and factoring in connection to its main business activities.

As at 30 June 2017, the Company had 19 subsidiaries (refer to Note 6 for detailed information on subsidiaries).

These financial statements are authorised for issue by the company's management on 11 September 2017.

2 Basis of preparation

These interim financial statements for the six months ended 30 June 2017 have been disclosed and presented in accordance with the Accounting standard for business enterprises 32, "Interim Financial Reporting". The interim financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

The financial statements are prepared on a going concern basis.

3 Statement of compliance with the Accounting Standard for Business Enterprises

The financial statements of the Company for the six months ended 30 June 2017 are in compliance with the Accounting standard for business enterprises 32, "Interim Financial Reporting", and truly and completely present the consolidated and the Company's financial position of the Company as at 30 June 2017 and their financial performance, cash flows and other information for the six months ended 30 June 2017.

4 Summary of significant accounting policies and accounting estimates

(1) Accounting year

The Company's accounting year starts on 1 January and ends on 30 December. The actual period of preparation of the interim financial statements is the six months ended 30 June 2017.

(2) Recording currency

The recording currency of the Company is Renminbi ("RMB"). The recording currency of its 19 subsidiaries is Renminbi ("RMB"), except CM International Financial Leasing Investment Holding Limited, whose recording currency is US Dollar ("USD") as appropriate in its business environment. The presentation currency of these financial statements is RMB.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(3) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the date of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates as at the balance sheet date. Except for foreign currency borrowings that are specifically for the acquisition or construction of assets qualified for capitalisation of borrowing cost, where the foreign exchange gains/losses are capitalised as part of the costs of these assets, all other foreign exchange gains/losses are recognised in the profit or loss for the current period. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated into RMB on the balance sheet date using the spot exchange rate as at the date of the transactions. The effect of exchange rate changes on cash and cash equivalents is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items included in the balance sheets of overseas operations are translated into RMB using the spot exchange rates as at the balance sheet date. Other than undistributed profits items under 'owners' equity' are translated into RMB using the spot exchange rates on the transaction dates. The income and expense items included in the income statements of overseas operations are translated using the spot exchange on the transaction dates. The differences arising from the above translation are presented separately in other comprehensive income. The cash flows of overseas operations are translated into RMB using the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash and cash equivalents is presented separately in the cash flow statement.

(4) Cash and cash equivalents

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

(5) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets is determined based on the Group's intention and ability to hold the financial assets. The Group has no held-to-maturity investments.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Financial instruments (Cont'd)

Classification of financial assets (Cont'd)

(a) Financial assets at fair value through profit or loss

The financial assets at fair value through profit or loss of the Group are initially designated at fair value through profit or loss. A financial asset may be designated at fair value through profit or loss upon initial recognition if:

- The financial assets are managed, evaluated and reported internally on a fair value basis;
- The designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in the measurement basis of the financial assets or financial liabilities; or
- If a contract contains one or more embedded derivatives, an entity may designate the entire hybrid (combined) contract as a financial asset or financial liability at fair value through profit or loss unless the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited.

(b) Receivables

Receivables, including long-term receivables, interest receivables, entrusted loans and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as this category or not classified in any other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the balance sheet if management intends to dispose of them within 12 months after the balance sheet date.

Recognition and measurement of financial assets

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument.

In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initially recognised amounts. The subsequent measurement of financial assets after the initial recognition are as follows:

(a) Financial assets at fair value through profit or loss

Subsequent to initial recognition, gains or losses arising from change in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss for the current period as 'Profit arising from changes in fair value'. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Financial instruments (Cont'd)

Recognition and measurement of financial assets (Cont'd)

(b) Receivables

Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. A gain or loss on available-for-sale financial assets is recognised directly in equity, except for impairment losses and foreign exchange gains or losses which resulted from monetary financial assets, until the financial assets is derecognised, at which time the cumulative gains or losses previously recognised in equity removed from equity and recognised in the income statement.

Impairment of financial assets

The Group assesses the carrying amounts of financial assets at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

Objective evidence that a financial asset is impaired included the following events that occurred after the initial recognition of the asset and that the event (or events) has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated: (1) significant financial difficulty of the borrower or issuer; (2) a breach of contract, such as a default or delinquency in interest or principal payments; (3) the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider; (4) it becoming probable that the borrower will enter bankruptcy or other financial reorganization; (5) disappearance of an active market for financial assets because of significant financial difficulties; (6) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including: adverse changes in the payment status of borrowers in the Group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the Group; (7) significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer; (8) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and (9) other objective evidence indicating there is an impairment of the financial asset.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Financial instruments (Cont'd)

Impairment of financial assets (Cont'd)

(a) Receivables

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of the impairment loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

Financial assets with amounts that are individually significant are assessed individually for impairment. If there is objective evidence that an impairment loss on financial assets has been incurred on an individual basis, the impairment is recognised and recorded in the income statement as "Asset impairment losses". Financial assets with amounts that are not individually significant or those financial assets with no impairment on an individual basis are assessed for impairment loss on a collective basis based on their credit risk characteristics.

As for financial assets portfolio assessed for impairment loss on a collective basis, the Group estimates their future cash flows based on historical loss experience. To reflect the actual conditions of these financial assets, the historical loss experience will be adjusted considering the current data. The adjustment includes adding the situation that not exist in historical loss experience, and eliminating the situation that not exist in the current period.

When a financial asset becomes uncollectible, it is written off against the related provision for bad debts after all necessary procedures have been exhausted. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for impairment in the income statement.

(b) Available-for-sale financial assets

If there is objective evidence that an impairment loss on available-for-sale financial assets incurred, the cumulative losses arising from the decline in fair value that had been recognised in equity are transferred out from equity and charged into the impairment losses. For a debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the previously recognised impairment loss is reversed into profit or loss for the current period. For an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised in equity.

If an impairment loss incurred on available-for-sale financial assets measured at cost, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The impairment loss is not allowed to be reversed when the value is recovered in a subsequent period.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Financial instruments (Cont'd)

Derecognition of financial assets

A financial asset is derecognised if one of the following is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

When such financial assets are derecognised, the differences between the carrying amount and the sum of the consideration received and any cumulative gain or loss which has been previously recognised in other comprehensive income (related with available-for-sale financial assets) are recognised in profit or loss of the current period.

Classification and measurement of financial liabilities

Financial liabilities are classified into the following two categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The classification of financial liabilities is determined by the Group at initial recognition. In the case of financial liabilities at fair value through profit or loss, the related transaction costs incurred are recognised in profit or loss for the current period. For other financial liabilities, the related transaction costs are included in their initially recognised amounts.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated at fair value through profit or loss at inception. A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) it has been assumed principally for the purpose of repurchasing in the near term; (2) being part of a portfolio of identified financial instruments which the Group manages together and there is objective evidence that the Group manages the portfolio for short-term profit-taking recently; or (3) a derivative but is not designated as an effective hedging instrument, a financial guarantee contract, or linked to an equity instrument type of investments which is not quoted in an active market and its fair value cannot be reliably measured, and its settlement requires the delivery of such equity instrument.

(b) Other financial liabilities

Other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

A financial liability (or part of it) is extinguished when the liability (or part of it) is discharged. The difference between the carrying value of the derecognised part and the consideration paid is recorded into the income statement of the current period.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Financial instruments (Cont'd)

Derivative and embedded derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. Gains or losses arising from change in the fair value of derivative instruments of the Group at fair value through profit or loss are recognised in current period's profit or loss.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that all or some of the cash flows of the hybrid instrument vary in a way similar to a stand-alone derivatives. An embedded derivative, related to a hybrid instrument that is not designated as financial asset or financial liability at fair value through profit or loss, shall be separated from the host contract and accounted for as a separate derivative if, and only if it meets following conditions:

- The economic characteristics and risks are not closely related to those of the related host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative

The Group will designate the hybrid financial instruments as financial assets or liabilities at fair value through profit or loss when they can't be separately measured initially or subsequently.

Fair value of financial instruments

If there is an active market for financial assets or liabilities, the fair value of the financial instrument is based on quoted price in the active market without any deduction for transaction costs that may occur on sales or disposals. The appropriate quoted price in an active market for a financial asset held or liability to be issued is usually the current bid prices, and the asking price is for an asset to be acquired or liability held.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include recent arm's length market transactions between knowledgeable and willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Periodically, the Group reviews the valuation techniques and tests them for validity.

(6) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries; and the Group's long-term equity investment in its joint ventures and associates.

(a) Subsidiaries

Subsidiaries are the investees over which the Company is able to exercise control. Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(6) Long-term equity investments (Cont'd)

(a) Subsidiaries (Cont'd)

Long-term equity investments accounted for using the cost method are measured at initial investment cost. Cash dividends or profit distributions declared by the investees are recognised as investment income in profit or loss.

(b) Associates

An associate is the investee over which the Group has significant influence on its financial and operating policy decisions.

The associates that are held by the Group, managed on fair value basis, evaluated and reported to the key management are designated as financial assets at fair value through profit or loss at initial recognition, and are recognised and measured as other Investments in associates are accounted for using the equity method. Where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

Under the equity method of accounting, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in shareholders' equity of the investee other than those arising from its net profit or loss, other comprehensive income and profit distribution, the Group records its proportionate share directly into capital surplus and adjusts the carrying amount. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-Group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gain or losses are recognised. For the loss on the intra-Group transaction amongst the Group and its investees attributable to asset impairment, any unrealized loss is not eliminated.

(7) Fixed assets

Fixed assets comprise motor vehicles, computers and electronic equipment and office equipment, etc. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(7) Fixed assets (Cont'd)

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Fix assets:			
Computer and electronic equipment	3 years	0%	33.33%
Office equipment	5 years	0%	20%
Operating lease fix assets:			
Motor Vessel	25 years	5%	3.8%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(8) Intangible assets

Intangible assets, when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured, are recognised and measured initially at cost. Intangible assets (for intangible assets with finite useful life only) are stated on the balance sheet at cost less accumulated amortisation and impairment losses. For an intangible asset with finite useful life, its cost less residual value and impairment loss is amortised on a straight-line basis over its estimated useful life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed and adjusted when necessary by the Group at least at each financial year end.

The useful lives of intangible assets are determined based on the terms in which intangible assets can bring economic benefits to the Group. An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. As at the balance sheet date, the Group has no intangible asset with an indefinite useful life.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Intangible assets (Cont'd)

The estimated useful lives of intangible assets are set as below:

	Estimated useful lives
Computer software	10 years

(9) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(10) Impairment of long-term assets

Fixed assets, intangible assets with finite useful lives and long-term equity investments in subsidiaries are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. No matter whether there is any indication exists.

Intangible assets that are not yet available for their intended use are tested for impairment at least on an annual basis. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a Group of assets to which the asset belongs is determined. A Group of assets is the smallest Group of assets that is able to generate independent cash inflows.

Once the above asset impairment losses is recognised, it will not be reversed for the value recovered in the subsequent periods.

(11) Borrowing costs

The borrowing costs are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time of acquisition and construction for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(12) Employee benefits

Employee benefits refers to all forms of consideration given by the Group in exchange for service rendered by employees or for the termination of employment, including short-term employee benefits, post-employment benefits, termination welfare, other long-term employee benefits, etc.

(a) Short-term employee benefits

Short-term benefits includes salaries, bonus, allowance, subsidies, expenses for employee benefit, medical insurance, work injury insurance, maternity insurance, housing fund, labour union and education. The Group makes housing fund and social insurance contributions to government agencies in proportion to each employee's salary and expenses monthly in the period in which the associated services are rendered by its employees, recognises short-term benefits incurred as liabilities and recognises them in profit or loss on an accrual basis.

(b) Post-employment benefits

The Group's post-employment benefit plans are defined contribution plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions. During the reporting period, the Group's post-employment benefits mainly include the premiums or contributions on basic pensions and unemployment insurance.

Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(13) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(13) Deferred tax assets and deferred tax liabilities (Cont'd)

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and
- that tax payer within the Group has a legally enforceable right to settle the current tax assets and current tax liabilities on net basis.

(14) Operating income and operating expenses

(a) Interest income and expense

Interest income and interest expenses are recognised using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial assets or financial liabilities to the net carrying amount of the financial asset or financial liability. The Group estimates the future cash flows, determines the effective interest rate on a basis of considering all the contract items of financial assets and financial liabilities except for the future credit loss. The Group also considers the income or expense related to fees, transaction costs, premium and discounts that are composition of effective interest rate.

(b) Fee and commission income and expenses

Fee and commission income and expenses are recognised on an accrual basis when the service is rendered or received.

(15) Government Grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy and etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(15) Government Grants (Cont'd)

Government grants related to assets will be recorded as deferred income and recognised evenly in profit or loss over the useful lives of the related assets. However, the government grants measured at their nominal amounts will be directly recorded in profit and loss for the current period.

Government grants related to income will be recorded as deferred income and recognised in profit or loss in the period in which the related expenses are recognised if the grants are intended to compensate for future expenses or losses, and otherwise recognised in profit or loss for the current period if the grants are used to compensate for expenses or losses that have been incurred.

(16) Leases

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

(a) Operating leases

When the Group is a lessee in operating leases, lease payments are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

When the Group is a lessor under operating leases, the rent-out operating leasing assets are depreciated using the depreciation policy stated (Note 4 (7)) and the impairment loss of the asset are provided using the accounting policy stated (Note 4 (10)). Rental income from an operating lease is recognised on a straight-line basis over the period of the lease. Contingent rental will be recognised in profit or loss as incurred.

(b) Finance leases

Where the Group is a lessor under finance leases, an amount representing the sum of the minimum lease payments at the commencement of the lease term, is included on the balance sheet under "Finance lease receivables", meanwhile the unguaranteed balance will be recorded. The difference between the total amount of the minimum lease payments and the unguaranteed balance and their present value will be recognised as unrealised financing income.

Unrealised finance income under finance leases are amortised using an effective interest rate method over the lease term. On financial statements date, the balance of finance lease receivables minus unrealised finance income will be included on the balance sheet under "Long-term receivables".

Where the Group is a lessee under finance leases, the leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge and is amortised using the effective interest method over the period of the lease. An Obligation under finance lease is recorded at the amount equal to the minimum lease payments less the unrecognised finance charge.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(17) Profit distribution

Profits or dividends distributed after the balance sheet date as per profit distribution plan already approved are not recognised as a liability on the balance sheet date and are separately disclosed in the notes to the financial statements.

Proposed profit distribution is recognised as a liability after it is approved by the Board of the shareholders' meeting.

(18) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are deconsolidated from the date that such control ceases.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-Group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' equity, net profits and total comprehensive income for the period not attributable to the Company are recognised as minority interest and total comprehensive income attributed to minority interest and presented separately in the consolidated financial statements under equity, net profits and total comprehensive income respectively.

(19) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

Considering that the Group's business activities were mainly leasing operations, these operations were not managed by operating segments, and accordingly, no segment information is available.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(20) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(a) Impairment losses on financial assets

The Group regularly reviews its financial assets for impairment, unless there is information indicating that impairment loss has been incurred in the period after the previous review and before the next upcoming review.

Significant judgment is required from the Group in assessing whether impairment losses exist in receivables with amounts that are individually significant and financial assets that are not individually significant but are of similar risk characteristics. Objective evidence for impairment includes observable data indicating adverse changes in the repayment status of certain lessee (or certain homogeneous lessee) or national or local economic conditions that correlate with defaults on the assets in the portfolio. The Group will make the above judgements during its regular quality review of its financial assets and when there is objective evidence indicating that impairment losses may have been incurred.

Judgements concerning and estimations of negative factors that may affect the future cash flows are critical when the Group determines that there is indication of impairment for individually significant financial assets. The Group regularly reviews the methods and assumptions used in its estimations of the amounts and timing of future cash flows so as to minimize the difference between the estimated losses and actual losses of its financial assets. Factors that may have a bearing on the judgements include availability and level of detail of information in relation to the lessees, and the correlation between qualitative factors (e.g., the relationship between regional economic changes and defaults on financial assets, etc.).

Financial assets not identified as impaired based on individual assessment and financial assets identified as impaired but individually insignificant are included in a Group for collective assessment for impairment. Collective assessment for impairment involves significant judgement. In reviewing its impairment assessment methods, the Group considers the risk profile of its asset portfolio, changes of and uncertainties in the macro-economic environments in which it operates, and the quality and capability of its management of financial assets.

(b) Determination of fair value of financial instruments

The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique that is appropriate under the current circumstances and that there are sufficient observable market data and other information available. Common valuation techniques mainly are market approach and income approach, including references to prices used in the recent market transactions between knowledgeable and willing parties, current fair value for similar instruments, discounted cash flow analysis, and option pricing model etc.

Using different valuation techniques or inputs may result in a material difference in the estimated fair value.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(20) Critical accounting estimates and judgements (Cont'd)

(c) Income Tax

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5 Taxation

The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax rate	Tax base
Corporate income tax	25%	Taxable income
Value added tax ("VAT") (a)	17%, 6%	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)
City Maintenance and Construction Tax	7%	The payment amount of VAT
Education supplementary tax	3%	The payment amount of VAT
Local education supplementary tax	2%	The payment amount of VAT
Flood protection fee	1%	The payment amount of VAT

(a) Value added tax

Pursuant to the 'Circular on the Overall Promotion of Pilot Program of Levying VAT in place of Business Tax'(Cai Shui [2016] 36) jointly issued by the Ministry of Finance and the State Administration of Taxation, as from 1 May 2016, the Group's income from financial leasing service of its tangible personal properties is subject to VAT at a rate of 17%, and its income from other service is subject to VAT at a rate of 6%.

(b) Preferential tax benefits

In accordance with the 'Memorandum of Understanding' entered into between the Management Committee of Tianjin Dongjiang Bonded Port Area and the Company in 2015, Tianjin Dongjiang Bonded Port Area provides partial refund of corporate income tax and turnover tax to the Company and all of its subsidiaries and branches established and registered in Tianjin Dongjiang Bonded Port Area.

6 Subsidiaries

(1) Subsidiaries included in the consolidation scope

	Place of registration	Registered capital	Nature of business	Shareholding (%)	Voting rights (%)
CM Shenying No. 1 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB100,000	Leasing	100%	100%
CM Shenying No. 2 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB100,000	Leasing	100%	100%
CM Shenying No. 3 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB100,000	Leasing	100%	100%
CM Shenying No. 5 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB100,000	Leasing	100%	100%
CM Shenying No. 6 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB100,000	Leasing	100%	100%
CM Shenying No. 7 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB100,000	Leasing	100%	100%
CM Shenying No. 8 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB100,000	Leasing	100%	100%
CM Shenying No. 9 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB100,000	Leasing	100%	100%
CM Shenying No. 10 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB100,000	Leasing	100%	100%
CM Shenying No. 11 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB100,000	Leasing	100%	100%
CM Shenying No. 12 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB100,000	Leasing	100%	100%
CM Shenying No. 13 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB100,000	Leasing	100%	100%
CM Shenying No. 15 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB100,000	Leasing	100%	100%
CM Shenying No. 16 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB100,000	Leasing	100%	100%
CM Shenying No. 17 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB100,000	Leasing	100%	100%
CM Shenying No. 18 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB100,000	Leasing	100%	100%
CM Shenying No. 19 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB100,000	Leasing	100%	100%
CM Shenying No. 20 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB100,000	Leasing	100%	100%
CM International Financial Leasing Investment Holding Co., Ltd.	Hong Kong	HKD 10,000	Leasing and investment	100%	100%

(2) Consolidation of structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity (such as when any voting rights relate to administrative management affairs only, the relevant activities are directed by means of contract or arrangements.

The structured entities consolidated by the Company are asset-backed special programmes (Note 7(22)) sponsored by the Company. For the purpose of consolidation, the Company first considers whether its controls the structured entity as its sponsor and servicer, and assesses whether the structured entity should be consolidated based on the scope of its decision-making as the sponsor and servicer, its power over the special programme, and its exposure to the variable returns from the special programme.

During the period of the financial statements, the Group did not provide any financial support to the asset-backed special programmes mentioned above.

7 Notes to the financial statements

(1) Cash at bank and on hand

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Cash at bank	2,028,661,446	2,071,258,341	1,929,129,334	1,989,440,028

As at 30 June 2017, The deposits of RMB 790,264,730 (31 December 2016: RMB1,934,231,783) was pledged as collateral for the Company's borrowings (Note 7(13),(21)).

(2) Interests receivable

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Interests receivable from the related parties (Note 8(3))	32,009,107	2,400,347	15,633,125	2,400,347
Interests receivable before the lease commencement date	8,674,690	5,348,992	4,559,923	4,607,720
Interests receivable from entrusted loans	3,289,715	7,301,894	3,289,715	7,301,894
Others	-	234,732	-	-
	43,973,512	15,285,965	23,482,763	14,309,961

(3) Other receivables

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Receivables from related parties (Note 8(3))	2,080,986,207	1,337,830,974	452,237,507	1,837,415,962
Entrusted loans	433,000,000	433,000,000	433,000,000	433,000,000
Factoring finance	302,260,000	322,780,000	302,260,000	322,780,000
Others	74,153,332	59,361,226	68,739,740	23,160,381
Less: Provision for bad debts	(6,699,596)	(5,057,894)	(6,699,596)	(5,057,894)
	2,883,699,943	2,147,914,306	1,249,537,651	2,611,298,449

7 **Notes to the financial statements (Cont'd)**

(4) Current portion of non-current assets

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Current portion of long-term receivables (Note 7(7))	6,277,943,170	4,991,434,351	6,030,214,423	4,876,876,305
Others	11,188,135	132,313,870	11,188,135	132,313,870
	6,289,131,305	5,123,748,221	6,041,402,558	5,009,190,175

(5) Other current assets

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Input VAT to be deducted	59,074,315	142,867,693	55,359,869	138,280,952

(6) Available-for-sale financial assets

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Available-for-sale equity instruments				
-China Minsheng Xiangshan (Tianjin) Cultural Investment Co., Ltd.(a)	45,450,000	30,000,000	45,450,000	30,000,000
-Others	234,545	-	-	-
	45,684,545	30,000,000	45,000,000	30,000,000

(a) The Group holds 9.09% of voting rights of CM (Tianjin) cultural development Co., Ltd. This voting rights only related to administrative and management of CM (Tianjin) cultural development Co., Ltd., and the Group does not participate in or influence the financial and operating policy decisions of CM (Tianjin) cultural development Co., Ltd. in any ways.

7 Notes to the financial statements (Cont'd)

(7) Long-term receivables

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Finance lease receivables	27,423,957,942	21,009,625,514	25,143,887,019	19,460,234,173
Finance lease prepayments	1,198,294,194	1,071,376,272	1,001,336,966	848,131,972
Entrusted loans	806,525,818	497,006,653	806,525,818	497,006,653
Financing to third parties	174,956,409	169,498,238	-	-
	29,603,734,363	22,747,506,677	26,951,749,803	20,805,372,798
Including：				
Current portion of long-term receivables (Note 7(4))	6,277,943,170	4,991,434,351	6,030,214,423	4,876,876,305
Non-current portion of long-term receivables	23,325,791,193	17,756,072,326	20,921,535,380	15,928,496,493

7 Notes to the financial statements (Cont'd)

(7) Long-term receivables (Cont'd)

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Finance lease receivables	32,567,252,191	24,881,442,729	29,069,620,439	22,242,965,291
Less: Unrealized finance income	(4,919,664,139)	(3,728,451,143)	(3,720,672,330)	(2,649,390,519)
Provision for impairment losses collectively assessed	(223,630,110)	(143,366,072)	(205,061,090)	(133,340,599)
Net book value of finance lease receivables	27,423,957,942	21,009,625,514	25,143,887,019	19,460,234,173
Finance lease prepayments	1,208,083,432	1,078,594,534	1,009,700,700	853,846,153
Less: Provision for impairment losses collectively assessed	(9,789,238)	(7,218,262)	(8,363,734)	(5,714,181)
Net book value of finance lease prepayments	1,198,294,194	1,071,376,272	1,001,336,966	848,131,972
Entrusted loans	812,664,278	500,355,172	812,664,278	500,355,172
Less: Provision for impairment losses collectively assessed	(6,138,460)	(3,348,519)	(6,138,460)	(3,348,519)
Net book value of entrusted loans	806,525,818	497,006,653	806,525,818	497,006,653
Financing to third parties	176,288,000	170,640,211	-	-
Less: Provision for impairment losses collectively assessed	(1,331,591)	(1,141,973)	-	-
Net book value of financing to third parties	174,956,409	169,498,238	-	-
	29,603,734,363	22,747,506,677	26,951,749,803	20,805,372,798

7 Notes to the financial statements (Cont'd)

(7) Long-term receivables (Cont'd)

Movements of provision for impairment losses are as follows:

Consolidated

	1 January 2017	Increase in current period (Note7(33))	30 June 2017
Finance lease receivables	143,366,072	80,264,038	223,630,110
Finance lease prepayments	7,218,262	2,570,976	9,789,238
Entrusted loans	3,348,519	2,789,941	6,138,460
Financing to third parties	1,141,973	189,618	1,331,591
	155,074,826	85,814,573	240,889,399

Company

	1 January 2017	Increase in current period (Note7(33))	30 June 2017
Finance lease receivables	133,340,599	71,720,491	205,061,090
Finance lease prepayments	5,714,181	2,649,553	8,363,734
Entrusted loans	3,348,519	2,789,941	6,138,460
	143,403,299	77,159,985	219,563,284

Future lease payment from lessees according to the contracts are as follows:

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Within 1 year	7,476,513,359	5,885,831,775	7,068,556,682	5,666,959,062
1 to 2 years	7,152,063,172	5,571,704,331	6,779,311,487	5,337,520,666
2 to 3 years	6,547,352,722	4,317,609,473	6,173,250,332	4,079,182,963
Over 3 years	12,599,406,370	10,184,891,684	10,058,202,638	8,013,148,753
	33,775,335,623	25,960,037,263	30,079,321,139	23,096,811,444

As at 30 June 2017, the Group pledged RMB 14,337,313,871 (31 December 2016: RMB 9,240,778,678) finance lease receivables as collateral for borrowings and recourse factoring (Note 7(13),(18) and (21)).

7 Notes to the financial statements (Cont'd)

(8) Long-term equity investments

	Consolidated	
	30 June 2017	31 December 2016
Investment to associates	526,400,320	520,022,356

	Company	
	30 June 2017	31 December 2016
Investment to subsidiaries(Note 6(1))	1,800,000	900,000
Investment to associates	526,400,320	520,022,356
	528,200,320	520,922,356

As at 30 June 2017, the Group and the Company had no significant long-term equity investments whose recoverable amounts were lower than their carrying amounts due to changes in the operating performance of the investees, and accordingly, no combined impairment provision for long-term equity investments was made(31 December 2016: None).

Investments in associates are set out below:

	31 December 2016	Increase in investment	Share of net profit under equity method	30 June 2017
CMIG Healthcare Co., Ltd.	500,022,356	-	6,377,964	506,400,320
CM Yalian Property Management Co., Ltd.	20,000,000	-	-	20,000,000

General information of significant associates:

	Establishment Date	Place of registration	Place of major business	Issued and paid in capital (RMB)	% of Issued ownership interest	Major Business
CMIG Healthcare Co., Ltd.	30 September 2016	Tianjin	Tianjin	2,000,000,000	25%	Healthcare industry
CM Yalian Property Management Co., Ltd.	15 November 2016	Sanya	Sanya	100,000,000	20%	Property management

Key financial information for associates are as follows:

	30 June 2017		31 December 2016	
	CMIG Healthcare Co., Ltd	CM Yalian Property Management Co., Ltd	CMIG Healthcare Co., Ltd	CM Yalian Property Management Co., Ltd
Total assets	2,041,106,404	100,685,643	2,008,356,244	50,000,000
Net assets	2,025,601,283	100,685,643	2,000,089,425	50,000,000

	Six months ended 30 June 2017		Year ended 31 December 2016	
	CMIG Healthcare Co., Ltd	CM Yalian Property Management Co., Ltd	CMIG Healthcare Co., Ltd	CM Yalian Property Management Co., Ltd
Net profit	25,511,858	685,643	89,425	-

7 Notes to the financial statements (Cont'd)

(9) Financial assets at fair value through profit or loss

As at 30 June 2017, The financial assets at fair value through profit or loss designated by the Group and the Company are as follows:

Investment projects	% of Shareholding	As at 30 June 2017 Consolidated	As at 30 June 2017 Company
SinoLending Ltd.	4.44%	338,720,000	-
Zenisun Heliport Investment Co., Ltd.	40.00%	200,000,000	200,000,000
Guangxi CM New Energy Investment Co., Ltd.	10.00%	50,000,000	50,000,000
CM Start-up Alliance (Tianjin) Investment Management Partnership (LLP)	1.89%	1,000,000	1,000,000
		589,720,000	251,000,000
Sealand securities asset management program		82,000,000	82,000,000
		671,720,000	333,000,000

Investment projects	% of Shareholding	As at 31 December 2016 Consolidated	As at 31 December 2016 Company
SinoLending Ltd.	4.44%	346,850,000	-
Zenisun Heliport Investment Co., Ltd.	40.00%	200,000,000	200,000,000
Guangxi CM New Energy Investment Co., Ltd.	10.00%	50,000,000	50,000,000
CM Start-up Alliance (Tianjin) Investment Management Partnership (LLP)	1.89%	1,000,000	1,000,000
		597,850,000	251,000,000

(10) Fixed assets

Consolidated

	Vessel	Computers and electronic equipment	Office equipment	Total
Cost				
31 December 2016	1,741,880,700	2,245,917	606,921	1,744,733,538
Increase in the current period	-	482,941	-	482,941
Currency translation differences	(40,828,860)	-	-	(40,828,860)
30 June 2017	1,701,051,840	2,728,858	606,921	1,704,387,619
Accumulated depreciation				
31 December 2016	(6,726,849)	(221,482)	(467)	(6,948,798)
Increase in the current period	(39,910,044)	(435,245)	(61,391)	(40,406,680)
Currency translation differences	652,668	-	-	652,668
30 June 2017	(45,984,225)	(656,727)	(61,858)	(46,702,810)
Net book value				
30 June 2017	1,655,067,615	2,072,131	545,063	1,657,684,809
31 December 2016	1,735,153,851	2,024,435	606,454	1,737,784,740

7 Notes to the financial statements (Cont'd)

(10) Fixed assets (Cont'd)

Company

	Computers and electronic equipment	Office equipment	Total
Cost			
31 December 2016	2,245,917	606,921	2,852,838
Increase in the current period	482,941	-	482,941
30 June 2017	2,728,858	606,921	3,335,779
Accumulated depreciation			
31 December 2016	(221,482)	(467)	(221,949)
Increase in the current period	(435,245)	(61,391)	(496,636)
30 June 2017	(656,727)	(61,858)	(718,585)
Net book value			
30 June 2017	2,072,131	545,063	2,617,194
31 December 2016	2,024,435	606,454	2,630,889

As at 30 June 2017, the fixed assets with a carrying amount of RMB1,655,067,615 are held under a finance lease (31 December 2016: RMB1,735,153,851) (Note 7(23)).

As at 30 June 2017 and 31 December 2016, there was no indication of significant impairment to the Group's fixed assets.

(11) Deferred tax assets

	Consolidated			
	30 June 2017		31 December 2016	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for asset impairments	37,911,424	151,645,697	37,915,718	152,244,601
Employee benefits payable	15,623,993	62,495,970	15,623,993	62,495,970
Accrued expenses	1,340,618	5,362,472	1,340,811	5,380,243
Deductible losses	931	3,725	931	3,725
	54,876,966	219,507,864	54,881,453	220,124,539
Including:				
Expected to be recovered within 1 year (inclusive)	16,965,542		16,965,735	
Expected to be recovered after 1 year	37,911,424		37,915,718	

7 Notes to the financial statements (Cont'd)

(11) Deferred tax assets (Cont'd)

	Company			
	30 June 2017		31 December 2016	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for asset impairments	36,865,298	147,461,193	36,865,298	147,461,193
Employee benefits payable	15,623,993	62,495,970	15,623,993	62,495,970
Accrued expenses	1,332,561	5,330,243	1,332,561	5,330,243
	53,821,852	215,287,406	53,821,852	215,287,406
Including:				
Expected to be recovered within 1 year (inclusive)	16,956,554		16,956,554	
Expected to be recovered after 1 year	36,865,298		36,865,298	

Movements of deferred tax assets are as follows:

	Consolidated		Company	
	For the six months ended 30 June 2017	For the year ended 31December 2016	For the six months ended 30 June 2017	For the year ended 31December 2016
Opening balance	54,881,453	11,059,644	53,821,852	11,059,644
Deferred tax assets included in the income statements	-	43,821,809	-	42,762,208
Exchange rate changes	(4,487)	-	-	-
Closing balance		54,881,453	53,821,852	53,821,852

(12) Other non-current assets

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Prepayment of purchase for operating lease assets	104,304,245	-	104,304,245	-

(13) Short-term borrowings

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Secured borrowings				
Pledged borrowings(a)	1,279,164,051	1,711,173,000	944,000,000	1,163,150,000
Recourse factoring(b)	3,375,000,000	2,425,000,000	3,375,000,000	2,425,000,000
Unsecured borrowings	4,660,462,615	3,219,450,800	3,410,430,615	2,190,000,000
	9,314,626,666	7,355,623,800	7,729,430,615	5,778,150,000

7 Notes to the financial statements (Cont'd)

(13) Short-term borrowings (Cont'd)

(a) As at 30 June 2017, the Group had short-term pledged borrowings of RMB 535,164,051 (31 December 2016: RMB1,711,173,000) secured by bank deposits of RMB600,000,000 (31 December 2016: RMB 1,796,823,000) (Note 7(1)); the short-term pledged borrowings of RMB 744,000,000 (31 December 2016: None) was secured by finance lease receivables of RMB1,039,851,991. (Note 7(7)).

(b) As at 30 June 2017, the Group had recourse factoring of RMB 3,375,000,000 (31 December 2016: RMB 2,425,000,000) was secured by finance lease receivables of RMB 3,170,267,077 (31 December 2016: RMB 2,793,055,442) (Note 7(7)).

As at 30 June 2017, the weighted average interest rate of short-term borrowings was 4.50% per annum (31 December 2016: 4.37%).

(14) Advances from customers

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Finance lease down payment	16,462,256	20,462,257	-	-
Operating lease rentals received in advance	9,460,450	8,896,702	-	-
Finance lease in advance deposits	-	11,651,326	-	11,651,326
Others	184,218	184,218	184,218	184,218
	26,106,924	41,194,503	184,218	11,835,544

(15) Employee benefits payable

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Short-term employee benefits payable	98,467,705	66,136,017	98,467,705	66,136,017
Defined contribution plans payable	276,844	-	276,844	-
	98,744,549	66,136,017	98,744,549	66,136,017

7 Notes to the financial statements (Cont'd)

(15) Employee benefits payable(Cont'd)

(a) Short-term employee benefits

Consolidated and Company

	31 December 2016	Increase in the current period	Decrease in the current period	30 June 2017
Wages and salaries, bonus, allowances and subsidies	62,495,971	72,825,639	(40,773,862)	94,547,748
Staff welfare	-	1,596,013	(1,596,013)	-
Social security contributions	40,046	905,579	(792,281)	153,344
Including: Medical insurance	-	812,914	(675,450)	137,464
Work injury insurance	-	24,749	(20,528)	4,221
Maternity insurance	-	67,916	(56,257)	11,659
Security Fund	40,046	-	(40,046)	-
Housing funds	-	978,197	(811,584)	166,613
Labour union funds and employee education funds	3,600,000	277,316	(277,316)	3,600,000
Commercial insurance	-	84,375	(84,375)	-
	66,136,017	76,667,119	(44,335,431)	98,467,705

(b) Defined contribution plans payable

Consolidated and Company

	31 December 2016	Increase in the current period	Decrease in the current period	30 June 2017
Basic pensions	-	1,562,730	(1,296,166)	266,564
Unemployment insurance	-	65,603	(55,323)	10,280
	-	1,628,333	(1,351,489)	276,844

(16) Taxes payable

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Corporate income tax payable	49,469,617	55,804,714	34,064,929	51,277,540
Withholding individual income tax payable	4,045,284	7,906,155	4,045,284	7,906,155
Others	995,402	1,035,521	993,527	1,020,923
	54,510,303	64,746,390	39,103,740	60,204,618

7 Notes to the financial statements (Cont'd)

(17) Interests payable

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Interests payable from short-term borrowings	77,047,131	18,625,922	66,450,774	13,641,361
Interests payable from related parties' borrowings (Note 8(3))	35,833,942	7,570,862	2,822,653	2,808,375.00
Interests payable from recourse factoring	4,504,298	4,565,167	4,504,298	4,565,167.00
Interests payable from long-term borrowings	28,231,149	23,331,351	25,750,561	23,331,351
	145,616,520	54,093,302	99,528,286	44,346,254

(18) Other payables

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Other payables from related parties (Note 8(3))	3,069,004,125	1,048,135,791	1,077,344,074	504,216,655
Other payables from recourse factoring	509,600,000	509,600,000	509,600,000	509,600,000
Others	6,820,739	59,671,080	4,824,724	7,561,640
	3,585,424,864	1,617,406,871	1,591,768,798	1,021,378,295

As at 30 June 2017, other payables from recourse factoring were secured by finance lease receivables of RMB 600,382,245 (31 December 2016: RMB 639,154,188) (Note 7(7)).

(19) Current portion of non-current liabilities

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Long-term borrowings (Note 7(21))	2,135,467,808	1,322,503,479	2,086,692,128	1,322,503,479
Debt securities payables (Note 7(22))	1,751,890,309	1,219,556,924	1,751,890,309	1,219,556,924
Long Long-term payables (Note 7(23))	145,384,148	140,825,425	-	-
Finance lease guarantee deposits (Note 7(24))	65,254,793	28,120,850	61,420,850	28,120,850
Deferred finance lease fee income (Note 7(24))	53,724,959	42,230,352	51,535,540	42,230,352
Uninvoiced VAT output (Note 7(24))	-	105,130,010	-	105,130,010
	4,151,722,017	2,858,367,040	3,951,538,827	2,717,541,615

7 Notes to the financial statements (Cont'd)

(20) Other current liabilities

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Short-term Debentures Payable	681,828,306	-	-	-

Issuance date	Maturity date	Coupon rate	Issuance currency	30 June 2017
9 May 2017	8 May 2018	4.40%	USD	100,647,778

As at 9 May 2017, the Group issued private notes with principal amount of USD0.1 billion with fixed non-compounding coupon rate of 4.40% in Hong Kong.

(21) Long-term borrowings

	Consolidated	
	30 June 2017	31 December 2016
Secured borrowings		
Pledged borrowings(a)	3,445,188,181	2,288,000,000
Recourse factoring(b)	3,478,819,447	2,623,593,557
Unsecured borrowings	510,000,000	510,000,000
	7,434,007,628	5,421,593,557
Including：		
Current portion of long-term borrowings(Note 7(19))	2,135,467,808	1,322,503,479
Long-term borrowings due over 1 year	5,298,539,820	4,099,090,078

	Company	
	30 June 2017	31 December 2016
Secured borrowings		
Pledged borrowings(a)	2,762,328,661	2,288,000,000
Recourse factoring(b)	3,478,819,447	2,623,593,557
Unsecured borrowings	510,000,000	510,000,000
	6,751,148,108	5,421,593,557
Including：		
Current portion of long-term borrowings(Note 7(19))	2,086,692,128	1,322,503,479
Long-term borrowings due over 1 year	4,664,455,980	4,099,090,078

7 Notes to the financial statements (Cont'd)

(21) Long-term borrowings (Cont'd)

(a) As at 30 June 2017, long-term pledged borrowings of RMB 3,445,188,181 (31 December 2016: RMB 2,288,000,000) were secured by bank deposits of RMB 104,730,304 (31 December 2016: RMB 63,000,000) (Note 7(1)) and finance lease receivables of a carrying amount of RMB 5,034,285,235 (31 December 2016: RMB 2,954,464,188) (Note 7(7)).

(b) As at 30 June 2017, long-term recourse factoring of RMB3,478,819,447 (31 December 2016: RMB2,623,593,557) were secured by finance lease receivables of a carrying amount of RMB4,492,526,323(31 December 2016: RMB2,854,104,860) (Note 7(7)) and bank deposits of RMB85,534,426 (31 December 2016: RMB74,408,783) (Note 7(1)).

As at 30 June 2017, the weighted average interest rate of long-term borrowings is 4.82% per annum (31 December 2016: 4.80%).

(22) Debt securities payables

	Consolidated and Company	
	30 June 2017	31 December 2016
Non-public corporate debt securities (a)	5,161,356,119	5,037,131,512
Asset-backed securities(b)	2,161,769,715	2,828,065,444
Asset-backed notes(c)	1,035,021,096	-
	8,358,146,930	7,865,196,956
Including：		
Current portion of debt securities payables(Note7(19))	1,751,890,309	1,219,556,924
Debt securities payables due over 1 year	6,606,256,621	6,645,640,032

(a) Non-public corporate debt securities

Issuance date	Maturity date	Coupon rate	Issuance currency	30 June 2017
8 September 2016	8 September 2019	4.70%	RMB	3,105,940,049
24 November 2016	24 November 2019	4.97%	RMB	2,055,416,070
				5,161,356,119

On 8 September 2016 and 24 November 2016, the Company made two private offerings of 3-year bonds, with par values of RMB 3 billion and RMB 2 billion respectively. The issuer has the option to adjust the coupon rate applicable to the remaining period of the bond while the investors has the put option at the end of the second year. The bonds interests are calculated at non-compounding rates. The fixed nominal interest rates are 4.70% and 4.97% for the first two years of the life of the bonds. At the end of the second year, if the issuer exercises the option to adjust the interest rates, the interest rates for the remaining life of the bonds will be the prior two years' interest rates plus the adjusted base points and remain unchanged for the last year of the bonds.

7 Notes to the financial statements (Cont'd)

(22) Debt securities payables (Cont'd)

(b) Asset-backed securities

The Group's asset-backed securities comprise three financing programs are as follows:

The Group issued three asset-backed securities backed by finance lease receivables in 2015 and 2016 with a total book value of RMB3.65 billion, including senior tranches of RMB3.4 billion and subordinated tranches of RMB250 million. The Group holds all the subordinated tranches and part of the senior tranches. Considering its retaining of all the risks and rewards associated with the finance lease receivables, the Group recognised the proceeds from the senior tranches as liabilities. In addition, the Group is obligated to pay the shortfalls on the principal and interest of the senior tranches.

As at 30 June 2017, the par values, annual coupon rates and expected maturity dates of the priority tranche are as follows:

Issuance date	Maturity date	Coupon rate	Issuance currency	30 June 2017
11 November 2015	From 25 January 2016 to 23 August 2018	5.05%-5.8%	RMB	473,245,287
26 May 2016	From 21 July 2016 to 21 April 2019	3.8%-5.5%	RMB	493,911,063
7 December 2016	From 25 January 2017 to 25 April 2020	4.2%-5.3%	RMB	1,194,613,365
				2,161,769,715

(c) Asset-backed notes

Issuance date	Maturity date	Coupon rate	Issuance currency	30 June 2017
1 June 2017	28 April 2019	5.8%	RMB	763,623,014
1 June 2017	28 July 2020	6.3%	RMB	271,398,082
				1,035,021,096

The Group issued asset-backed notes backed by finance lease receivables in 1 June 2017 with a total book value of RMB1.08 billion, including a senior tranche of RMB1.03 billion and a subordinated tranche of RMB50 million. The Group holds all the senior and subordinated tranches. Considering the Group almost retaining of all the risks and rewards associated with the finance lease receivables, the Group recognised the proceeds from the senior tranche as liabilities. In addition, the Group has the obligation to pay the shortfalls on the principal and interest of the senior tranche.

7 Notes to the financial statements (Cont'd)

(23) Long-term payables

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Finance lease payables	1,494,886,796	1,632,822,913	-	-
Less: Unrecognised finance expense	(229,264,593)	(265,653,235)	-	-
Net	1,265,622,203	1,367,169,678	-	-
Including:				
Current portion of long-term payables (Note 7(19))	145,384,148	140,825,425	-	-
Long-term payables due over 1 year	1,120,238,055	1,226,344,253	-	-

Future lease payment to lessors according to the contracts are as follows:

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Within 1 year	201,175,292	205,904,212	-	-
1 to 2 years	201,175,292	206,003,927	-	-
2 to 3 years	201,726,457	206,003,927	-	-
Over 3 years	890,809,755	1,014,910,847	-	-
	1,494,886,796	1,632,822,913	-	-

7 Notes to the financial statements (Cont'd)

(24) Other non-current liabilities

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Guarantee deposit from finance lease	1,449,662,805	1,147,908,322	1,413,339,097	1,113,437,847
Deferred finance lease income	175,725,286	150,410,560	173,535,867	150,410,560
Uninvoiced VAT output	-	178,735,170	-	175,326,264
	1,625,388,091	1,477,054,052	1,586,874,964	1,439,174,671
Including:				
Current portion of other non-current liabilities (Note 7(19))	118,979,752	175,481,212	112,956,390	175,481,212
Other non-current liabilities due over 1 year	1,506,408,339	1,301,572,840	1,473,918,574	1,263,693,459

(25) Share capital

Consolidated and Company

	30 June 2017 and 31 December 2016	
	Amount	% of shareholding
China Minsheng Investment Corp., Ltd.	2,725,000,000	60.56%
Hana Bank Co., Ltd.	1,125,000,000	25.00%
CM International Investment Holding Co., Ltd.	450,000,000	10.00%
Beijing Deruigao Investment management Co., Ltd.	100,000,000	2.22%
Shanxi Rongmin Cultural Industry Development Co., Ltd.	100,000,000	2.22%
	4,500,000,000	100.00%

As at 30 June 2017 and 31 December 2016, the total ordinary shares issued by the Company is 4,500,000,000 with a par value of RMB1 per share.

7 Notes to the financial statements (Cont'd)

(26) Capital reserve

Consolidated and Company

	30 June 2017 and 31 December 2016
Capital premium	189,784

(27) Surplus reserve

Consolidated and Company

	1 January 2017	Increase in current period	30 June 2017
Statutory surplus reserve	35,284,834	-	35,284,834

Consolidated and Company

	1 January 2016	Increase in current year	31 December 2016
Statutory surplus reserve	14,097,620	21,187,214	35,284,834

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and can cease appropriation when the statutory surplus reserve accumulates to more than 50% of the registered capital.

(28) Profit distribution

Upon the approval by the shareholders in the 2017 general meeting held on 15 April 2017, the Company declared cash dividends for 2016 of RMB317 million (tax inclusive) in aggregate based on total share capital of 4,500,000,000 as at 31 December 2016 to all shareholders of the Company on 31 December 2016.

7 Notes to the financial statements (Cont'd)

(29) Operating income and operating expenses

Operating income

	Consolidated		Company	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Interest income	727,038,698	204,365,574	635,763,917	201,636,656
Fee and commission income	260,448,866	201,699,496	260,448,866	197,079,747
Finance lease income	104,837,227	-	-	-
Others	8,168,734	-	4,074,400	-
	1,100,493,525	406,065,070	900,287,183	398,716,403

Operating expenses

	Consolidated		Company	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Interest expenses	563,118,258	134,267,774	470,066,584	133,989,746
Fee and commission expenses	51,068,205	6,773,338	38,997,578	6,773,338
Finance lease expense	39,415,051	-	-	-
	653,601,514	141,041,112	509,064,162	140,763,084

(30) Taxes and surcharges

	Consolidated		Company	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Stamp tax	903,242	-	899,612	-
Business tax	-	3,099,410	-	3,099,410
City maintenance and construction tax and educational surcharge	19,241	405,467	-	402,923
	922,483	3,504,877	899,612	3,502,333

7 Notes to the financial statements (Cont'd)

(31) General and administrative expenses

	Consolidated		Company	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Employee benefits (Note 7 (15))	78,295,452	52,859,939	78,295,452	52,859,939
Service expenses	10,006,976	4,566,360	9,994,830	4,566,360
Business entertainment expenses	5,901,310	5,786,810	5,901,310	5,786,810
Travelling expenses	5,820,186	3,694,884	5,820,186	3,694,884
Rental expenses	4,911,276	3,247,921	4,911,276	3,247,921
Conference and administrative expenses	2,787,729	2,987,212	2,787,729	2,987,212
Advertising and publicity expenses	1,482,129	520,257	1,386,477	520,257
Others	4,837,852	4,089,146	4,837,852	4,088,696
	114,042,910	77,752,529	113,935,112	77,752,079

(32) Financial Income – net

	Consolidated		Company	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Interest income	11,769,750	2,542,439	10,712,788	2,519,160
Fee and commission expense	(83,032)	(32,302)	(63,238)	(27,553)
Exchange gains or losses	10,082,692	(477,453)	152,939	(477,453)
	21,769,410	2,032,684	10,802,489	2,014,154

(33) Asset impairment losses

	Consolidated		Company	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Impairment of long-term receivables	86,025,484	8,619,421	77,159,985	8,619,421
Provision for other receivables bad debts	1,641,702	-	1,641,702	-
	87,667,186	8,619,421	78,801,687	8,619,421

7 Notes to the financial statements (Cont'd)

(34) Non-operating income

	Consolidated		Company	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Tax refund	37,868,672	25,953,089	37,719,842	25,953,089
Government grant income	300,000	-	300,000	-
	38,168,672	25,953,089	38,019,842	25,953,089

(35) Income tax expenses

	Consolidated		Company	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Current income tax	77,310,497	50,852,791	61,633,491	49,011,682

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the financial statements to the income tax expenses is listed below:

	Consolidated		Company	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Total profit	308,339,978	203,132,904	250,551,405	196,046,729
Income tax calculated at applicable statutory tax rate of 25%	77,084,995	50,783,226	62,637,851	49,011,682
Costs, expenses and losses not deductible for tax purposes	7,951,572	69,565	590,131	-
Income not subject to tax	(1,594,491)	-	(1,594,491)	-
Difference of income tax calculated at subsidiaries applicable statutory tax rate of 16.5%	(6,131,579)	-	-	-
Income tax expenses	77,310,497	50,852,791	61,633,491	49,011,682

(36) Other comprehensive loss

Consolidated

	Six months ended 30 June 2017		
	Amount before income tax	Income tax	Net amount after tax
Items that will be reclassified subsequently to profit or loss			
Currency translation differences	137,942	-	137,942

7 Notes to the financial statements (Cont'd)

(36) Other comprehensive loss (Cont'd)

	Six months ended 30 June 2016		
	Amount before income tax	Income tax	Net amount after tax
Items that will be reclassified subsequently to profit or loss			
Currency translation differences	4,299	-	4,299

(37) Notes to cash flow statement

(a) Reconciliation from net profit to cash flows from operating activities

	Consolidated		Company	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Net Profit	231,029,481	152,280,113	188,917,914	147,035,047
Add: Provisions for impairment losses	87,667,186	8,619,421	78,801,687	8,619,421
Depreciation of fixed assets	40,406,680	69,738	496,636	69,738
Amortization of intangible assets	234,914	113,999	234,914	113,999
Amortisation of long-term prepaid expenses	800,510	-	800,510	-
Loss on changes in fair values	2,235,500	-	2,235,500	-
Interest expenses	194,432,981	-	190,003,487	-
Exchange income/ (expenses)	(10,082,692)	477,453	(152,939)	477,453
Less: Investment income	(6,377,964)	-	(6,377,964)	-
Add: Decrease in deferred tax assets	4,487	-	-	-
Increase in operating receivables	(7,680,815,793)	(7,205,762,711)	(4,204,180,424)	(7,190,318,494)
Increase in operating payables	6,131,786,787	6,101,118,457	4,053,579,917	5,761,273,127
Net cash flows from operating activities	(1,008,677,923)	(943,083,530)	(295,640,762)	(1,272,729,709)

7 Notes to the financial statements (Cont'd)

(37) Notes to cash flow statement (Cont'd)

(b) Net increase / (decrease) in cash and cash equivalents

	Consolidated		Company	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Cash and cash equivalents at the end of the period	1,238,396,716	1,104,926,185	1,180,594,908	773,324,997
Less: Cash and cash equivalents at the beginning of the period	(137,026,558)	(1,287,056,838)	(55,208,245)	(1,285,997,530)
Net increase/(decrease) in cash and cash equivalents	1,101,370,158	(182,130,653)	1,125,386,663	(512,672,533)

(c) Cash and cash equivalents

Cash at bank and on hand in the cash flow statement includes:

	Consolidated		
	30 June 2017	31 December 2016	30 June 2016
Cash at bank and on hand (Note 7(1))	2,028,661,446	2,071,258,341	1,218,139,854
Less: Restricted cash at bank	(790,264,730)	(1,934,231,783)	(113,213,669)
Closing balance of cash and cash equivalents	1,238,396,716	137,026,558	1,104,926,185

	Company		
	30 June 2017	31 December 2016	30 June 2016
Cash at bank and on hand (Note 7(1))	1,929,129,334	1,989,440,028	886,538,666
Less: Restricted cash at bank	(748,534,426)	(1,934,231,783)	(113,213,669)
Closing balance of cash and cash equivalents	1,180,594,908	55,208,245	773,324,997

7 Notes to the financial statements (Cont'd)

(37) Notes to cash flow statement (Cont'd)

(d) Cash paid relating to other operating activities

Cash paid relating to other operating activities in the cash flow statement mainly includes:

	Consolidated		Company	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Restricted cash at bank	652,855,947	13,200,000	611,125,643	13,200,000
Entrusted loans	366,000,000	-	366,000,000	-
Advance payments for subsidiaries	-	-	6,298,645	60,350,000
Others	125,681,913	53,647,183	25,712,974	67,093,547
	1,144,537,860	66,847,183	1,009,137,262	140,643,547

8 Related parties and related party transactions

(1) The parent company

(a) General information of the parent company

Name of enterprise	Place of registration	Nature of business
China Minsheng Investment Corp., Ltd.	Shanghai, China	Equity investment, management of equity investment, business consulting, financial consulting, industrial investment, assets management and investment consulting

(b) Registered capital and changes in registered capital of the parent company

Currency	31 December 2016	Increase in current period	Decrease in current period	30 June 2017
RMB	50,000,000,000	-	-	50,000,000,000

8 Related parties and related party transactions (Cont'd)

(1) The parent company (Cont'd)

(c) The percentages of shareholding and voting rights in the Company held by the parent company

	30 June 2017		31 December 2016	
	Shareholding	Voting rights	Shareholding	Voting rights
China Minsheng Investment Corp., Ltd.				
- Direct holdings	60.56%	60.56%	60.56%	60.56%
- Indirect holdings through wholly-owned subsidiaries	10%	10%	10%	10%

The ultimate controlling company of the Company is China Minsheng Investment Corp., Ltd.

(2) Nature of related parties that do not control/ are not controlled by the Company

	Relationship with the Group
Harvest Year Global Limited	Ultimately Controlled by the parent company of the Group
Yalian jet Co. Ltd.	Ultimately Controlled by the parent company of the Group
China Minsheng Investment Leasing Holding Co., Ltd.	Ultimately Controlled by the parent company of the Group
China Minsheng New Energy Investment Co., Ltd.	Ultimately Controlled by the parent company of the Group
China Minsheng Future Holdings Co., Ltd.	Ultimately Controlled by the parent company of the Group
Hana Bank Co., Ltd	Exert a significant impact on the Group
China Minsheng Zenisun Heliport Investment Co., Ltd.	Significantly impacted by the Group

(3) Related party transactions and balances of related party transactions

These transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.

(a) Transactions with the parent company

In daily business, the closing balances of receivables and payables between the Group / the Company and China Minsheng Investment Corp., Ltd. are as follows:

8 Related parties and related party transactions (Cont'd)

(3) Related party transactions and balances of related party transactions (Cont'd)

(a) Transactions with the parent company (Cont'd)

	Consolidated and Company	
	30 June 2017	31 December 2016
Other receivables- intercompany balances and advances (Note 7(3))	1,373,138	1,337,830,974
Interest receivable (Note 7(2))	15,572,014	2,400,347
Other payables- intercompany balances and advances (Note 7(18))	500,000,000	500,000,000
Interest payable (Note 7(17))	368,056	291,667

In daily business, the influence of the significant transactions between the Group / the Company and China Minsheng Investment Corp., Ltd. on the income statement are as follows:

	Consolidated and Company	
	Six months ended 30 June 2017	Six months ended 30 June 2016
Interest expense	12,426,101	459,906
Interest income	72,065	6,666,667
Administrative expense	85,288	530,990

(b) Transactions with the subsidiary companies of the parent company

In daily business, the closing balances of receivables and payables between the Group / the Company and the subsidiary companies of China Minsheng Investment Corp., Ltd. are as follows:

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Other receivables - Intercompany balances and advances (Note7(3))	2,079,613,069	-	15,861,617	-
Interest receivables (Note 7(2))	16,437,093	-	61,111	-
Other payables - Intercompany balances and advances (Note7(18))	2,568,857,188	548,009,126	-	-
Interest payables (Note 7(17))	32,097,775	4,381,694	-	-

8 Related parties and related party transactions (Cont'd)

(3) Related party transactions and balances of related party transactions (Cont'd)

(b) Transactions with the subsidiary companies of the parent company (Cont'd)

In daily business, the influence of the significant transactions between the Group / the Company and Transactions with the subsidiary companies of China Minsheng Investment Corp., Ltd. On the income statement are as follows:

	Consolidated		Company	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Interest income	16,441,463	-	57,652	-
Interest expense	28,111,693	-	-	-

(c) Financial Leasing transactions with the subsidiary companies of the parent company

In daily business, the closing balances of significant transactions between the Group / the Company and Transactions with China Minsheng New Energy Investment Co., Ltd are as follows:

	Consolidated and Company	
	30 June 2017	31 December 2016
Long-term receivables	500,607,846	555,136,759
Other non-current liabilities – deferred finance lease commission income	(858,229)	-

In daily business, the influence of the significant transactions between the Group / the Company and China Minsheng New Energy Investment Co., Ltd on the income statement are as follows:

	Consolidated and Company	
	Six months ended 30 June 2017	Six months ended 30 June 2016
Interest income	10,088,612	5,435,470
Fees and commission income	52,411	15,112,967

(d) Service transactions with the subsidiary companies of the parent company

In daily business, the closing balances of significant transactions and receivables and payables between the Group / the Company and Transactions with China Minsheng Future Holdings Co., Ltd. are as follows:

	Consolidated and Company	
	Six months ended 30 June 2017	Six months ended 30 June 2016
Other payables - Intercompany balances and advances (Note7(18))	146,937	126,665

8 Related parties and related party transactions (Cont'd)

(3) Related party transactions and balances of related party transactions (Cont'd)

(d) Service transactions with the subsidiary companies of the parent company (Cont'd)

In daily business, the influence of the significant transactions between the Group / the Company and China Minsheng Future Holdings Co., Ltd. on the income statement are as follows:

	Consolidated and Company	
	Six months ended 30 June 2017	Six months ended 30 June 2016
Property services fee	1,149,877	-
Manpower outsourcing services fee	266,164	-
Financial service fee	696,000	-

(e) Transactions with Hana Bank Co., Ltd

In daily business, the closing balances of significant transactions between the Group / the Company and Hana Bank Co., Ltd are as follows:

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Long-term borrowings	510,000,000	510,000,000	510,000,000	510,000,000
Short-term borrowings	338,720,000	346,850,000	-	-
Interest payables (Note 7(17))	3,368,111	2,897,501	2,294,646	2,516,708

In daily business, the influence of the significant transactions between the Group / the Company and Hana Bank Co., Ltd on the income statement are as follows:

	Consolidated		Company	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Interest expense	18,966,801	13,471,792	13,397,771	13,471,792

(f) Transactions with China Minsheng Zenisun Heliport Investment Co., Ltd.

In daily business, the closing balances of significant transactions between the Group / the Company and China Minsheng Zenisun Heliport Investment Co., Ltd. are as follows:

	Consolidated and Company	
	30 June 2017	31 December 2016
Long-term receivables	163,929,144	181,936,337
Non-current liabilities		
－ Deferred finance lease commission income	7,169,811	7,547,170
Other non-current liabilities		
－ Guarantee deposit from finance lease	163,929,144	11,000,000

8 Related parties and related party transactions (Cont'd)

(3) Related party transactions and balances of related party transactions (Cont'd)

(f) Transactions with China Minsheng Zenisun Heliport Investment Co., Ltd. (Cont'd)

In daily business, the influence of the significant transactions between the Group / the Company and China Minsheng Zenisun Heliport Investment Co., Ltd. on the income statement are as follows:

	Consolidated and Company	
	Six months ended 30 June 2017	Six months ended 30 June 2016
Interest income	4,511,225	14,937
Fees and commission income	8,679,245	-

(g) Transactions with subsidiaries

Transactions with subsidiaries are not significant and have been eliminated in consolidation.

(h) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors, supervisors and other senior executives.

In addition to key management personnel remuneration, there are no other connected transactions with the key management personnel.

9 Commitments

(1) Finance lease commitment

	Consolidated		Company	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Finance lease commitment	1,409,700,000	481,315,097	1,342,080,000	461,000,000

(2) Commitments of operating lease asset acquisition

	Consolidated and Company	
	30 June 2017	31 December 2016
Payables for purchase of helicopters	85,316,116	169,124,060

(3) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	Consolidated and Company	
	30 June 2017	31 December 2016
Within 1 year	9,028,850	9,028,850
1 to 2 years	1,100,045	5,614,470
	10,028,850	14,643,320

10 Financial instruments and risks of financial instruments

(1) Overview of financial risk management

The Group's activities expose it to a variety of financial risks: market risk (primarily including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(2) Credit risk

Credit risk arises from the financial loss incurred by the counterparties' failure to meet their obligations in the contract matured date. Credit risk is one of the most crucial risks involved in the Group's business operation mainly arising from cash at bank, long-term receivables, Interest receivables, other receivables, etc.

(a) Measurement of credit risk

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium- or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Risk Management Department assumes overall responsibility in decision-making and general management in connection with credit risk, tracking and monitoring the external credit ratings of clients, and performing risk assessment and analysis on lessees on a regular basis.

(b) Credit risk limit control and mitigation policies

The Company has introduced a range of policies and adopted various means and methods in managing its credit risk, including collecting security deposit and obtaining guarantee or mortgage, which are crucial means to control credit risk.

Before considering lease proposals, the Risk Department would collect and analyse information on the operations and financial position of the lessees, review its qualifications, and set out requirements for additional collaterals or guarantors for high-risk lessees. The Operation Department develops and enforces standard rules and procedures with regard to finance lease contracts and monitors their performance to control relevant legal risks. After the commencement of a lease, the Operation Department monitors the leased equipment on an on-going basis to anticipate and prevent risks due to technologies being out of date or expiration of the economic life of the equipment, identifies and reports immediately on any adverse changes that may affect the repayment ability of the lessees, and takes effective measures to mitigate and manage these risks.

10 Financial instruments and risks of financial instruments(Cont'd)

(2) Credit risk (Cont'd)

(c) On-balance sheet credit risk exposure:

Consolidated

	30 June 2017	31 December 2016
Cash at bank and on hand	2,028,661,446	2,071,258,341
Other receivables	2,837,837,634	2,128,908,148
Long-term receivables	29,603,734,363	22,747,506,677
Other financial assets	55,161,647	15,285,965
	34,525,395,090	26,962,959,131

The maximum credit risk exposure at 30 June 2017 without taking into consideration of any collateral held, netting agreement or other credit enhancement is presented above. The Maximum credit risk exposure of assets on balance is the net amount of each type of financial assets in the balance sheet.

(d) Overdue or impaired financial assets

The quality of long-term receivables are analysed below:

Consolidated

	30 June 2017	31 December 2016
Neither overdue nor impaired	29,193,592,231	22,902,581,503
Overdue but not impaired	651,031,531	-
	29,844,623,762	22,902,581,503
Less: Provisions for impairment losses collectively assessed	(240,889,399)	(155,074,826)
Net	29,603,734,363	22,747,506,677

As at 30 June 2017, the overdue days of total overdue but not impaired long-term receivables are within three months and are guaranteed by the third parties(31 December 2016:None).

(3) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign exchange risk

10 Financial instruments and risks of financial instruments(Cont'd)

(3) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

As at 30 June 2017, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized as below:

	30 June 2017		
	USD(RMB equivalent)	Others(RMB equivalent)	Total
Financial assets denominated in foreign currency			
Cash at bank and on hand	89,018,304	4,861,213	93,879,517
Other receivables	2,068,469,702	695,341	2,069,165,043
Long-term receivables	1,971,294,939	174,956,409	2,146,251,348
Other financial assets	355,255,934	-	355,255,934
Total financial assets denominated in foreign currency	4,484,038,879	180,512,963	4,664,551,842
Financial liabilities denominated in foreign currency			
Bank borrowings	2,268,055,571	-	2,268,055,571
Other payables	2,568,882,916	15,556	2,568,898,472
Long-term payables	1,265,622,203	-	1,265,622,203
Debt securities payables	681,828,306	-	681,828,306
Other financial liabilities	50,833,055	-	50,833,055
Total financial liabilities denominated in foreign currency	6,835,222,051	15,556	6,835,237,607
Net balance sheet exposure	(2,351,183,172)	180,497,407	(2,170,685,765)

	31 December 2016		
	USD(RMB equivalent)	Others(RMB equivalent)	Total
Financial assets denominated in foreign currency			
Cash at bank and on hand	78,122,104	149,112	78,271,216
Long-term receivables	1,378,253,689	-	1,378,253,689
Other financial assets	347,084,732	-	347,084,732
Total financial assets denominated in foreign currency	1,803,460,525	149,112	1,803,609,637
Financial liabilities denominated in foreign currency			
Bank borrowings	1,577,473,800	-	1,577,473,800
Other payables	548,023,000	-	548,023,000
Long-term payables	1,367,169,678	-	1,367,169,678
Other financial liabilities	9,747,049	-	9,747,049
Total financial liabilities denominated in foreign currency	3,502,413,527	-	3,502,413,527
Net balance sheet exposure	(1,698,953,002)	149,112	(1,698,803,890)

As at 30 June 2017, for the financial assets and liabilities measured in USD of the Group, if the RMB had strengthened/weakened by 1% against the USD while all other variables had been held constant, then the Group's net profit would have been approximately RMB17.63 million (31 December 2016: RMB12.74 million) higher/lower respectively, other comprehensive income is not affected.

10 Financial instruments and risks of financial instruments (Cont'd)

(3) Market risk (Cont'd)

(b) Interest rate risk (Cont'd)

Interest rate risk refers to the possibilities of losses caused by any change of market interest rate that induced the opposite difference between actual gains/losses and anticipated gains/losses. Interest rate risk is mainly caused by the mismatching between maturity of financial assets and financial liabilities or the inconsistency of sensitivity degree of interest rate regarding assets and liabilities.

The following table summarizes the interest rate risk exposure of the Company. The on-balance sheet assets and liabilities have been classified by the earlier of the contractual repricing date and the maturity date, and financial assets are stated in net book value.

	30 June 2017 (Consolidated)					
	Non-interest bearing	Within 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years	Total
Financial assets						
Cash at bank and on hand	-	2,028,661,446	-	-	-	2,028,661,446
Other receivables	82,334,740	2,801,365,203	-	-	-	2,883,699,943
Long-term receivables	-	28,816,007,061	-	787,727,302	-	29,603,734,363
Other financial assets	772,566,192	-	-	-	-	772,566,192
Total financial assets	854,900,932	33,646,033,710	-	787,727,302	-	35,288,661,944
Financial liabilities						
Borrowings	-	16,248,634,294	182,000,000	318,000,000	-	16,748,634,294
Debt securities payables	-	4,050,651,230	-	4,989,324,006	-	9,039,975,236
Other payables	8,340,814	3,577,084,050	-	-	-	3,585,424,864
Long-term payables	-	145,384,148	152,319,816	502,018,317	465,899,922	1,265,622,203
Other financial liabilities	145,616,520	67,490,293	190,050,000	881,098,261	313,259,750	1,597,514,824
Total financial liabilities	153,957,334	24,089,244,015	524,369,816	6,690,440,584	779,159,672	32,237,171,421
Total interest repricing gap	700,943,598	9,556,789,695	(524,369,816)	(5,902,713,282)	(779,159,672)	3,051,490,523

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in RMB Yuan unless otherwise stated)
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10 Financial instruments and risks of financial instruments (Cont'd)

(3) Market risk (Cont'd)

(b) Interest rate risk (Cont'd)

	31 December 2016 (Consolidated)					
	Non-interest bearing	Within 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years	Total
Financial assets						
Cash at bank and on hand	-	2,071,258,341	-	-	-	2,071,258,341
Other receivables	25,160,381	2,122,753,925	-	-	-	2,147,914,306
Long-term receivables	-	22,578,008,439	-	169,498,238	-	22,747,506,677
Other financial assets	643,135,965	-	-	-	-	643,135,965
Total financial assets	668,296,346	26,772,020,705	-	169,498,238	-	27,609,815,289
Financial liabilities						
Borrowings	-	12,519,217,357	52,000,000	206,000,000	-	12,777,217,357
Debt securities payables	-	2,826,518,543	-	5,038,678,413	-	7,865,196,956
Other payables	22,395,224	1,595,011,647	-	-	-	1,617,406,871
Long-term payables	-	140,825,425	153,011,111	504,296,697	569,036,445	1,367,169,678
Other financial liabilities	54,093,302	137,224,920	156,850,000	714,288,474	318,280,096	1,380,736,792
Total financial liabilities	76,488,526	17,218,797,892	361,861,111	6,463,263,584	887,316,541	25,007,727,654
Total interest repricing gap	591,807,820	9,553,222,813	(361,861,111)	(6,293,765,346)	(887,316,541)	2,602,087,635

10 Financial instruments and risks of financial instruments (Cont'd)

(3) Market risk (Cont'd)

(b) Interest rate risk (Cont'd)

The Group performs exchange sensitivity analyses on its net foreign currency exposures to assess the potential impact of fluctuations of exchange rates on the income statement.

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Group regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position). As at 30 June 2017, an incremental 100 basis points parallel fall or rise in all yield curves, would increase or decrease planned net interest income for the next twelve months from the reporting date by RMB95.57 million(31 December 2016: RMB95.53 million)

(4) Liquidity risk

Liquidity risk refers to the risk that the Group is unable to realize its assets to fund the matured liabilities in a timely manner or at a reasonable cost. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial assets and liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

10 Financial instruments and risks of financial instruments (Cont'd)

(4) Liquidity risk (Cont'd)

(a) Remaining maturities analysis

	30 June 2017 (Consolidated)						
	Undated	Repayable on demand	Within 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years	Total
Financial assets							
Cash at bank and on hand	-	1,238,396,716	600,000,000	63,000,000	48,323,118	78,941,612	2,028,661,446
Other receivables	-	51,025,197	2,832,674,746	-	-	-	2,883,699,943
Long-term receivables	-	-	6,277,943,170	6,151,389,758	14,047,034,863	3,127,366,572	29,603,734,363
Other financial assets	45,684,545	40,683,797	64,477,850	82,000,000	539,720,000	-	772,566,192
Total financial assets	45,684,545	1,330,105,710	9,775,095,766	6,296,389,758	14,635,077,981	3,206,308,184	35,288,661,944
Financial liabilities							
Borrowings	-	-	11,450,094,474	2,320,579,266	2,206,878,736	771,081,818	16,748,634,294
Debt securities payables	-	-	2,433,718,615	973,423,191	5,632,833,430	-	9,039,975,236
Other payables	-	-	3,585,424,864	-	-	-	3,585,424,864
Long-term payables	-	-	145,384,148	152,319,816	502,018,317	465,899,922	1,265,622,203
Other financial liabilities	-	-	213,106,813	190,050,000	881,098,261	313,259,750	1,597,514,824
Total financial liabilities	-	-	17,827,728,914	3,636,372,273	9,222,828,744	1,550,241,490	32,237,171,421
Liquidity exposure	45,684,545	1,330,105,710	(8,052,633,148)	2,660,017,485	5,412,249,237	1,656,066,694	3,051,490,523

10 Financial instruments and risks of financial instruments (Cont'd)

(4) Liquidity risk (Cont'd)

(a) Remaining maturities analysis (Cont'd)

	31 December 2016 (Consolidated)						
	Undated	Repayable on demand	Within 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years	Total
Financial assets							
Cash at bank and on hand	-	137,026,558	1,796,823,000	63,000,000	24,023,404	50,385,379	2,071,258,341
Other receivables	-	23,128,234	2,124,786,072	-	-	-	2,147,914,306
Long-term receivables	-	-	4,991,434,352	4,924,189,451	10,123,611,324	2,708,271,550	22,747,506,677
Other financial assets	30,000,000	7,984,071	57,301,894	-	547,850,000	-	643,135,965
Total financial assets	30,000,000	168,138,863	8,970,345,318	4,987,189,451	10,695,484,728	2,758,656,929	27,609,815,289
Financial liabilities							
Borrowings	-	-	8,678,127,279	1,945,948,356	1,726,158,135	426,983,587	12,777,217,357
Debt securities payables	-	-	1,209,796,746	970,273,396	5,685,126,814	-	7,865,196,956
Other payables	-	-	1,617,406,871	-	-	-	1,617,406,871
Long-term payables	-	-	140,825,425	153,011,111	504,296,697	569,036,445	1,367,169,678
Other financial liabilities	-	-	191,318,222	156,850,000	714,288,474	318,280,096	1,380,736,792
Total financial liabilities	-	-	11,837,474,543	3,226,082,863	8,629,870,120	1,314,300,128	25,007,727,654
Liquidity exposure	30,000,000	168,138,863	(2,867,129,225)	1,761,106,588	2,065,614,608	1,444,356,801	2,602,087,635

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017
(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

10 Financial instruments and risks of financial instruments(Cont'd)

(4) Liquidity risk (Cont'd)

(b) Contractual undiscounted cash flow analysis

	30 June 2017 (Consolidated)					
	Repayable on demand	Within 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years	Total
Financial liabilities						
Borrowings	-	11,954,781,331	2,998,806,676	2,364,471,508	827,557,975	18,145,617,490
Debt securities payables	-	2,768,742,581	1,533,960,304	5,688,647,073	-	9,991,349,958
Other payables	-	3,661,325,295	-	-	-	3,661,325,295
Long-term payables	-	201,175,292	201,175,292	604,077,042	488,459,170	1,494,886,796
Other financial liabilities	-	67,490,293	190,050,000	881,098,261	313,259,750	1,451,898,304
Total financial liabilities	-	18,653,514,792	4,923,992,272	9,538,293,884	1,629,276,895	34,745,077,843

10 Financial instruments and risks of financial instruments(Cont'd)

(4) Liquidity risk (Cont'd)

(b) Contractual undiscounted cash flow analysis (Cont'd)

	31 December 2016 (Consolidated)					
	Repayable on demand	Within 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years	Total
Financial liabilities						
Borrowings	-	10,081,042,750	2,107,800,600	1,880,015,140	485,744,722	14,554,603,212
Debt securities payables	-	1,475,624,568	1,281,340,293	5,960,336,061	-	8,717,300,922
Other payables	-	1,635,189,101	-	-	-	1,635,189,101
Long-term payables	-	205,904,212	206,003,926	618,576,175	602,338,600	1,632,822,913
Other financial liabilities	-	137,224,920	156,850,000	714,288,474	318,280,096	1,326,643,490
Total financial liabilities	-	13,534,985,551	3,751,994,819	9,173,215,850	1,406,363,418	27,866,559,638

11 Fair value measurement

The selected level of fair value measurement must be decided by the lowest level of input that is significant to the overall fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

(1) Assets and liabilities continuously measured at fair value

As at 30 June 2017, the assets and liabilities measured at fair value by the above three levels are analysed below:

Consolidated

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss	-	-	671,720,000	671,720,000
Available-for-sale financial assets	-	-	45,684,545	45,684,545
Total financial assets	-	-	717,404,545	717,404,545
Financial liabilities				
Derivative financial liabilities	-	2,235,500	-	2,235,500

As at 31 December 2016, the assets and liabilities continuously measured at fair value by the above three levels are analysed below :

Consolidated

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss	-	-	597,850,000	597,850,000
Available-for-sale financial assets	-	-	30,000,000	30,000,000
Total financial assets	-	-	627,850,000	627,850,000

The fair value of financial instruments not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model etc. The inputs of the valuation technique mainly include risk-free interest rate, benchmark rate, exchange rate, credit spread, liquidity premium, EBITDA multiplier, liquidity discount and etc.

The valuation of financial assets is performed by post management team of the Group. The above valuation results are independently verified and accounted for by the finance department of the Group, and disclose the results information in relation to fair value based on the verified valuation results.

11 Fair value measurement (Cont'd)

(2) Assets and liabilities not measured at fair value

Financial assets and liabilities that are not measured at fair value mainly include cash at bank and on hand, interest receivable, long-term receivables, other receivables, short-term borrowings, interest payable, long-term borrowings, long-term payables, debt securities payable, other payables and other non-current abilities.

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not measured at their fair values. Financial assets and liabilities for the maturity within one year or the interest rates are floating and the carrying amounts approximate their fair values, such as interest receivable, other receivables, interest payable, borrowings and other financial assets and liabilities are not included in the table below.

The fair value of the financial assets and liabilities showing below are calculated by discounted cash flow model and determined by adopting Level 3.

Consolidated

	30 June 2017		31 December 2016	
	Book value	Fair value	Book value	Fair value
Financial assets				
Long-term receivables	29,603,734,363	29,628,591,130	22,747,506,677	22,748,516,794
Financial liabilities				
Debt securities payables	9,039,975,236	7,799,522,639	7,865,196,956	8,538,562,477
Long-term payable	1,494,886,796	1,472,906,361	1,632,922,628	1,607,265,690
Other financial liabilities	1,625,388,091	1,439,047,179	1,477,054,052	1,307,005,894
Total	12,160,250,123	10,711,476,179	10,975,173,636	11,452,834,061

12 Capital management

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern and maintain healthy capital ratios in order to support business development and maximize the value of shareholders.

The Group manages and adjusts the capital structure on the basis of the changes of economic situation and risk features of relevant assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, capital refunded to shareholders, new shares issued. The Group is not subject to external mandatory capital requirements.

13 Post balance sheet events

On 9 June 2017, the company's application of the non-public offering within RMB 6 billion has been approved by Shenzhen Stock Exchange. The company has not issued the bond yet until the reporting day.

14 Comparative figures

Certain comparative figures have been adjusted to confirm with the presentation and disclosures in the current period.

[English Translation for Reference Only]

Auditor's Report

PwC ZT Shen Zi (2017) No. 23193
(Page 1 of 2)

To the Board of Directors of CM International Financial Leasing Co., Ltd.,

We have audited the accompanying financial statements of CM International Financial Leasing Co., Ltd. (hereinafter "the Company"), which comprise the consolidated and company balance sheets as at 31 December 2016, and the consolidated and company income statements, the consolidated and company statements of changes in owners' equity and the consolidated and company cash flow statements for the year then ended and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Company as at 31 December 2016, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China

15 April 2017

CM INTERNATIONAL FINANCIAL LEASING CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEETS
AS AT 31 DECEMBER 2016
(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

		Consolidated		Company	
ASSETS	**Note 7**	**31 December 2016**	**31 December 2015**	**31 December 2016**	**31 December 2015**
Current Assets					
Cash at bank and on hand	1	2,071,258,341	1,387,070,508	1,989,440,028	1,386,011,200
Prepayments		7,639,707	1,481,874	7,639,707	1,481,874
Interest receivable	2	15,285,965	10,238,005	14,309,961	9,862,652
Other receivables	3	2,147,914,306	2,845,883	2,611,298,449	76,602,330
Current portion of non-current assets	4	5,123,748,221	1,715,527,810	5,009,190,175	1,702,787,126
Other current assets	5	142,867,693	-	138,280,952	-
Total Current Assets		9,508,714,233	3,117,164,080	9,770,159,272	3,176,745,182
Non-Current Assets					
Available-for-sale financial assets	6	30,000,000	-	30,000,000	-
Long-term receivables	7	17,756,072,326	5,698,743,502	15,928,496,493	5,625,412,814
Long-term equity investments	8	520,022,356	-	520,922,356	-
Financial assets at fair value through profit or loss	9	597,850,000	-	251,000,000	-
Fixed assets	10	1,737,784,740	250,208	2,630,889	250,208
Intangible assets		4,023,176	-	4,023,176	-
Deferred tax assets	11	54,881,453	11,059,644	53,821,852	11,059,644
Other non-current assets		-	33,930,600	-	33,930,600
Total Non-Current Assets		20,700,634,051	5,743,983,954	16,790,894,766	5,670,653,266
TOTAL ASSETS		30,209,348,284	8,861,148,034	26,561,054,038	8,847,398,448

The accompanying notes form an integral part of these financial statements.

Chairman and President
(Legal Representative)

Chief Financial Officer and General Manager of Finance and Operations Department

(Company stamp)

CONSOLIDATED AND COMPANY BALANCE SHEETS (CONT'D)
AS AT 31 DECEMBER 2016

(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

LIABILITIES AND OWNERS' EQUITY	Note 7	Consolidated 31 December 2016	Consolidated 31 December 2015	Company 31 December 2016	Company 31 December 2015
Current Liabilities					
Short-term borrowings	12	7,355,623,800	1,365,000,000	5,778,150,000	1,365,000,000
Accounts collected in advance	13	41,194,503	1,000,000	11,835,544	-
Employee benefits payable	14	66,136,017	26,659,863	66,136,017	26,659,863
Taxes payable	15	64,746,390	7,773,748	60,204,618	7,387,877
Interest payable	16	54,093,302	8,745,634	44,346,254	8,745,634
Other payables	17	1,617,406,871	555,324,165	1,021,378,295	555,282,990
Current portion of non-current liabilities	18	2,858,367,040	915,237,193	2,717,541,615	910,866,458
Total Current Liabilities		12,057,567,923	2,879,740,603	9,699,592,343	2,873,942,822
Non-Current Liabilities					
Long-term borrowings	19	4,099,090,078	1,672,090,911	4,099,090,078	1,672,090,911
Debt securities payable	20	6,645,640,032	670,000,000	6,645,640,032	670,000,000
Long-term payables	21	1,226,344,253	-	-	-
Other non-current liabilities	22	1,301,572,840	497,901,301	1,263,693,459	490,198,735
Total Non-Current Liabilities		13,272,647,203	2,839,992,212	12,008,423,569	2,832,289,646
TOTAL LIABILITIES		25,330,215,126	5,719,732,815	21,708,015,912	5,706,232,468
OWNERS' EQUITY					
Share capital	23	4,500,000,000	3,000,000,000	4,500,000,000	3,000,000,000
Capital reserve	24	189,784	189,784	189,784	189,784
Other comprehensive income		490,917	-	-	-
Surplus reserve	25	35,284,834	14,097,620	35,284,834	14,097,620
Undistributed profits	26	343,167,623	127,127,815	317,563,508	126,878,576
TOTAL OWNERS' EQUITY		4,879,133,158	3,141,415,219	4,853,038,126	3,141,165,980
TOTAL LIABILITIES AND OWNERS' EQUITY		30,209,348,284	8,861,148,034	26,561,054,038	8,847,398,448

The accompanying notes form an integral part of these financial statements.

Chairman and President
(Legal Representative)

Chief Financial Officer and General Manager of
Finance and Operations Department

(Company stamp)

CONSOLIDATED AND COMPANY INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

		Consolidated		Company	
	Note 7	**Year ended 31 December 2016**	**The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015**	**Year ended 31 December 2016**	**The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015**
Operating Income	27	1,260,034,386	327,657,738	1,144,223,336	327,282,385
Less: Operating expenses	27	(605,938,680)	(56,200,384)	(534,142,785)	(56,200,384)
Taxes and surcharges	28	(7,108,337)	(2,938,496)	(7,025,204)	(2,904,405)
General and administrative expenses	29	(218,970,160)	(100,233,899)	(218,922,304)	(100,227,443)
Financial expenses-net		7,861,600	17,236,583	7,977,291	17,239,071
Asset impairment losses	30	(146,658,495)	(13,091,912)	(134,369,281)	(13,091,912)
Add: Investment income		22,356	-	22,356	-
Operating Profit		289,242,670	172,429,630	257,763,409	172,097,312
Add: Non-operating income	31	27,882,500	20,000,000	27,882,500	20,000,000
Profit before Tax		317,125,170	192,429,630	285,645,909	192,097,312
Less: Income tax expenses	32	(79,898,148)	(51,204,195)	(73,773,763)	(51,121,116)
Net Profit		237,227,022	141,225,435	211,872,146	140,976,196
Net profit attributable to shareholders of the Company		237,227,022	141,225,435	211,872,146	140,976,196
Other Comprehensive Income, net of tax	33	490,917	-	-	-
Attributable to shareholders of the Company					
Items that will be subsequently reclassified to profit or loss					
Translation differences on translation of foreign currency financial statements		490,917	-	-	-
Total Comprehensive Income		237,717,939	141,225,435	211,872,146	140,976,196
Attributable to shareholders of the Company		237,717,939	141,225,435	211,872,146	140,976,196

The accompanying notes form an integral part of these financial statements.

Chairman and President
(Legal Representative)

Chief Financial Officer and General Manager of Finance and Operations Department

(Company stamp)

CM INTERNATIONAL FINANCIAL LEASING CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

		OWNERS' EQUITY ATTRIBUTABLE TO THE COMPANY					
	Note 7	Share Capital	Capital Reserve	Other Comprehensive Income	Surplus Reserve	Undistributed Profits	Total
Balance as at 1 January 2016		3,000,000,000	189,784	-	14,097,620	127,127,815	3,141,415,219
Movements for the current year							
(1) Net profit		-	-	-	-	237,227,022	237,227,022
(2) Other comprehensive income	33	-	-	490,917	-	-	490,917
(3) Capital contributions by shareholders	23	1,500,000,000	-	-	-	-	1,500,000,000
(4) Profit distribution	26	-	-	-	21,187,214	(21,187,214)	-
Balance as at 31 December 2016		4,500,000,000	189,784	490,917	35,284,834	343,167,623	4,879,133,158

The accompanying notes form an integral part of these financial statements.

Chairman and President
(Legal Representative)

Chief Financial Officer and General Manager of Finance and Operations Department

(Company stamp)

CM INTERNATIONAL FINANCIAL LEASING CO., LTD.

COMPANY STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

	Note 7	Share Capital	Capital Reserve	Other Comprehensive Income	Surplus Reserve	Undistributed Profits	Total
Balance as at 1 January 2016		3,000,000,000	189,784	-	14,097,620	126,878,576	3,141,165,980
Movements for the current year							
(1) Net profit		-	-	-	-	211,872,146	211,872,146
(2) Other comprehensive income		-	-	-	-	-	-
(3) Capital contributions by shareholders	23	1,500,000,000	-	-	-	-	1,500,000,000
(4) Profit distribution	26	-	-	-	21,187,214	(21,187,214)	-
Balance as at 31 December 2016		4,500,000,000	189,784	-	35,284,834	317,563,508	4,853,038,126

The accompanying notes form an integral part of these financial statements.

Chairman and President
(Legal Representative)

Chief Financial Officer and General Manager of Finance and Operations Department

(Company stamp)

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE PERIOD FROM 16 APRIL 2015 (ESTABLISHMENT DATE OF THE COMPANY) TO 31 DECEMBER 2015

(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

		OWNERS' EQUITY ATTRIBUTABLE TO THE COMPANY				
	Note 7	**Share Capital**	**Capital Reserve**	**Surplus Reserve**	**Undistributed Profits**	**Total**
Balance as at 16 April 2015 (Establishment Date of the Company)		-	-	-	-	-
Movements for the current period						
(1) Net profit		-	-	-	141,225,435	141,225,435
(2) Capital contribution by shareholders	23	3,000,000,000	189,784	-	-	3,000,189,784
(3) Profit distribution	26	-	-	14,097,620	(14,097,620)	-
Balance as at 31 December 2015		3,000,000,000	189,784	14,097,620	127,127,815	3,141,415,219

The accompanying notes form an integral part of these financial statements.

Chairman and President
(Legal Representative)

Chief Financial Officer and General Manager of Finance and Operations Department

(Company stamp)

CM INTERNATIONAL FINANCIAL LEASING CO., LTD.

COMPANY STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE PERIOD FROM 16 APRIL 2015 (ESTABLISHMENT DATE OF THE COMPANY) TO 31 DECEMBER 2015

(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

	Note 7	Share Capital	Capital Reserve	Surplus Reserve	Undistributed Profits	Total
Balance as at 16 April 2015 (Establishment Date of the Company)		-	-	-	-	-
Movements for the current period						
(1) Net profit		-	-	-	140,976,196	140,976,196
(2) Capital contribution by shareholders	23	3,000,000,000	189,784	-	-	3,000,189,784
(3) Profit distribution	26	-	-	14,097,620	(14,097,620)	-
Balance as at 31 December 2015		3,000,000,000	189,784	14,097,620	126,878,576	3,141,165,980

The accompanying notes form an integral part of these financial statements.

Chairman and President
(Legal Representative)

Chief Financial Officer and General Manager of Finance and Operations Department

(Company stamp)

CM INTERNATIONAL FINANCIAL LEASING CO., LTD.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

		Consolidated		Company	
	Note 7	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015
I. Cash flows from operating activities					
Cash received from finance lease		4,889,316,470	804,421,573	4,539,825,952	796,302,478
Cash received from operating lease assets		8,896,703	-	-	-
Cash received from borrowings		20,534,252,597	3,817,400,000	18,367,289,650	3,817,400,000
Cash received relating to other operating activities		2,788,126,598	632,116,962	1,616,667,420	626,741,782
Sub-total of cash inflows		28,220,592,368	5,253,938,535	24,523,783,022	5,240,444,260
Cash paid to acquire finance lease assets		(17,746,819,721)	(7,272,479,912)	(15,936,352,516)	(7,186,414,995)
Cash repayments of borrowings		(11,754,075,839)	(25,870,253)	(11,754,075,839)	(25,870,253)
Cash payments for interest expense and fees		(344,556,558)	(34,366,489)	(336,498,172)	(33,991,136)
Cash paid to and on behalf of employees		(74,345,275)	(27,184,325)	(74,345,275)	(27,184,325)
Payments of taxes and surcharges		(137,561,436)	(45,150,937)	(134,878,066)	(45,150,937)
Cash paid relating to other operating activities	34(d)	(4,512,526,187)	(548,784,790)	(4,834,045,694)	(622,790,093)
Sub-total of cash outflows		(34,569,885,016)	(7,953,836,706)	(33,070,195,562)	(7,941,401,739)
Net cash flows from operating activities		(6,349,292,648)	(2,699,898,171)	(8,546,412,540)	(2,700,957,479)
II. Cash flows from investing activities					
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,866,656,696)	(35,662,682)	(105,240,417)	(35,662,682)
Cash paid for investment		(1,147,215,000)	-	(801,900,000)	-
Sub-total of cash outflows		(3,013,871,696)	(35,662,682)	(907,140,417)	(35,662,682)
Net cash flows from investing activities		(3,013,871,696)	(35,662,682)	(907,140,417)	(35,662,682)

The accompanying notes form an integral part of these financial statements.

Chairman and President
(Legal Representative)

Chief Financial Officer and General Manager of
Finance and Operations Department

(Company stamp)

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

		Consolidated		Company	
	Note 7	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015	Year ended 31 December 2016	The period from16 April 2015 (Establishment Date of the Company) to 31 December 2015
III. Cash flows from financing activities					
Cash received from capital contributions		1,500,000,000	3,000,189,784	1,500,000,000	3,000,189,784
Cash received from issuing asset-backed securities		2,300,000,000	1,016,723,468	2,300,000,000	1,016,723,468
Cash received from issuing debt securities		4,986,603,774	-	4,986,603,774	-
Sub-total of cash inflows		8,786,603,774	4,016,913,252	8,786,603,774	4,016,913,252
Cash repayments of asset-backed securities		(563,362,461)	-	(563,362,461)	-
Sub-total of cash outflows		(563,362,461)	-	(563,362,461)	-
Net cash flows from financing activities		8,223,241,313	4,016,913,252	8,223,241,313	4,016,913,252
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(10,107,249)	5,704,439	(477,641)	5,704,439
V. Net (decrease) /increase in cash and cash equivalents	34(b)	(1,150,030,280)	1,287,056,838	(1,230,789,285)	1,285,997,530
Add: Opening balances of cash and cash equivalents		1,287,056,838	-	1,285,997,530	-
VI. Closing balances of cash and cash equivalents		137,026,558	1,287,056,838	55,208,245	1,285,997,530

The accompanying notes form an integral part of these financial statements.

Chairman and President
(Legal Representative)

Chief Financial Officer and General Manager of Finance and Operations Department

(Company stamp)

1 General information

CM International Financial Leasing Co., Ltd. ("the Company") is a limited liability company incorporated in Tianjin Free Trade Zone of the People's Republic of China on 16 April 2015 by China Minsheng Investment Co., Ltd. and CM International Investment Holding Co., Ltd. as per approval of the Ministry of Commerce of the People's Republic of China. Hana Bank Co., Ltd. made capital contribution to the Company on 5 June 2015. The registered capital of the Company was RMB4.5 billion as at 31 December 2016.

The approved scope of business of the Company and all its subsidiaries (hereinafter referred to as "the Group") includes financial leasing, leasing business, acquisition of leasing assets at home and abroad, disposal and maintenance of leasing assets, advisory services and guarantee for leasing transactions, and factoring in connection to its main business activities.

As at 31 December 2016, the Company had 19 subsidiaries (refer to Note 6 for detailed information on subsidiaries).

These financial statements are authorised for issue by the Company's Board of Directors on 15 April 2017.

2 Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standard for Business Enterprises - Basic Standard*, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as "the Accounting Standard for Business Enterprises" or "CAS").

The financial statements are prepared on a going concern basis.

3 Statement of compliance with the Accounting Standard for Business Enterprises

The financial statements of the Company for the year ended 31 December 2016 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and the Company's financial position of the Company as at 31 December 2016 and their financial performance, cash flows and other information for the year ended 31 December 2016.

4 Summary of significant accounting policies and accounting estimates

(1) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

(2) Recording currency

The recording currency of the Company is Renminbi ("RMB"). The recording currency of its 19 subsidiaries is Renminbi ("RMB"), except CM International Financial Leasing Investment Holding Limited, whose recording currency is US Dollar ("USD") as appropriate in its business environment. The presentation currency of these financial statements is RMB.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(3) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the date of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates as at the balance sheet date. Except for foreign currency borrowings that are specifically for the acquisition or construction of assets qualified for capitalisation of borrowing cost, where the foreign exchange gains/losses are capitalised as part of the costs of these assets, all other foreign exchange gains/losses are recognised in the profit or loss for the current period. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated into RMB on the balance sheet date using the spot exchange rate as at the date of the transactions. The effect of exchange rate changes on cash and cash equivalents is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items included in the balance sheets of overseas operations are translated into RMB using the spot exchange rates as at the balance sheet date. Other than undistributed profits items under 'owners' equity' are translated into RMB using the spot exchange rates on the transaction dates. The income and expense items included in the income statements of overseas operations are translated using the spot exchange on the transaction dates. The differences arising from the above translation are presented separately in other comprehensive income. The cash flows of overseas operations are translated into RMB using the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash and cash equivalents is presented separately in the cash flow statement.

(4) Cash and cash equivalents

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

(5) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

<u>Classification of financial assets</u>

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets is determined based on the Group's intention and ability to hold the financial assets. The Group has no held-to-maturity investments.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Financial instruments (Cont'd)

Classification of financial assets (Cont'd)

(a) Financial assets at fair value through profit or loss

The financial assets at fair value through profit or loss of the Group are initially designated at fair value through profit or loss. A financial asset may be designated at fair value through profit or loss upon initial recognition if:

- The financial assets are managed, evaluated and reported internally on a fair value basis;
- The designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in the measurement basis of the financial assets or financial liabilities; or
- If a contract contains one or more embedded derivatives, an entity may designate the entire hybrid (combined) contract as a financial asset or financial liability at fair value through profit or loss unless the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited.

(b) Receivables

Receivables, including long-term receivables, interest receivables, entrusted loans and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as this category at initial recognition or not classified in any other categories. Available-for-sale financial assets are included in 'Other current assets' in the balance sheet if management intends to dispose them within 12 months after the balance sheet date.

Recognition and measurement of financial assets

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument.

In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initially recognised amounts. The subsequent measurement of financial assets after the initial recognition are as follows:

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Financial instruments (Cont'd)

Recognition and measurement of financial assets Financial instruments (Cont'd)

(a) Financial assets at fair value through profit or loss

Subsequent to initial recognition, gains or losses arising from change in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss for the current period as 'Profit arising from changes in fair value'. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

(b) Receivables

Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value when they have a quoted market price in an active market and those fair value can be reliably measured. A gain or loss on available-for-sale financial assets is recognised directly in equity, except for impairment losses and foreign exchange gains or losses which resulted from monetary financial assets, until the financial assets is derecognised, at which time the cumulative gains or losses previously recognised in equity removed from equity and recognised in the income statement.

Impairment of financial assets

The Group assesses the carrying amounts of financial assets at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

Objective evidence that a financial asset is impaired included the following events that occurred after the initial recognition of the asset and that the event (or events) has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated: (1) significant financial difficulty of the borrower or issuer; (2) a breach of contract, such as a default or delinquency in interest or principal payments; (3) the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider; (4) it becoming probable that the borrower will enter bankruptcy or other financial reorganization; (5) disappearance of an active market for financial assets because of significant financial difficulties; (6) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including: adverse changes in the payment status of borrowers in the Group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the Group; (7) significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer; (8) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and (9) other objective evidence indicating there is an impairment of the financial asset.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Financial instruments (Cont'd)

Impairment of financial assets

(a) Receivables

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of the impairment loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

Financial assets with amounts that are individually significant are assessed individually for impairment. If there is objective evidence that an impairment loss on financial assets has been incurred on an individual basis, the impairment is recognised and recorded in the income statement as "Asset impairment losses". Financial assets with amounts that are not individually significant or those financial assets with no impairment on an individual basis are assessed for impairment loss on a collective basis based on their credit risk characteristics.

As for financial assets portfolio assessed for impairment loss on a collective basis, the Group estimates their future cash flows based on historical loss experience. To reflect the actual conditions of these financial assets, the historical loss experience will be adjusted considering the current data. The adjustment includes adding the situation that not exist in historical loss experience, and eliminating the situation that not exist in the current period.

When a financial asset becomes uncollectible, it is written off against the related provision for bad debts after all necessary procedures have been exhausted. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for impairment in the income statement.

(b) Available-for-sale financial assets

If there is objective evidence that an impairment loss on available-for-sale financial assets incurred, the cumulative losses arising from the decline in fair value that had been recognised in equity are transferred out from equity and charged into the impairment losses. For a debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the previously recognised impairment loss is reversed into profit or loss for the current period. For an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised in equity.

If an impairment loss incurred on available-for-sale financial assets measured at cost, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The impairment loss is not allowed to be reversed when the value is recovered in a subsequent period.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Financial instruments (Cont'd)

De-recognition of financial assets

A financial asset is derecognised if one of the following is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

When such financial assets are derecognised, the differences between the carrying amount and the sum of the consideration received and any cumulative gain or loss which has been previously recognised in other comprehensive income (related with available-for-sale financial assets) are recognised in profit or loss of the current period.

Financial liabilities

Financial liabilities are classified into the following two categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The Group's financial liabilities mainly are other financial liabilities, including borrowings, debt securities payables, long-term payable, interest payable, other payables, etc.

Other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortized cost using the effective interest method. Borrowings with a term of less than one year (including one year) are short-term borrowings, and others are long-term borrowings.

A financial liability (or part of it) is extinguished when the liability (or part of it) is discharged. The difference between the carrying value of the derecognised part and the consideration paid is recorded into the income statement of the current period.

Embedded derivative financial instruments

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that all or some of the cash flows of the hybrid instrument vary in a way similar to a stand-alone derivatives. An embedded derivative, related to a hybrid instrument that is not designated as financial asset or financial liability at fair value through profit or loss, shall be separated from the host contract and accounted for as a separate derivative if, and only if it meets following conditions:

- The economic characteristics and risks are not closely related to those of the related host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative

The Group will designate the hybrid financial instruments as financial assets or liabilities at fair value through profit or loss when they can't be separately measured initially or subsequently.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Financial instruments (Cont'd)

Fair value of financial instruments

If there is an active market for financial assets or liabilities, the fair value of the financial instrument is based on quoted price in the active market without any deduction for transaction costs that may occur on sales or disposals. The appropriate quoted price in an active market for a financial asset held or liability to be issued is usually the current bid prices, and the asking price is for an asset to be acquired or liability held.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include recent arm's length market transactions between knowledgeable and willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Periodically, the Group reviews the valuation techniques and tests them for validity.

(6) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries; and the Group's long-term equity investment in its joint ventures and associates.

(a) Subsidiaries

Subsidiaries are the investees over which the Company is able to exercise control. Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements.

Long-term equity investments accounted for using the cost method are measured at initial investment cost. Cash dividends or profit distributions declared by the investees are recognised as investment income in profit or loss.

(b) Associates

An associate is the investee over which the Group has significant influence on its financial and operating policy decisions.

The associates that are held by the Group, managed on fair value basis, evaluated and reported to the key management are designated as financial assets at fair value through profit or loss at initial recognition, and are recognised and measured as other Investments in associates are accounted for using the equity method. Where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(6) Long-term equity investments (Cont'd)

(b) Associates (Cont'd)

Under the equity method of accounting, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in shareholders' equity of the investee other than those arising from its net profit or loss, other comprehensive income and profit distribution, the Group records its proportionate share directly into capital surplus and adjusts the carrying amount. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-Group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gain or losses are recognised. For the loss on the intra-Group transaction amongst the Group and its investees attributable to asset impairment, any unrealized loss is not eliminated.

(7) Fixed assets

Fixed assets comprise motor vehicles, computers and electronic equipment and office equipment, etc. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Fix assets:			
Computer and electronic equipment	3 years	0%	33.33%
Office equipment	5 years	0%	20%
Operating lease fix assets:			
Motor Vessel	25 years	5%	3.8%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(7) Fixed assets (Cont'd)

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(8) Intangible assets

Intangible assets, when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured, are recognised and measured initially at cost. Intangible assets (for intangible assets with finite useful life only) are stated on the balance sheet at cost less accumulated amortisation and impairment losses. For an intangible asset with finite useful life, its cost less residual value and impairment loss is amortised on a straight-line basis over its estimated useful life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed and adjusted when necessary by the Group at least at each financial year end.

The useful lives of intangible assets are determined based on the terms in which intangible assets can bring economic benefits to the Group. An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. As at the balance sheet date, the Group has no intangible asset with an indefinite useful life.

The estimated useful lives of intangible assets are set as below:

	Estimated useful lives
Computer software	10 years

(9) Impairment of long-term assets

Fixed assets, intangible assets with finite useful lives and long-term equity investments in subsidiaries are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. No matter whether there is any indication exists.
Intangible assets that are not yet available for their intended use are tested for impairment at least on an annual basis. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a Group of assets to which the asset belongs is determined. A Group of assets is the smallest Group of assets that is able to generate independent cash inflows.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(10) Borrowing costs

The borrowing costs are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time of acquisition and construction for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

(11) Employee benefits

Employee benefits refers to all forms of consideration given by the Group in exchange for service rendered by employees or for the termination of employment, including short-term employee benefits, post-employment benefits, termination welfare, other long-term employee benefits, etc.

(a) Short-term employee benefits

Short-term benefits includes salaries, bonus, allowance, subsidies, expenses for employee benefit, medical insurance, work injury insurance, maternity insurance, housing fund, labour union and education. The Group makes housing fund and social insurance contributions to government agencies in proportion to each employee's salary and expenses monthly in the period in which the associated services are rendered by its employees, recognises short-term benefits incurred as liabilities and recognises them in profit or loss on an accrual basis.

(b) Post-employment benefits

The Group's post-employment benefit plans are defined contribution plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions. During the reporting period, the Group's post-employment benefits mainly include the premiums or contributions on basic pensions and unemployment insurance.

Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(12) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and
- that tax payer within the Group has a legally enforceable right to settle the current tax assets and current tax liabilities on net basis.

(13) Operating income and operating expenses

(a) Interest income and expense

Interest income and interest expenses are recognised using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial assets or financial liabilities to the net carrying amount of the financial asset or financial liability. The Group estimates the future cash flows, determines the effective interest rate on a basis of considering all the contract items of financial assets and financial liabilities except for the future credit loss. The Group also considers the income or expense related to fees, transaction costs, premium and discounts that are composition of effective interest rate.

(b) Fee and commission income and expenses

Fee and commission income and expenses are recognised on an accrual basis when the service is rendered or received.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(14) Government Grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy and etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets will be recorded as deferred income and recognised evenly in profit or loss over the useful lives of the related assets. However, the government grants measured at their nominal amounts will be directly recorded in profit and loss for the current period.

Government grants related to income will be recorded as deferred income and recognised in profit or loss in the period in which the related expenses are recognised if the grants are intended to compensate for future expenses or losses, and otherwise recognised in profit or loss for the current period if the grants are used to compensate for expenses or losses that have been incurred.

(15) Leases

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

(a) Operating leases

When the Group is a lessee in operating leases, lease payments are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

When the Group is a lessor under operating leases, the rent-out operating leasing assets are depreciated using the depreciation policy stated (Note 4 (7)) and the impairment loss of the asset are provided using the accounting policy stated (Note 4 (9)). Rental income from an operating lease is recognised on a straight-line basis over the period of the lease. Contingent rental will be recognised in profit or loss as incurred.

(b) Finance leases

Where the Group is a lessor under finance leases, an amount representing the sum of the minimum lease payments at the commencement of the lease term, is included on the balance sheet under "Finance lease receivables", meanwhile the unguaranteed balance will be recorded. The difference between the total amount of the minimum lease payments and the unguaranteed balance and their present value will be recognised as unrealised financing income.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(15) Leases (Cont'd)

(b) Finance leases (Cont'd)

Unrealised finance income under finance leases are amortised using an effective interest rate method over the lease term. On financial statements date, the balance of finance lease receivables minus unrealised finance income will be included on the balance sheet under "Long-term receivables".

Where the Group is a lessee under finance leases, the leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge and is amortised using the effective interest method over the period of the lease. An Obligation under finance lease is recorded at the amount equal to the minimum lease payments less the unrecognised finance charge.

(16) Profit distribution

Profits or dividends distributed after the balance sheet date as per profit distribution plan already approved are not recognised as a liability on the balance sheet date and are separately disclosed in the notes to the financial statements.

(17) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are deconsolidated from the date that such control ceases.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-Group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' equity, net profits and total comprehensive income for the period not attributable to the Company are recognised as minority interest and total comprehensive income attributed to minority interest and presented separately in the consolidated financial statements under equity, net profits and total comprehensive income respectively.

(18) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(18) Segment information (Cont'd)

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

Considering that the Group's business activities were mainly leasing operations, these operations were not managed by operating segments, and accordingly, no segment information is available.

(19) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(a) Impairment losses on financial assets

The Group regularly reviews its financial assets for impairment, unless there is information indicating that impairment loss has been incurred in the period after the previous review and before the next upcoming review.

Significant judgment is required from the Group in assessing whether impairment losses exist in receivables with amounts that are individually significant and financial assets that are not individually significant but are of similar risk characteristics. Objective evidence for impairment includes observable data indicating adverse changes in the repayment status of certain lessee (or certain homogeneous lessee) or national or local economic conditions that correlate with defaults on the assets in the portfolio. The Group will make the above judgements during its regular quality review of its financial assets and when there is objective evidence indicating that impairment losses may have been incurred.

Judgements concerning and estimations of negative factors that may affect the future cash flows are critical when the Group determines that there is indication of impairment for individually significant financial assets. The Group regularly reviews the methods and assumptions used in its estimations of the amounts and timing of future cash flows so as to minimize the difference between the estimated losses and actual losses of its financial assets. Factors that may have a bearing on the judgements include availability and level of detail of information in relation to the lessees, and the correlation between qualitative factors (e.g., the relationship between regional economic changes and defaults on financial assets, etc.).

Financial assets not identified as impaired based on individual assessment and financial assets identified as impaired but individually insignificant are included in a Group for collective assessment for impairment. Collective assessment for impairment involves significant judgement. In reviewing its impairment assessment methods, the Group considers the risk profile of its asset portfolio, changes of and uncertainties in the macro-economic environments in which it operates, and the quality and capability of its management of financial assets.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(19) Critical accounting estimates and judgements (Cont'd)

(b) Determination of fair value of financial instruments

The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique that is appropriate under the current circumstances and that there are sufficient observable market data and other information available. Common valuation techniques mainly are market approach and income approach, including references to prices used in the recent market transactions between knowledgeable and willing parties, current fair value for similar instruments, discounted cash flow analysis, and option pricing model etc.

Using different valuation techniques or inputs may result in a material difference in the estimated fair value.

(c) Income Tax

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5 Taxation

The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax rate	Tax base
Corporate income tax	25%	Taxable income
Value added tax ("VAT") (1)	17%, 6%	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)
Business tax(2)	5%	Taxable turnover amount
City Maintenance and Construction Tax	7%	"VAT" and "business tax"

(1) Value added tax

In accordance with the 'Rules for Pilot Implementation of the Transition from Business Tax to Value-Added Tax' as part of the 'Circular regarding the Inclusion of the Railway Transportation and Postal Services in the Pilot Business Tax to Value-Added Tax Implementation' (Cai Shui [2013] No.106) jointly issued by the Ministry of Finance and the State Administration of Taxation and relevant requirements, as from 1 May 2016, the Group's income from finance leasing of its tangible personal properties is subject to VAT at a rate of 17%, and its income from services in modern services industries other than services in connection with tangible personal properties is subject to VAT at a rate of 6%.

5 Taxation (Cont'd)

(2) Business tax

Before 1 May 2016, according to related tax laws and regulations, revenue from the Group's finance lease services other than tangible movable property (for example, finance lease service for movable property) in Mainland China which falls within the business tax scope was subject to business tax at the rate of 5%.

(3) Preferential tax benefits

In accordance with the 'Memorandum of Understanding' entered into between the Management Committee of Tianjin Dongjiang Bonded Port Area and the Company in 2015, Tianjin Dongjiang Bonded Port Area provides partial refund of corporate income tax and turnover tax to the Company and all of its subsidiaries and branches established and registered in Tianjin Dongjiang Bonded Port Area.

6 Subsidiaries

(1) Subsidiaries included in the consolidation scope

	Place of registration	Registered capital	Nature of business	Shareholding (%)	Voting rights (%)
CM Shenying No. 1 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 2 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 3 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 5 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 6 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 7 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 8 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 9 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 10 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 11 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 12 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 13 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 15 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 16 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 17 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 18 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 19 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 20 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM International Financial Leasing Investment Holding Co., Ltd.	Hong Kong	HKD 10,000	Leasing and investment	100%	100%

6 Subsidiaries (Cont'd)

As at 31 December 2016, the Company had not made any actual capital contribution to the following subsidiaries: CM Shenying No. 11 (Tianjin) Aviation Leasing Co., Ltd., CM Shenying No. 12 (Tianjin) Aviation Leasing Co., Ltd., CM Shenying No. 13 (Tianjin) Aviation Leasing Co., Ltd., CM Shenying No. 15 (Tianjin) Aviation Leasing Co., Ltd., CM Shenying No. 16 (Tianjin) Aviation Leasing Co., Ltd., CM Shenying No. 17 (Tianjin) Aviation Leasing Co., Ltd., CM Shenying No. 18 (Tianjin) Aviation Leasing Co., Ltd., CM Shenying No. 19 (Tianjin) Aviation Leasing Co., Ltd. and CM Shenying No. 20 (Tianjin) Aviation Leasing Co., Ltd.

(2) Consolidation of structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity (such as when any voting rights relate to administrative management affairs only, the relevant activities are directed by means of contract or arrangements.

The structured entities consolidated by the Company are asset-backed special programmes (Note 7, (20)) sponsored by the Company. For the purpose of consolidation, the Company first considers whether its controls the structured entity as its sponsor and servicer, and assesses whether the structured entity should be consolidated based on the scope of its decision-making as the sponsor and servicer, its power over the special programme, and its exposure to the variable returns from the special programme.

During the period of the financial statements, the Group did not provide any financial support to the asset-backed special programmes mentioned above.

7 Notes to the financial statements

(1) Cash at bank and on hand

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Cash at bank	2,071,258,341	1,387,070,508	1,989,440,028	1,386,011,200

As at 31 December 2016, RMB1,934,231,783 (31 December 2015: RMB600,013,670) deposits was pledged as collateral for the Company's borrowings (Note 7(12), Note 7(19)), of which RMB 1,796,823,000 deposits will expire in three months according to the contract.

(2) Interest receivables

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Interest receivables from entrusted loans	7,301,894	174,167	7,301,894	174,167
Interest receivables before the lease commencement date	5,348,992	2,163,369	4,607,720	1,788,016
Interest receivables from the related parties (Note 8(5))	2,400,347	7,900,469	2,400,347	7,900,469
Others	234,732	-	-	-
	15,285,965	10,238,005	14,309,961	9,862,652

(3) Other receivables

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Receivables from related parties(Note 8(5))	1,337,830,974	-	1,837,415,962	73,756,447
Entrusted loans	433,000,000	-	433,000,000	-
Factoring finance	322,780,000	-	322,780,000	-
Others	59,361,226	2,845,883	23,160,381	2,845,883
Less: Provision for bad debts	(5,057,894)	-	(5,057,894)	-
	2,147,914,306	2,845,883	2,611,298,449	76,602,330

7 **Notes to the financial statements**

(4) Current portion of non-current assets

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Current portion of long-term receivables (Note 7(7))	4,991,434,351	1,715,527,810	4,876,876,305	1,702,787,126
Others	132,313,870	-	132,313,870	-
	5,123,748,221	1,715,527,810	5,009,190,175	1,702,787,126

(5) Other current assets

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Input VAT to be deducted	142,867,693	-	138,280,952	-

(6) Available-for-sale financial assets

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Available-for-sale equity instruments	30,000,000	-	30,000,000	-

The Group holds 10% of voting rights of CM (Tianjin) cultural development Co., Ltd.. This voting rights only related to administrative and management of CM (Tianjin) cultural development Co., Ltd., and the Group does not participate in or influence the financial and operating policy decisions of CM (Tianjin) cultural development Co., Ltd. in any ways.

7 Notes to the financial statements (Cont'd)

(7) Long-term receivables

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Finance lease receivables	21,009,625,514	6,174,267,868	19,460,234,173	6,174,267,868
Finance lease prepayments	1,071,376,272	840,603,444	848,131,972	754,532,072
Entrusted loans	497,006,653	399,400,000	497,006,653	399,400,000
Financing to third parties	169,498,238	-	-	-
	22,747,506,677	7,414,271,312	20,805,372,798	7,328,199,940
Including：				
Current portion of long-term receivables	4,991,434,351	1,715,527,810	4,876,876,305	1,702,787,126
Non-current portion of long-term receivables	17,756,072,326	5,698,743,502	15,928,496,493	5,625,412,814

Net book values of finance lease receivables due under 1 year are as follows：

	Consolidated 31 December 2016	Consolidated 31 December 2015	Company 31 December 2016	Company 31 December 2015
Finance lease receivables	5,863,846,531	1,849,617,333	5,666,959,062	1,849,617,333
Less: Unrealized finance income	(1,052,874,749)	(294,257,239)	(949,331,902)	(294,257,239)
Provision for impairment losses collectively assessed	(32,196,389)	(2,333,040)	(31,571,701)	(2,333,040)
Net book value of finance lease receivables	4,778,775,393	1,553,027,054	4,686,055,459	1,553,027,054
Finance lease prepayments	21,985,244	116,074,017	-	103,333,333
Less: Provision for impairment losses collectively assessed	(147,132)	(174,111)	-	(174,111)
Net book value of finance lease prepayments	21,838,112	115,899,906	-	103,159,222

7 Notes to the financial statements (Cont'd)

(7) Long-term receivables (Cont'd)

Net book values of finance lease receivables due under 1 year are as follows (Cont'd)：

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Entrusted loans	192,106,477	46,670,856	192,106,477	46,670,856
Less：Provision for impairment losses collectively assessed	(1,285,631)	(70,006)	(1,285,631)	(70,006)
Net book value of entrusted loans	190,820,846	46,600,850	190,820,846	46,600,850
	4,991,434,351	1,715,527,810	4,876,876,305	1,702,787,126

Net book values of finance lease receivables due over 1 year are as follows：

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Finance lease receivables	19,017,596,198	5,138,357,758	16,576,006,229	5,138,357,758
Less: Unrealized finance income	(2,675,576,394)	(508,220,871)	(1,700,058,617)	(508,220,871)
Provision for impairment losses collectively assessed	(111,169,683)	(8,896,073)	(101,768,898)	(8,896,073)
Net book value of finance lease receivables	16,230,850,121	4,621,240,814	14,774,178,714	4,621,240,814
Finance lease prepayments	1,056,609,290	725,792,226	853,846,153	652,461,538
Less: Provision for impairment losses collectively assessed	(7,071,130)	(1,088,688)	(5,714,181)	(1,088,688)
Net book value of finance lease prepayments	1,049,538,160	724,703,538	848,131,972	651,372,850
Entrusted loans	308,248,695	353,329,144	308,248,695	353,329,144
Less：Provision for impairment losses collectively assessed	(2,062,888)	(529,994)	(2,062,888)	(529,994)
Net book value of entrusted loans	306,185,807	352,799,150	306,185,807	352,799,150

7 Notes to the financial statements (Cont'd)

(7) Long-term receivables (Cont'd)

Net book values of finance lease receivables due over 1 year are as follows (Cont'd)：

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Financing to third parties	170,640,211	-	-	-
Less: Provision for impairment losses	(1,141,973)	-	-	-
Net book value of financing to third parties	169,498,238	-	-	-
	17,756,072,326	5,698,743,502	15,928,496,493	5,625,412,814

Movements of provision for impairment losses are as follows:

Consolidated

	1 January 2016	Increase in current year (Note7(30))	31 December 2016
Finance lease receivables	11,229,113	132,136,959	143,366,072
Finance lease prepayments	1,262,799	5,955,463	7,218,262
Entrusted loans	600,000	2,748,519	3,348,519
Financing to third parties	-	1,141,973	1,141,973
	13,091,912	141,982,914	155,074,826

Company

	1 January 2016	Increase in current year (Note7(30))	31 December 2016
Finance lease receivables	11,229,113	122,111,486	133,340,599
Finance lease prepayments	1,262,799	4,451,382	5,714,181
Entrusted loans	600,000	2,748,519	3,348,519
	13,091,912	129,311,387	143,403,299

7 Notes to the financial statements (Cont'd)

(7) Long-term receivables (Cont'd)

Future lease payment from lessees according to the contracts are as follows:

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Within 1 year	5,885,831,775	1,965,691,350	5,666,959,062	1,952,950,666
1 to 2 years	5,571,704,331	1,800,875,378	5,337,520,666	1,779,168,792
2 to 3 years	4,317,609,473	1,691,747,912	4,079,182,963	1,668,850,905
Over 3 years	10,184,891,684	2,371,526,694	8,013,148,753	2,342,799,599
	25,960,037,263	7,829,841,334	23,096,811,444	7,743,769,962

As at 31 December 2016, the Group pledged RMB9,240,778,678 (31 December 2015: RMB2,461,425,856) finance lease receivables as collateral for borrowings and recourse factoring.(Note 7(12), Note 7(17) and Note 7(19))

(8) Long-term equity investments

	Consolidated	
	31 December 2016	31 December 2015
Investment to associates	520,022,356	-

	Company	
	31 December 2016	31 December 2015
Investment to subsidiaries(Note 6(1))	900,000	-
Investment to associates	520,022,356	-
	520,922,356	-

As at 31 December 2016, the Group and the Company had no significant long-term equity investments whose recoverable amounts were lower than their carrying amounts due to changes in the operating performance of the investees, and where the decrease in value might not be recovered in the foreseeable future, and accordingly, no impairment provision for long-term equity investments was made.

7 Notes to the financial statements (Cont'd)

(8) Long-term equity investments (Cont'd)

Investments in associates are set out below:

	31 December 2015	Increase in investment	Share of net profit under equity method	31 December 2016
CMIG Healthcare Co., Ltd.	-	500,000,000	22,356	500,022,356
CM Yalian Property Management Co., Ltd.	-	20,000,000	-	20,000,000

General information of significant associates:

	Establishment Date	Place of registration	Place of major business	Issued and paid in capital (RMB)	% of Issued ownership interest	Major Business
CMIG Healthcare Co., Ltd.	30 September 2016	Tianjin	Tianjin	2,000,000,000	25%	Healthcare industry
CM Yalian Property Management Co., Ltd.	15 November 2016	Sanya	Sanya	50,000,000	20%	Property management

As at 31 December 2016，Key financial information for associates are as follows：

	CMIG Healthcare Co., Ltd.	CM Yalian Property Management Co., Ltd.
Total assets	2,008,356,244	50,000,000
Net assets	2,000,089,425	50,000,000
Net profit	89,425	-

As at 31 December 2016，The registered capital of CM Yalian Property Management Co., Ltd. had not been fully paid up.

7 Notes to the financial statements (Cont'd)

(9) Financial assets at fair value through profit or loss

As at 31 December 2016, The financial assets at fair value through profit or loss designated by the Group and the Company are as follows:

Investment projects	% of Shareholding	As at 31 December 2016 Consolidated	As at 31 December 2016 Company
SinoLending Ltd.	4.44%	346,850,000	-
Zenisun Heliport Investment Co., Ltd.	40.00%	200,000,000	200,000,000
Guangxi CM New Energy Investment Co., Ltd.	10.00%	50,000,000	50,000,000
CM Start-up Alliance (Tianjin) Investment Management Partnership (LLP)	1.89%	1,000,000	1,000,000
		597,850,000	251,000,000

As at 31 December 2015, no financial assets at fair value through profit or loss is designated by the Group and the Company.

(10) Fixed assets

Consolidated

	Vessel	Computers and electronic equipment	Office equipment	Total
Cost				
31 December 2015	-	250,208	-	250,208
Increase in the current period	1,741,880,700	1,995,709	606,921	1,744,483,330
31 December 2016	1,741,880,700	2,245,917	606,921	1,744,733,538
Accumulated depreciation				
31 December 2015	-	-	-	-
Increase in the current period	(6,726,849)	(221,482)	(467)	(6,948,798)
31 December 2016	(6,726,849)	(221,482)	(467)	(6,948,798)
Net book value				
31 December 2016	1,735,153,851	2,024,435	606,454	1,737,784,740
31 December 2015	-	250,208	-	250,208

7 Notes to the financial statements (Cont'd)

(10) Fixed assets

Company

	Computers and electronic equipment	Office equipment	Total
Cost			
31 December 2015	250,208	-	250,208
Increase in the current period	1,995,709	606,921	2,602,630
31 December 2016	2,245,917	606,921	2,852,838
Accumulated depreciation			
31 December 2015	-	-	-
Increase in the current period	(221,482)	(467)	(221,949)
31 December 2016	(221,482)	(467)	(221,949)
Net book value			
31 December 2016	2,024,435	606,454	2,630,889
31 December 2015	250,208	-	250,208

As at 31 December 2015, the fixed assets with a carrying amount of RMB1,735,153,851 are held under a finance lease. (31 December 2015：None) (Note 7(21)).

As at 31 December 2016 and 31 December 2015, there was no indication of significant impairment to the Group's fixed assets.

(11) Deferred tax assets

	Consolidated			
	31 December 2016		31 December 2015	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for asset impairments	37,915,718	152,244,601	3,272,978	13,091,912
Employee benefits payable	15,623,993	62,495,970	6,536,666	26,146,666
Accrued expenses	1,340,811	5,380,243	1,250,000	5,000,000
Deductible losses	931	3,725	-	-
	54,881,453	220,124,539	11,059,644	44,238,578
Including:				
Expected to be recovered within 1 year (inclusive)	16,965,735		7,786,666	
Expected to be recovered after 1 year	37,915,718		3,272,978	

7 Notes to the financial statements (Cont'd)

(11) Deferred tax assets (Cont'd)

	Company			
	31 December 2016		31 December 2015	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for asset impairments	36,865,298	147,461,193	3,272,978	13,091,912
Employee benefits payable	15,623,993	62,495,970	6,536,666	26,146,666
Accrued expenses	1,332,561	5,330,243	1,250,000	5,000,000
Deductible losses	-	-	-	-
	53,821,852	215,287,406	11,059,644	44,238,578
Including:				
Expected to be recovered within 1 year (inclusive) (Note 7(32))	16,956,554		7,786,666	
Expected to be recovered after 1 year	36,865,298		3,272,978	

Movements of deferred tax assets are as follows:

	Consolidated		Company	
	For the year ended 31 December 2016	The Period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015	For the year ended 31 December 2016	The Period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015
Opening balance	11,059,644	-	11,059,644	-
Deferred tax assets included in the income statements (Note 7(32))	43,821,809	11,059,644	42,762,208	11,059,644
Closing balance	54,881,453	11,059,644	53,821,852	11,059,644

7 Notes to the financial statements (Cont'd)

(12) Short-term borrowings

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Secured borrowings				
Pledged borrowings	1,711,173,000	490,000,000	1,163,150,000	490,000,000
Recourse factoring	2,425,000,000	-	2,425,000,000	-
Unsecured borrowings	3,219,450,800	875,000,000	2,190,000,000	875,000,000
	7,355,623,800	1,365,000,000	5,778,150,000	1,365,000,000

As at 31 December 2016, the Group had short-term pledged borrowings of RMB1,711,173,000 (31 December 2015: RMB490,000,000) secured by bank deposits of RMB1,796,823,000 (31 December 2015: RMB500,000,000) (Note 7(1)); the recourse factoring of RMB2,425,000,000 was secured by finance lease receivables of RMB2,793,055,442 (31 December 2015: None) (Note 7(7)).

As at 31 December 2016, the weighted average interest rate of short-term borrowings was 4.37% per annum. (31 December 2015: 4.64%)

(13) Advance Payment

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Finance lease down payment	20,462,257	1,000,000	-	-
Finance lease in advance deposits	11,651,326	-	11,651,326	-
Operating lease rentals received in advance	8,896,702	-	-	-
Others	184,218	-	184,218	-
	41,194,503	1,000,000	11,835,544	-

(14) Employee benefits payable

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Short-term employee benefits payable	66,136,017	26,659,863	66,136,017	26,659,863

7 Notes to the financial statements (Cont'd)

(14) Employee benefits payable

(a) Short-term employee benefits

Consolidated and Company

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Wages and salaries, bonus, allowances and subsidies	25,659,863	132,000,000	95,163,893	62,495,970
Staff welfare	-	2,738,743	2,738,743	-
Social security contributions	-	1,353,525	1,313,478	40,047
Including: Medical insurance	-	1,180,057	1,180,057	-
Work injury insurance	-	36,416	36,416	-
Maternity insurance	-	96,606	96,606	-
Handicapped Employment Security Fund	-	40,446	399	40,047
Housing funds	-	1,427,919	1,427,919	-
Labour union funds and employee education funds	1,000,000	3,228,024	628,024	3,600,000
Commercial insurance	-	2,925,504	2,925,504	-
Others	-	543,877	543,877	-
	26,659,863	144,217,592	104,741,438	66,136,017

(b) Defined contribution plans payable

Consolidated and Company

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Basic pensions	-	2,265,046	2,265,046	-
Unemployment insurance	-	103,650	103,650	-
	-	2,368,696	2,368,696	-

7 Notes to the financial statements (Cont'd)

(15) Taxes payable

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Corporate income tax payable	55,804,714	34,843,686	51,277,540	34,760,607
Value-added tax payable	-	(30,675,365)	-	(30,937,610)
Withholding individual income tax payable	7,906,155	2,314,227	7,906,155	2,314,227
Business tax payable	-	945,026	-	945,026
Others	1,035,521	346,174	1,020,923	305,627
	64,746,390	7,773,748	60,204,618	7,387,877

(16) Interest payable

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Interest payable from long-term borrowings	23,331,351	5,182,260	23,331,351	5,182,260
Interest payable from recourse factoring	4,565,167	-	4,565,167	-
Interest payable from short-term borrowings	18,625,922	1,268,728	13,641,361	1,268,728
Interest payable from related parties' borrowings (Note 8(5))	7,570,862	2,294,646	2,808,375	2,294,646
	54,093,302	8,745,634	44,346,254	8,745,634

7 Notes to the financial statements (Cont'd)

(17) Other payables

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Other payables from related parties (Note 8(5))	1,048,135,791	506,576,447	504,216,655	506,576,447
Other payables from recourse factoring	509,600,000	-	509,600,000	-
Others	59,671,080	48,747,718	7,561,640	48,706,543
	1,617,406,871	555,324,165	1,021,378,295	555,282,990

As at 31 December 2016, other payables from recourse factoring were secured by recourse factoring receivables of RMB639,154,188 (31 December 2015: None) (Note 7(7)).

(18) Current portion of non-current liabilities

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Long-term borrowings (Note 7(19))	1,322,503,479	224,438,835	1,322,503,479	224,438,835
Debt securities payables (Note 7(20))	1,219,556,924	357,456,507	1,219,556,924	357,456,507
Long Long-term payables (Note 7(21))	140,825,425	300,409,500	-	300,409,500
Uninvoiced VAT output	105,130,010	-	105,130,010	-
Deferred finance lease fee income	42,230,352	26,332,351	42,230,352	21,961,616
Finance lease guarantee deposits	28,120,850	6,600,000	28,120,850	6,600,000
	2,858,367,040	915,237,193	2,717,541,615	910,866,458

7 Notes to the financial statements (Cont'd)

(19) Long-term borrowings

	Consolidated and Company	
	31 December 2016	31 December 2015
Secured borrowings		
Pledged borrowings	2,288,000,000	245,000,000
Recourse factoring	2,623,593,557	1,141,529,746
Unsecured borrowings	510,000,000	510,000,000
	5,421,593,557	1,896,529,746
Including：		
Current portion of long-term borrowings	1,322,503,479	224,438,835
Long-term borrowings due over 1 year	4,099,090,078	1,672,090,911

As at 31 December 2016, long-term pledged borrowings of RMB2,288,000,000 (31 December 2015: RMB245,000,000) were secured by bank deposits of RMB63,000,000 (31 December 2015: RMB63,000,000) (Note 7(1)) and finance lease receivables of a carrying amount of RMB 2,954,464,188 (31 December 2015: RMB319,711,067) (Note 7(7)).

As at 31 December 2016, long-term recourse factoring of RMB2,623,593,557 (31 December 2015: RMB1,141,529,746) were secured by bank deposits of RMB74,408,783 (31 December 2015: RMB37,013,670) (Note 7(1)) and finance lease receivables of a carrying amount of RMB2,854,104,860 (31 December 2015: RMB2,141,714,789) (Note 7(7)).

As at 31 December 2016, the weighted average interest rate of long-term borrowings is 4.80% per annum (31 December 2015: 4.99%).

(20) Debt securities payables

	Consolidated and Company	
	31 December 2016	31 December 2015
Non-public corporate debt securities (a)	5,037,131,512	-
Asset-backed securities(b)	2,828,065,444	1,027,456,507
Including：current portion of debt securities payables	(1,219,556,924)	(357,456,507)
	6,645,640,032	670,000,000

7 Notes to the financial statements (Cont'd)

(a) Non-public corporate debt securities

Issuance date	Maturity date	Coupon rate	Issuance currency	31 December 2016
8 September 2016	8 September 2019	4.70%	RMB	3,032,506,031
24 November 2016	24 November 2019	4.97%	RMB	2,004,625,481
				5,037,131,512

On 8 September 2016 and 24 November 2016, the Company made two private offerings of 3-year bonds, with par values of RMB3 billion and RMB2 billion respectively, to qualified investors. The issuer has the option to adjust the coupon rate applicable to the remaining period of the bond while the investors has the put option at the end of the second year of the 3-year period. The bonds calculate interests at non-compounding rates. The fixed nominal interest rates are 4.70% and 4.79% for the first two years of the life of the bonds. At the end of the second year, if the issuer exercises the option to adjust the interest rates, the interest rates for the remaining life of the bonds will be the prior two years' interest rates plus the adjusted base points and remain unchanged for the last year of the bonds.

(b) Asset-backed securities

The Group's asset-backed securities comprise three financing programs are as follows:

The Group issued three asset-backed securities backed by finance lease receivables in 2015 and 2016 with a total book value of RMB3.65 billion, including a senior tranche of RMB3.4 billion and a junior tranche of RMB250 million. The Group holds all the senior and junior tranches. Considering its retaining of all the risks and rewards associated with the finance lease receivables, the Group recognised the proceeds from the senior tranche as liabilities. In addition, the Group is obligated to pay the shortfalls on the principal and interest of the senior tranche.

As at 31 December 2016, the par values, annual coupon rates and expected maturity dates of the preferred classes are as follows:

Issuance date	Maturity date	Coupon rate	Issuance currency	31 December 2016
11 November 2015	From 25 January 2016 to 23 August 2018	5.05%-5.8%	RMB	676,747,015
26 May 2016	From 21 July 2016 to 21 April 2019	3.8%-5.5%	RMB	651,737,348
7 December 2016	From 25 January 2017 to 25 April 2020	4.2%-5.3%	RMB	1,499,581,081
				2,828,065,444

7 Notes to the financial statements (Cont'd)

(21) Long-term payables

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Finance lease payables	1,632,822,913	305,047,750	-	305,047,750
Less: unrecognised finance expense	(265,653,235)	(4,638,250)	-	(4,638,250)
Net	1,367,169,678	300,409,500	-	300,409,500
Including:				
Current portion of long-term payables (Note 7(18))	140,825,425	300,409,500	-	300,409,500
Long-term payables due over 1 year	1,226,344,253	-	-	-

Future lease payment to lessors according to the contracts are as follows:

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Within 1 year	205,904,212	305,047,750	-	305,047,750
1 to 2 years	206,003,927	-	-	-
2 to 3 years	206,003,927	-	-	-
Over 3 years	1,014,910,847	-	-	-
	1,632,822,913	305,047,750	-	305,047,750

7 Notes to the financial statements (Cont'd)

(22) Other non-current liabilities

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Guarantee deposit from finance lease	1,147,908,322	448,669,566	1,113,437,847	440,967,000
Deferred finance lease income	150,410,560	82,164,086	150,410,560	77,793,351
Uninvoiced VAT output	178,735,170	-	175,326,264	-
	1,477,054,052	530,833,652	1,439,174,671	518,760,351
Including:				
Current portion of other non-current liabilities (Note 7(18))	175,481,212	32,932,351	175,481,212	28,561,616
Other non-current liabilities due over 1 year	1,301,572,840	497,901,301	1,263,693,459	490,198,735

(23) Share capital

Consolidated and Company

	31 December 2016		31 December 2015	
	Amount	% of shareholding	Amount	% of shareholding
China Minsheng Investment Corp., Ltd.	2,725,000,000	60.56%	1,800,000,000	60.00%
Hana Bank Co., Ltd.	1,125,000,000	25.00%	750,000,000	25.00%
CM International Investment Holding Co., Ltd.	450,000,000	10.00%	450,000,000	15.00%
Beijing Deruigao Investment management Co., Ltd	100,000,000	2.22%	-	-
Shanxi Rongmin Cultural Industry Development Co.,Ltd	100,000,000	2.22%	-	-
	4,500,000,000	100.00%	3,000,000,000	100.00%

The Company issued 1.5 billion shares in Year ended 31 December 2016, at a face value of RMB 1 per share. On 9 May 2016, the Company received the capital contributions of RMB1,125,000,000 from China Minsheng Investment Corp.,Ltd., which were included in the share capital. On 10 May 2016, the Company received capital contribution of USD57,486,242 from Hana Bank Co., Ltd., or a total amount of RMB375 million, which were included in the share capital.

The contributions to the share capital as described above have been verified by PricewaterhouseCoopers Zhong Tian LLP, as through its capital verification reports, PwC ZT BJ Yan Zi (2016) No. 583, PwC ZT BJ Yan Zi (2016) No. 604, issued on 10 May 2016 and 12 May 2016, respectively.

7 Notes to the financial statements (Cont'd)

(24) Capital reserve

Consolidated and Company

	1 January 2016	Increase in current year	31 December 2016
Capital premium	189,784	-	189,784

	16 April 2015 (Establishment Date of the Company)	Increase in current period	31 December 2016
Capital premium	-	189,784	189,784

(25) Surplus reserve

Consolidated and Company

	1 January 2016	Increase in current year	31 December 2016
Statutory surplus reserve	14,097,620	21,187,214	35,284,834

Consolidated and Company

	16 April 2015 (Establishment Date of the Company)	Increase in current period	31 December 2015
Statutory surplus reserve	-	14,097,620	14,097,620

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and can cease appropriation when the statutory surplus reserve accumulates to more than 50% of the registered capital.

7 Notes to the financial statements (Cont'd)

(26) Profit distribution

On 15 April 2017, the Board of Directors proposed the following profit contribution scheme for the year ended 31 December 2016: appropriation of RMB21,187,214, 10% of the net profit of the statutory surplus reserve as per the Company Law and the Company's Articles of Association; declaration of cash dividend of RMB0.07 per share, totally RMB317 million based on 4.5 billion shares issued at the end of 2016 to ordinary shareholders, which is not recorded as a liability in the financial statements for the current year. The proposed profit distribution scheme is subject to the approval by the shareholders in the forthcoming Annual General Meeting. On 26 April 2016, the Company's scheme with respect to profit distribution for the period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015 was approved by the General Shareholders Meeting.

(27) Operating income and expenses

Operating income

	Consolidated		Company	
	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015
Interest income	705,107,425	116,828,124	678,863,724	116,452,771
Fee and commission income	519,125,830	210,829,614	464,120,246	210,829,614
Finance lease income	26,124,026	-	-	-
Others	9,677,105	-	1,239,366	-
	1,260,034,386	327,657,738	1,144,223,336	327,282,385

Operating expenses

	Consolidated		Company	
	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015
Interest expenses	508,975,892	40,622,099	486,597,929	40,622,099
Fee and commission expenses	90,521,746	15,578,285	47,544,856	15,578,285
Finance lease expense	6,441,042	-	-	-
	605,938,680	56,200,384	534,142,785	56,200,384

7 Notes to the financial statements (Cont'd)

(28) Taxes and surcharges

	Consolidated		Company	
	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015
Stamp tax	3,547,317	-	3,522,871	-
Business tax	3,099,410	1,674,450	3,099,410	1,674,450
City maintenance and construction tax and educational surcharge	461,610	1,264,046	402,923	1,229,955
	7,108,337	2,938,496	7,025,204	2,904,405

(29) General and administrative expenses

	Consolidated		Company	
	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015
Employee benefits (Note 7 (14))	146,586,288	53,844,188	146,586,288	53,844,188
Service expenses	18,074,881	5,053,661	18,027,025	5,053,661
Business entertainment expenses	14,968,594	8,761,653	14,968,594	8,761,653
Travelling expenses	12,094,857	4,819,049	12,094,857	4,819,049
Conference and administrative expenses	9,269,949	6,760,810	9,269,949	6,760,810
Rental expenses	7,806,666	7,704,368	7,806,666	7,704,368
Advertising and publicity expenses	3,305,142	1,622,917	3,305,142	1,622,917
Others	6,863,783	11,667,253	6,863,783	11,660,797
	218,970,160	100,233,899	218,922,304	100,227,443

7 Notes to the financial statements (Cont'd)

(30) Asset impairment losses

	Consolidated		Company	
	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 1 December 2015
Impairment of long-term receivables	141,600,601	13,091,912	129,311,387	13,091,912
Provision for other receivables bad debts	5,057,894	-	5,057,894	-
	146,658,495	13,091,912	134,369,281	13,091,912

(31) Non-operating income

	Consolidated		Company	
	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015
Tax refund	27,882,500	-	27,882,500	-
Government grant	-	20,000,000	-	20,000,000
	27,882,500	20,000,000	27,882,500	20,000,000

In accordance with the 'Memorandum of Understanding' entered into between the Management Committee of Tianjin Dongjiang Bonded Port Area and the Company in 2015, Tianjin Dongjiang Bonded Port Area provided a government grant of RMB20 million to the Company in a one-off cash payment before the end of 2015.

7 Notes to the financial statements (Cont'd)

(32) Income tax expenses

	Consolidated		Company	
	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015
Current income tax	123,719,957	62,263,839	116,535,971	62,180,760
Deferred income tax	(43,821,809)	(11,059,644)	(42,762,208)	(11,059,644)
	79,898,148	51,204,195	73,773,763	51,121,116

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the financial statements to the income tax expenses is listed below:

	Consolidated		Company	
	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015
Total profit	317,125,170	192,429,630	285,645,909	192,097,312
Income tax expenses calculated at applicable tax rates	79,281,293	48,107,407	71,411,477	48,024,328
Costs, expenses and losses not deductible for tax purposes	2,362,286	3,096,788	2,362,286	3,096,788
Others	(1,745,431)	-	-	-
Income tax expenses	79,898,148	51,204,195	73,773,763	51,121,116

7 Notes to the financial statements (Cont'd)

(33) Other comprehensive income

Consolidated

	Year ended 31 December 2016		
	Amount before income tax	Income tax	Net amount after tax
Items that will be subsequently reclassified to profit or loss			
Currency translation differences	490,917	-	490,917

(34) Notes to cash flow statement

(a) Reconciliation from net profit to cash flows from operating activities

	Consolidated		Company	
	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015
Net Profit	237,227,022	141,225,435	211,872,146	140,976,196
Add: Provisions for impairment losses	146,658,495	13,091,912	134,369,281	13,091,912
Depreciation of fixed assets	6,948,798	-	221,949	-
Amortization of intangible assets	231,340	-	231,340	-
Exchange income	477,641	(5,704,439)	477,641	(5,704,439)
Investment income	(22,356)	-	(22,356)	-
Increase in deferred tax assets	(43,821,809)	(11,059,644)	(42,762,208)	(11,059,644)
Decrease in operating receivables	(19,613,636,195)	(7,540,460,782)	(18,129,342,465)	(7,527,770,504)
Increase in operating payables	12,916,644,416	4,703,009,347	9,278,542,132	4,689,509,000
Net cash flows from operating activities	(6,349,292,648)	(2,699,898,171)	(8,546,412,540)	(2,700,957,479)

7 Notes to the financial statements (Cont'd)

(34) Notes to cash flow statement (Cont'd)

(b) Net increase / (decrease) in cash and cash equivalents

	Consolidated		Company	
	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015
Cash and cash equivalents at the end of the year/period	137,026,558	1,287,056,838	55,208,245	1,285,997,530
Less: Cash and cash equivalents at the beginning of the year/period	(1,287,056,838)	-	(1,285,997,530)	-
Net (decrease)/ increase in cash and cash equivalents	(1,150,030,280)	1,287,056,838	(1,230,789,285)	1,285,997,530

(c) Cash and cash equivalents

Cash at bank and on hand in the cash flow statement includes:

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Cash at bank and on hand (Note 7(1))	2,071,258,341	1,387,070,508	1,989,440,028	1,386,011,200
Less: Restricted cash at bank	(1,934,231,783)	(100,013,670)	(1,934,231,783)	(100,013,670)
Closing balance of cash and cash equivalents	137,026,558	1,287,056,838	55,208,245	1,285,997,530

7 Notes to the financial statements (Cont'd)

(34) Notes to cash flow statement (Cont'd)

(d) Cash paid relating to other operating activities

Cash paid relating to other operating activities in the cash flow statement mainly includes:

	Consolidated		Company	
	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015
Restricted cash at bank	1,834,218,114	100,013,670	1,834,218,114	100,013,670
Finance lease	1,300,409,500	-	1,300,409,500	-
Entrusted loans	683,000,000	400,000,000	683,000,000	400,000,000
Advance payments for subsidiaries	-	-	499,584,989	-
Recourse factoring	322,780,000	-	322,780,000	-
Financing to third parties	170,714,006	-	-	-
Others	201,404,567	48,771,120	194,053,091	122,776,423
	4,512,526,187	548,784,790	4,834,045,694	622,790,093

8 Related parties and related party transactions

(1) The parent company

(a) General information of the parent company

Name of enterprise	Place of registration	Nature of business
China Minsheng Investment Corp., Ltd.	Shanghai, China	Equity investment, management of equity investment, business consulting, financial consulting, industrial investment, assets management and investment consulting

(b) Registered capital and changes in registered capital of the parent company

China Minsheng Investment Corp., Ltd.

Currency	31 December 2015	Increase in current year	Decrease in current year	31 December 2016
Renminbi	50,000,000,000	-	-	50,000,000,000

8 Related parties and related party transactions (Cont'd)

(1) The parent company (Cont'd)

(c) The percentages of shareholding and voting rights in the Company held by the parent company

	31 December 2016		31 December 2015	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
China Minsheng Investment Corp., Ltd.	60.56%	60.56%	60%	60%
CM International Investment Holding Co., Ltd.	10%	10%	15%	15%

The ultimate controlling company of the Company is China Minsheng Investment Corp., Ltd.

(2) Subsidiaries

The major subsidiaries of the Company are set out in Note 6(1).

(3) Associates.

The details of associates are set out in Note 7(8).

(4) Nature of related parties that do not control/ are not controlled by the Company

	Relationship with the Group
Hana Bank Co., Ltd	Exert a significant impact on the Group
Harvest Year Global Limited	Ultimately Controlled by the parent company of the Group
China Minsheng New Energy Investment Co., Ltd.	Ultimately Controlled by the parent company of the Group
Shanghai Yusheng Human Resources Services Co., Ltd	Ultimately Controlled by the parent company of the Group

(5) Related party transactions and balances of related party transactions

These transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.

(a) Transactions with China Minsheng Investment Corp., Ltd.

In daily business, the closing balances of significant transactions and receivables and payables between the Group / the Company and China Minsheng Investment Corp., Ltd. are as follows:

8 Related parties and related party transactions (Cont'd)

(5) Related party transactions and balances of related party transactions (Cont'd)

(a) Transactions with China Minsheng Investment Corp., Ltd.(Cont'd)

	Consolidated and Company	
	31 December 2016	31 December 2015
Other receivables- intercompany balances and advances (Note 7(3))	1,337,830,974	-
Interest receivable (Note 7(2))	2,400,347	7,882,778
Other payables- intercompany balances and advances (Note 7(17))	500,000,000	506,576,447
Interest payables (Note 7(16))	291,667	-

In daily business, the influence of the significant transactions between the Group / the Company and China Minsheng Investment Corp., Ltd. on the income statement are as follows:

	Consolidated and Company	
	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015
Interest expense	45,733,333	-
Interest income	7,498,690	7,882,778

(b) Transactions with Harvest Year Global Limited

In daily business, the closing balances of significant transactions and receivables and payables between the Group / the Company and Harvest Year Global Limited are as follows:

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Other payables- intercompany balances and advances (Note 7(17))	548,009,126	-	-	-
Interest payables (Note 7(16))	4,381,694	-	-	-

8 Related parties and related party transactions (Cont'd)

(5) Related party transactions and balances of related party transactions (Cont'd)

(b) Transactions with Harvest Year Global Limited (Cont'd)

In daily business, the influence of the significant transactions between the Group / the Company and Harvest Year Global Limited on the income statement are as follows:

	Consolidated		Company	
	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015
Interest expense	4,195,527	-	-	-

(c) Transactions with Hana Bank Co., Ltd

In daily business, the closing balances of significant transactions and receivables and payables between the Group / the Company and Hana Bank Co., Ltd are as follows:

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Long-term borrowings	510,000,000	510,000,000	510,000,000	510,000,000
Short-term borrowings	346,850,000	-	-	-
Interest payables (Note 7(16))	2,897,501	2,294,646	2,516,708	2,294,646

In daily business, the influence of the significant transactions between the Group / the Company and Hana Bank Co., Ltd on the income statement are as follows:

	Consolidated		Company	
	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015
Interest expense	32,778,087	8,105,549	27,165,646	8,105,549

8 Related parties and related party transactions (Cont'd)

(5) Related party transactions and balances of related party transactions (Cont'd)

(d) Transactions with China Minsheng New Energy Investment Co., Ltd

In daily business, the closing balances of significant transactions and receivables and payables between the Group / the Company and China Minsheng New Energy Investment Co., Ltd are as follows:

	Consolidated and Company	
	31 December 2016	31 December 2015
Long-term receivables	555,136,759	174,508,799
Interest receivables	-	17,691

In daily business, the influence of the significant transactions between the Group / the Company and China Minsheng New Energy Investment Co., Ltd on the income statement are as follows:

	Consolidated and Company	
	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015
Interest income	19,379,873	1,262,652
Fees and commission income	15,139,172	6,196,786

(e) Transactions with Shanghai Yusheng Human Resources Services Co., Ltd.

In daily business, the closing balances of significant transactions and receivables and payables between the Group / the Company and Shanghai Yusheng Human Resources Services Co., Ltd. are as follows:

	Consolidated and Company	
	31 December 2016	31 December 2015
Other payables(Note 7(17))	126,665	-

In daily business, the influence of the significant transactions between the Group / the Company and Shanghai Yusheng Human Resources Services Co., Ltd. on the income statement are as follows:

	Consolidated and Company	
	Year ended 31 December 2016	The period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015
General and administrative expenses-labour outsourcing services	219,285	-

8 Related parties and related party transactions (Cont'd)

(5) Related party transactions and balances of related party transactions (Cont'd)

(g) Transactions with subsidiaries

Transactions with subsidiaries are not significant and have been eliminated in consolidation.

(h) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors, supervisors and other senior executives.

In addition to key management personnel remuneration, there are no other connected transactions with the key management personnel.

(9) Commitments

(1) Finance lease commitment

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Finance lease commitment	481,315,097	687,665,031	461,000,000	660,000,000

(2) Commitments of operating lease asset acquisition

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Amounts payable for purchase of helicopters	169,124,060	137,664,320	169,124,060	137,664,320

(3) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	Consolidated		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Within 1 year	9,028,850	9,028,850	9,028,850	9,028,850
1 to 2 years	5,614,470	9,028,850	5,614,470	9,028,850
2 to 3 years	-	5,614,470	-	5,614,470
	14,643,320	23,672,170	14,643,320	23,672,170

9 Commitments (Cont'd)

(4) Investment commitments

As at 31 December 2016, the Company was committed to completing its capital contribution of RMB100,000 to CM Shenying No. 11 (Tianjin) Aviation Leasing Co., Ltd. before 22 May 2017; and was committed to completing its capital injection of RMB800,000 to CM Shenying No. 12 (Tianjin) Aviation Leasing Co., Ltd., CM Shenying No. 13 (Tianjin) Aviation Leasing Co., Ltd., CM Shenying No. 15 (Tianjin) Aviation Leasing Co., Ltd., CM Shenying No. 16 (Tianjin) Aviation Leasing Co., Ltd., CM Shenying No. 17 (Tianjin) Aviation Leasing Co., Ltd., CM Shenying No. 18 (Tianjin) Aviation Leasing Co., Ltd., CM Shenying No. 19 (Tianjin) Aviation Leasing Co., Ltd. and CM Shenying No. 20 (Tianjin) Aviation Leasing Co., Ltd. before 1 June 2017. The Company's total commitment was RMB900,000.

(5) Contingency

As of the balance sheet date, no contingencies need to be disclosed by the Group.

10 Financial instruments and risks of financial instruments

(1) Overview of financial risk management

The Group's activities expose it to a variety of financial risks: market risk (primarily including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(2) Credit risk

Credit risk arises from the financial loss incurred by the counterparties' failure to meet their obligations in the contract matured date. Credit risk is one of the most crucial risks involved in the Group's business operation mainly arising from cash at bank, long-term receivables, Interest receivables, other receivables, etc.

(a) Measurement of credit risk

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium- or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Risk Management Department assumes overall responsibility in decision-making and general management in connection with credit risk, tracking and monitoring the external credit ratings of clients, and performing risk assessment and analysis on lessees on a regular basis.

10 Financial instruments and risks of financial instruments(Cont'd)

(2) Credit risk (Cont'd)

(b) Credit risk limit control and mitigation policies

The Company has introduced a range of policies and adopted various means and methods in managing its credit risk, including collecting security deposit and obtaining guarantee or mortgage, which are crucial means to control credit risk.

Before considering lease proposals, the Market Promotion Department would collect and analyse information on the operations and financial position of the lessees, review its qualifications, and set out requirements for additional collaterals or guarantors for high-risk lessees. The Operation Department develops and enforces standard rules and procedures with regard to finance lease contracts and monitors their performance to control relevant legal risks. After the commencement of a lease, the Operation Department monitors the leased equipment on an on-going basis to anticipate and prevent risks due to technologies being out of date or expiration of the economic life of the equipment, identifies and reports immediately on any adverse changes that may affect the repayment ability of the lessees, and takes effective measures to mitigate and manage these risks.

(c) On-balance sheet credit risk exposure:

Consolidated

	31 December 2016	31 December 2015
Cash at bank and on hand	2,071,258,341	1,387,070,508
Other receivables	2,128,908,148	2,845,883
Long-term receivables	22,747,506,677	7,414,271,312
Other fiancial assets	265,285,965	10,238,005
	27,212,959,131	8,814,425,708

The maximum credit risk exposure at 31 December 2016 without taking into consideration of any collateral held, netting agreement or other credit enhancement is presented above. The Maximum credit risk exposure of assets on balance is the net amount of each type of financial assets in the balance sheet.

(d) As at 31 December 2016, the Group's financial assets are not overdue or impaired.

(3) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign exchange risk

10 Financial instruments and risks of financial instruments(Cont'd)

(3) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

As at 31 December 2016, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized as below:

	31 December 2016		
	USD(RMB equivalent)	Others(RMB equivalent)	Total
Financial assets denominated in foreign currency			
Cash at bank and on hand	78,122,104	149,112	78,271,216
Long-term receivables	1,378,253,689	-	1,378,253,689
	1,456,375,793	149,112	1,456,524,905
Financial liabilities denominated in foreign currency			
Bank borrowings	1,577,473,800	-	1,577,473,800
Other payables	548,023,000	-	548,023,000
Long-term payables	1,367,169,678	-	1,367,169,678
Other financial liabilities	9,747,049	-	9,747,049
	3,502,413,527	-	3,502,413,527

As at 31 December 2015, the balance of US dollar deposits of the Group was USD1,099, or an equivalent of RMB7,132, and the Group had no foreign currency liabilities.

As at 31 December 2016，For the financial assets and liabilities measured in USD of the Group, if the RMB had strengthened/weakened by 1% against the USD while all other variables had been held constant, then the Group's net profit would have been approximately RMB15.35 million (31 December 2015: RMB53) higher/lower respectively, other comprehensive income is not affected.

(b) Interest rate risk

Interest rate risk refers to the possibilities of losses caused by any change of market interest rate that induced the opposite difference between actual gains/losses and anticipated gains/losses. Interest rate risk is mainly caused by the mismatching between maturity of financial assets and financial liabilities or the inconsistency of sensitivity degree of interest rate regarding assets and liabilities.

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10 Financial instruments and risks of financial instruments (Cont'd)

(3) Market risk (Cont'd)

(b) Interest rate risk (Cont'd)

The following table summarizes the interest rate risk exposure of the Company. The on-balance sheet assets and liabilities have been classified by the earlier of the contractual repricing date and the maturity date, and financial assets are stated in net book value.

	31 December 2016 (Consolidated)						
	Non-interest bearing	Within 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Financial assets							
Cash at bank and on hand	-	2,071,258,341	-	-	-	-	2,071,258,341
Other receivables	25,160,381	1,337,838,888	20,574,030	764,341,007	-	-	2,147,914,306
Long-term receivables	-	11,205,539,775	9,792,845,406	1,749,121,496	-	-	22,747,506,677
Other financial assets	393,135,965	-	-	50,000,000	200,000,000	-	643,135,965
Total financial assets	418,296,346	14,614,637,004	9,813,419,436	2,563,462,503	200,000,000	-	27,609,815,289
Financial liabilities							
Borrowing funds	-	2,053,245,914	4,264,721,043	6,201,250,400	220,000,000	38,000,000	12,777,217,357
Debt securities payables	-	250,479,401	-	959,317,344	6,655,400,211	-	7,865,196,956
Other payables	22,395,224	1,356,267	750,028	1,592,905,352	-	-	1,617,406,871
Long-term payables	-	12,197,951	17,701,782	110,925,692	657,307,808	569,036,445	1,367,169,678
Other financial liabilities	54,093,302	13,439,677	35,728,988	88,056,255	871,138,474	318,280,096	1,380,736,792
Total financial liabilities	76,488,526	2,330,719,210	4,318,901,841	8,952,455,043	8,403,846,493	925,316,541	25,007,727,654
Total interest repricing gap	341,807,820	12,283,917,794	5,494,517,595	(6,388,992,540)	(8,203,846,493)	(925,316,541)	2,602,087,635

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10 Financial instruments and risks of financial instruments (Cont'd)

(3) Market risk (Cont'd)

(b) Interest rate risk (Cont'd)

	31 December 2015 (Consolidated)						
	Non-interest bearing	Within 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Financial assets							
Cash at bank and on hand	-	1,387,070,508	-	-	-	-	1,387,070,508
Other receivables	16,800	648,370	-	2,180,713	-	-	2,845,883
Long-term receivables	-	820,670,640	-	6,194,200,672	-	-	7,014,871,312
Other financial assets	10,238,005	-	-	399,400,000	-	-	409,638,005
Total financial assets	10,254,805	2,208,389,518	-	6,595,781,385	-	-	8,814,425,708
Financial liabilities							
Borrowing funds	-	790,994,707	2,470,535,039	-	-	-	3,261,529,746
Debt securities payables		107,456,507	-	920,000,000	-	-	1,027,456,507
Other payables	511,926,087	-	-	43,398,078	-	-	555,324,165
Long-term payables	-	-	-	300,409,500	-	-	300,409,500
Other financial liabilities	457,415,200	-	-	-	-	-	457,415,200
Total financial liabilities	969,341,287	898,451,214	2,470,535,039	1,263,807,578	-	-	5,602,135,118
Total interest repricing gap	(959,086,482)	1,309,938,304	(2,470,535,039)	5,331,973,807	-	-	3,212,290,590

10 Financial instruments and risks of financial instruments (Cont'd)

(3) Market risk (Cont'd)

(b) Interest rate risk (Cont'd)

The Group performs exchange sensitivity analyses on its net foreign currency exposures to assess the potential impact of fluctuations of exchange rates on the income statement.

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Group regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position). As at 31 December 2016, an incremental 100 basis points parallel fall or rise in all yield curves, would increase or decrease planned net interest income for the next twelve months from the reporting date by RMB141.85 million(31 December 2015: RMB6.32 million)

(4) Liquidity risk

Liquidity risk refers to the risk that the Group is unable to realize its assets to fund the matured liabilities in a timely manner or at a reasonable cost. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial assets and liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows :

10 Financial instruments and risks of financial instruments (Cont'd)

(4) Liquidity risk (Cont'd)

(a) Remaining maturities analysis

	31 December 2016 (Consolidated)							
	Undated	Repayable on demand	Within 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Financial assets								
Cash at bank and on hand	-	-	137,026,558	1,796,823,000	-	87,023,404	50,385,379	2,071,258,341
Other receivables	-	23,128,234	2,007,914	20,574,030	2,102,204,128	-	-	2,147,914,306
Long-term receivables	-	-	534,260,918	927,951,598	3,529,221,836	15,047,800,775	2,708,271,550	22,747,506,677
Other financial assets	30,000,000	7,984,071	-	1,165,787	56,136,107	546,850,000	-	642,135,965
Total financial assets	30,000,000	31,112,305	673,295,390	2,746,514,415	5,687,562,071	15,681,674,179	2,758,656,929	27,608,815,289
Financial liabilities								
Borrowing funds	-	-	1,424,324,879	1,761,417,024	5,492,385,376	3,634,106,491	464,983,587	12,777,217,357
Debt securities payables	-	-	248,957,641	-	953,443,347	6,590,866,881	-	7,793,267,869
Other payables	-	-	1,356,267	23,145,252	1,592,905,352	-	-	1,617,406,871
Long-term payables	-	-	12,197,951	17,701,782	110,925,692	657,307,808	569,036,445	1,367,169,678
Other financial liabilities	-	-	13,439,677	83,840,675	94,037,870	871,138,474	318,280,096	1,380,736,792
Total financial liabilities	-	-	1,700,276,415	1,886,104,733	8,243,697,637	11,753,419,654	1,352,300,128	24,935,798,567
Liquidity exposure	30,000,000	31,112,305	(1,026,981,025)	860,409,682	(2,556,135,566)	3,928,254,525	1,406,356,801	2,673,016,722

10 Financial instruments and risks of financial instruments (Cont'd)

(4) Liquidity risk (Cont'd)

(a) Remaining maturities analysis (Cont'd)

	31 December 2015 (Consolidated)						
	Repayable on demand	Within 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Financial assets							
Cash at bank and on hand	787,056,838	-	500,000,000	-	63,000,000	37,013,670	1,387,070,508
Other receivables	16,800	648,370	-	2,180,713	-	-	2,845,883
Long-term receivables	-	963,207,152	164,219,707	1,265,964,479	4,015,254,595	606,225,379	7,014,871,312
Other financial assets	-	-	-	46,600,850	352,799,150	-	399,400,000
Total financial assets	787,073,638	963,855,522	664,219,707	1,314,746,042	4,431,053,745	643,239,049	8,804,187,703
Financial liabilities							
Borrowing funds	-	55,813,580	508,694,854	1,102,894,421	1,350,518,388	243,608,503	3,261,529,746
Debt securities payables	-	107,456,507	75,000,000	175,000,000	670,000,000	-	1,027,456,507
Other payables	511,926,087	-	-	43,398,078	-	-	555,324,165
Long-term payables	-	-	-	300,409,500	-	-	300,409,500
Other financial liabilities	-	-	-	6,600,000	211,182,389	230,887,177	448,669,566
Total financial liabilities	511,926,087	163,270,087	583,694,854	1,628,301,999	2,231,700,777	474,495,680	5,593,389,484
Liquidity exposure	275,147,551	800,585,435	80,524,853	(313,555,957)	2,199,352,968	168,743,369	3,210,798,219

10 Financial instruments and risks of financial instruments(Cont'd)

(4) Liquidity risk (Cont'd)

(b) Contractual undiscounted cash flow analysis

	31 December 2016 (Consolidated)						
	Repayable on demand	Within 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Financial liabilities							
Borrowing funds	-	1,437,929,367	1,860,364,733	6,782,748,650	3,939,426,528	534,133,934	14,554,603,212
Debt securities payables	-	250,479,401	-	959,317,344	6,655,400,211	-	7,865,196,956
Other payables	-	1,356,267	23,145,252	1,592,905,352	-	-	1,617,406,871
Long-term payables	-	17,396,509	33,299,265	155,208,438	824,580,101	602,338,600	1,632,822,913
Other financial liabilities	-	13,439,677	83,840,675	94,037,870	871,138,474	318,280,096	1,380,736,792
Total financial liabilities	-	1,720,601,221	2,000,649,925	9,584,217,654	12,290,545,314	1,454,752,630	27,050,766,744

10 Financial instruments and risks of financial instruments(Cont'd)

(4) Liquidity risk (Cont'd)

(b) Contractual undiscounted cash flow analysis (Cont'd)

	31 December 2015 (Consolidated)						
	Repayable on demand	Within 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Financial liabilities							
Borrowing funds	-	57,843,010	538,582,234	1,182,714,308	1,525,504,751	255,971,108	3,560,615,411
Debt securities payables	-	107,807,201	75,000,000	181,525,382	737,206,660	-	1,101,539,243
Other payables	511,926,087	-	-	43,398,078	-	-	555,324,165
Long-term payables	-	-	-	305,047,750	-	-	305,047,750
Other financial liabilities	-	-	-	6,600,000	211,182,389	230,887,177	448,669,566
Total financial liabilities	511,926,087	165,650,211	613,582,234	1,719,285,518	2,473,893,800	486,858,285	5,971,196,135

11 Fair value measurement (Cont'd)

The selected level of fair value measurement must be decided by the lowest level of input that is significant to the overall fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

(1) Assets and liabilities continuously measured at fair value

As at 31 December 2016, the assets and liabilities continuously measured at fair value by the above three levels are analysed below (31 December 2015: None):

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	-	-	597,850,000	597,850,000
Available-for-sale financial assets	-	-	30,000,000	30,000,000
Total financial assets	-	-	627,850,000	627,850,000

The fair value of financial instruments not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model etc. The inputs of the valuation technique mainly include risk-free interest rate, benchmark rate, exchange rate, credit spread, liquidity premium, EBITDA multiplier, liquidity discount and etc.

The valuation of financial assets is performed by post management team of the Group. The above valuation results are independently verified and accounted for by the finance department of the Group, and disclose the results information in relation to fair value based on the verified valuation results

11 Fair value measurement (Cont'd)

(2) Assets and liabilities not measured at fair value but for which the fair value is disclosed:

Financial assets and liabilities not measured at fair value but for which the fair value is disclosed mainly includes：Cash at bank and on hand、long-term receivables、other receivables、short-term borrowings、long-term borrowings、long-term payables、debt securities payables and other payable, etc.

Most of the Group's financial assets and liabilities have a maturity within one year or have floating interest rates, and the carrying amounts are reasonable approximation of their fair value. The differences between the book value and fair value of the financial assets and liabilities which are not measured by fair value are immaterial, except for the financial liabilities listed as below. The fair value of the financial liabilities as below is determined by the model of discounted cash flows.

Consolidated

	31 December 2016		31 December 2015	
	Book value	Fair value	Book value	Fair value
Debt securities payables	7,865,196,956	8,538,562,477	1,027,456,507	1,195,417,886
Other non-current liabilities	1,477,054,052	1,307,005,894	448,669,566	392,600,686
Total	9,342,251,008	9,845,568,371	1,476,126,073	1,588,018,572

As at 31 December 2016 and 31 December 2015, the Group's liabilities not measured at fair value were all in level 3.

12 Capital management

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern and maintain healthy capital ratios in order to support business development and maximize the value of shareholders.

The Group manages and adjusts the capital structure on the basis of the changes of economic situation and risk features of relevant assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, capital refunded to shareholders, new shares issued. The Group is not subject to external mandatory capital requirements.

13 Post balance sheet events

Up to the date of the approval for the consolidated financial statements, there was no material event subsequent to the balance sheet date.

14 Comparative figures

Certain comparative figures have been adjusted to confirm with the presentation and disclosures in the current period.

[English Translation for Reference Only]

Auditor's Report

PwC ZT BJ Shen Zi (2016) No. 704
(Page 1 of 2)

To the Board of Directors of CM International Financial Leasing Co., Ltd.

We have audited the accompanying financial statements of CM International Financial Leasing Co., Ltd. (hereinafter "the Company"), which comprise the consolidated and company balance sheets as at 31 December 2015, and the consolidated and company income statements, the consolidated and company statements of changes in owners' equity and the consolidated and company cash flow statements for the period from 16 April 2015 (establishment date of the Company) to 31 December 2015, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Company as at 31 December 2015, and their financial performance and cash flows for the period from 16 April 2015 (establishment date of the company) to 31 December 2015 in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian LLP
Beijing Branch

Beijing, the People's Republic of China

14 March 2016

CM INTERNATIONAL FINANCIAL LEASING CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2015
(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

ASSETS	Note 7	31 December 2015 Consolidated	31 December 2015 Company
Current Assets			
Cash at bank and on hand	1	1,387,070,508	1,386,011,200
Prepayments	2	876,015,918	789,944,546
Interest receivable	3	10,238,005	9,862,652
Other receivables	4	2,845,883	76,602,330
Current portion of non-current assets	5	1,599,627,904	1,599,627,904
Total Current Assets		3,875,798,218	3,862,048,632
Non-Current Assets			
Long-term receivables	6	4,621,240,814	4,621,240,814
Fixed assets	7	250,208	250,208
Deferred tax assets	8	11,059,644	11,059,644
Other non-current assets	9	352,799,150	352,799,150
Total Non-Current Assets		4,985,349,816	4,985,349,816
TOTAL ASSETS		8,861,148,034	8,847,398,448

The accompanying notes form an integral part of these financial statements.

Chairman and President

(Authorised Representative)

Executive Vice President and Chief Financial Officer

In Charge Manager of Finance and Operations Department

(Company stamp)

CM INTERNATIONAL FINANCIAL LEASING CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2015
(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

LIABILITIES AND OWNERS' EQUITY	Note 7	31 December 2015 Consolidated	31 December 2015 Company
LIABILITIES			
Current Liabilities			
Short-term borrowings	10	1,365,000,000	1,365,000,000
Accounts collected in advance		1,000,000	-
Employee benefits payable	11	26,659,863	26,659,863
Taxes payable	12	7,773,748	7,387,877
Interest payable	13	8,745,634	8,745,634
Other payables	14	555,324,165	555,282,990
Current portion of non-current liabilities	15	915,237,193	910,866,458
Total Current Liabilities		2,879,740,603	2,873,942,822
Non-Current Liabilities			
Long-term borrowings	16	1,672,090,911	1,672,090,911
Other non-current liabilities	17	1,167,901,301	1,160,198,735
Total Non-Current liabilities		2,839,992,212	2,832,289,646
TOTAL LIABILITIES		5,719,732,815	5,706,232,468
OWNERS' EQUITY			
Share capital	18	3,000,000,000	3,000,000,000
Capital reserve	19	189,784	189,784
Surplus reserve	20	14,097,620	14,097,620
Undistributed profits	21	127,127,815	126,878,576
TOTAL OWNERS' EQUITY		3,141,415,219	3,141,165,980
TOTAL LIABILITIES AND OWNERS' EQUITY		8,861,148,034	8,847,398,448

The accompanying notes form an integral part of these financial statements.

Chairman and President
(Authorised Representative)

Executive Vice President and Chief Financial Officer

In Charge Manager of Finance and Operations Department

(Company stamp)

CONSOLIDATED AND COMPANY INCOME STATEMENTS
FOR THE PERIOD FROM 16 APRIL 2015 (ESTABLISHMENT DATE OF THE COMPANY) TO 31 DECEMBER 2015
(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

	Note 7	The Period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015 Consolidated	The Period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015 Company
Operating Income	22	327,657,738	327,282,385
Less: Operating expenses	22	(56,200,384)	(56,200,384)
Taxes and surcharges	23	(2,938,496)	(2,904,405)
General and administrative expenses	24	(100,233,899)	(100,227,443)
Financial expenses-net	25	17,236,583	17,239,071
Asset impairment losses	26	(13,091,912)	(13,091,912)
Operating Profit		172,429,630	172,097,312
Add: Non-operating income	27	20,000,000	20,000,000
Profit before Tax		192,429,630	192,097,312
Less: Income tax expenses	28	(51,204,195)	(51,121,116)
Net Profit		141,225,435	140,976,196
Other Comprehensive Income		-	-
Total Comprehensive Income		141,225,435	140,976,196

The accompanying notes form an integral part of these financial statements.

Chairman and President
(Legal Representative)

Executive Vice President and Chief Financial Officer

(Company stamp)

In Charge Manager of Finance and Operations Department

CM INTERNATIONAL FINANCIAL LEASING CO., LTD.

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE PERIOD FROM 16 APRIL 2015 (ESTABLISHMENT DATE OF THE COMPANY) TO 31 DECEMBER 2015
(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

CONSOLIDATED

		OWNERS' EQUITY ATTRIBUTED TO THE PARENT COMPANY				
	Note 7	Share Capital	Capital Reserve	Surplus Reserve	Undistributed Profits	Total
Balance at 16 April 2015 (Establishment Date of the Company)		-	-	-	-	-
Movements for the current period						
(1) Capital contribution by owners	18	3,000,000,000	189,784	-	-	3,000,189,784
(2) Net Profit		-	-	-	141,225,435	141,225,435
(3) Profit Distribution	21	-	-	14,097,620	(14,097,620)	-
Balance at 31 December 2015		3,000,000,000	189,784	14,097,620	127,127,815	3,141,415,219

The accompanying notes form an integral part of these financial statements.

Chairman and President
(Authorised Representative)

Executive Vice President and Chief Financial Officer

In Charge Manager of Finance and Operations Department

(Company stamp)

CM INTERNATIONAL FINANCIAL LEASING CO., LTD.

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE PERIOD FROM 16 APRIL 2015 (ESTABLISHMENT DATE OF THE COMPANY) TO 31 DECEMBER 2015
(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

COMPANY

	Note 7	Share Capital	Capital Reserve	Surplus Reserve	Undistributed Profits	Total
Balance at 16 April 2015 (Establishment Date of the Company)		-	-	-	-	-
Movements for the current period						
(1) Capital contribution by owners	18	3,000,000,000	189,784	-	-	3,000,189,784
(2) Net Profit		-	-	-	140,976,196	140,976,196
(3) Profit Distribution	21	-	-	14,097,620	(14,097,620)	-
Balance at 31 December 2015		3,000,000,000	189,784	14,097,620	126,878,576	3,141,165,980

The accompanying notes form an integral part of these financial statements.

Authorised and President
(Legal Representative)

Executive Vice President and Chief Financial Officer

(Company stamp)

In Charge Manager of Finance and Operations Department

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS FOR THE PERIOD FROM 16 APRIL 2015 (ESTABLISHMENT DATE OF THE COMPANY) TO 31 DECEMBER 2015

(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

	Note 7	The Period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015 Consolidated	The Period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015 Company
I. Cash flows from operating activities			
Cash received from finance lease		804,421,573	796,302,478
Cash received from borrowings		3,817,400,000	3,817,400,000
Cash received relating to other operating activities		632,116,962	626,741,782
Sub-total of cash inflows		5,253,938,535	5,240,444,260
Cash paid to acquire finance lease assets		(7,272,479,912)	(7,186,414,995)
Cash repayments of borrowings		(25,870,253)	(25,870,253)
Cash payments for interest expense and fees		(34,366,489)	(33,991,136)
Cash paid to and on behalf of employees		(27,184,325)	(27,184,325)
Payments of taxes and surcharges		(45,150,937)	(45,150,937)
Cash paid relating to other operating activities	29(d)	(548,784,790)	(622,790,093)
Sub-total of cash outflows		(7,953,836,706)	(7,941,401,739)
Net cash flows from operating activities	29(a)	(2,699,898,171)	(2,700,957,479)
II. Cash flows from investing activities			
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(35,662,682)	(35,662,682)
Sub-total of cash outflows		(35,662,682)	(35,662,682)
Net cash flows from investing activities		(35,662,682)	(35,662,682)

The accompanying notes form an integral part of these financial statements.

Chairman and President

(Authorised Representative)

Executive Vice President and Chief Financial Officer

In Charge Manager of Finance and Operations Department

(Company stamp)

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
FOR THE PERIOD FROM 16 APRIL 2015 (ESTABLISHMENT DATE OF THE COMPANY) TO 31 DECEMBER 2015
(All amounts in RMB Yuan unless otherwise stated)
[English Translation for Reference Only]

		Note 7	The Period from 16 April 2015 (Establishment Date of the company) to 31 December 2015 Consolidated	The Period from 16 April 2015 (Establishment Date of the company) to 31 December 2015 Company
III.	**Cash flows from financing activities**			
	Cash received from capital contributions		3,000,189,784	3,000,189,784
	Cash received from issuing asset-backed securities		1,016,723,468	1,016,723,468
	Sub-total of cash inflows		4,016,913,252	4,016,913,252
	Net cash flows from financing activities		4,016,913,252	4,016,913,252
IV.	**Effect of foreign exchange rate changes on cash and cash equivalents**		5,704,439	5,704,439
V.	**Net increase in cash and cash equivalents**	29(b)	1,287,056,838	1,285,997,530
	Add: Opening balances of cash and cash equivalents		-	-
VI.	**Closing balances of cash and cash equivalents**		1,287,056,838	1,285,997,530

The accompanying notes form an integral part of these financial statements.

Chairman and President

(Authorised Representative)

Executive Vice President and Chief Financial Officer

(Company stamp)

In Charge Manager of Finance and Operations Department

1 General information

CM International Financial Leasing Co., Ltd. ("the Company") is a limited liability company established by China Minsheng Investment Co., Ltd. and CM International Investment Holding Co., Ltd. and incorporated in Tianjin Free Trade Zone of the People's Republic of China on 16 April 2015 as per approval of the Ministry of Commerce of the People's Republic of China. Hana Bank Co., Ltd. made a capital contribution to the Company on 5 June 2015. The registered capital of the Company was RMB 3 billion as at 31 December 2015.

The approved scope of business of the Company covers financial leasing, general leasing, acquisition of leasing assets from home and abroad, disposal and maintenance of leasing assets, and leasing transaction advisory and guarantee, etc.

As at 31 December 2015, the Company had 10 subsidiaries (refer to Note 6 for detailed information of subsidiaries). The Company and all subsidiaries are hereinafter collectively referred to as "the Group".

These financial statements are authorised for issue by the Company's Board of Directors on 14 March 2016.

2 Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standard for Business Enterprises - Basic Standard*, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as "the Accounting Standard for Business Enterprises" or "CAS").

The financial statements are prepared on a going concern basis.

3 Statement of compliance with the Accounting Standard for Business Enterprises

The financial statements of the Company for the period from 16 April 2015 (establishment date of the Company) to 31 December 2015 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and the company's financial position of the Company as at 31 December 2015 and of their financial performance, cash flows and other information for the period from 16 April 2015 (establishment date of the Company) to 31 December 2015.

4 Summary of significant accounting policies and accounting estimates

(1) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December. This accounting period is from 16 April 2015 (establishment date of the Company) to 31 December 2015.

(2) Recording currency

The recording currency is Renminbi (RMB).

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(3) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements.

(4) Foreign currency translation

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(5) Cash and cash equivalents

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

(6) Leases

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

(a) Finance leases

When the Group is a lessor under finance leases, it recognizes the present value of minimum lease payments from lessees as a long-term receivable, records the unguaranteed residual value, and recognizes the difference between the aggregation of minimum lease payments and the unguaranteed residual value and their present value as unrealized finance income.

Unrealized finance income of the group are amortized using an effective interest rate method over the lease term by effective interest rate method. As at the balance sheet date, the Group presents the difference between finance lease receivables and unrealized finance income as the long-term receivables in the balance sheet.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(6) Leases (Cont'd)

(a) Finance leases (Cont'd)

When the Group is a lessee under finance leases, the leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge and is amortised using the effective interest method over the period of the lease. A long-term payable is recorded at the amount equal to the minimum lease payments less the unrecognised finance charge.

(b) Operating leases

When the Group is a lessee in operating leases, lease payments are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

When the Group is a lessor under operating leases, the rent-out operating leasing assets are depreciated using the depreciation policy stated (Note 4 (8)) and the impairment loss of the asset are provided using the accounting policy stated (Note 4 (9)). Rental income from an operating lease is recognised on a straight-line basis over the period of the lease. Contingent rental will be recognized in profit or loss as incurred.

(7) Financial instruments

(a) Financial assets

(i) Classification, recognition and measurement

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets.

All financial assets of the Group are receivables, including long-term receivables from the finance lease business, prepayments, interest receivables, entrusted loans and other receivables.

Receivables are measured initially at fair value, the related transaction costs that are attributable to acquisition of the receivables are included in their initially recognized amounts. Subsequent to initial recognition, receivables are stated at amortised cost using the effective interest method.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(7) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment of financial assets

The Group assesses the carrying amounts of financial assets at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

Objective evidence that a financial asset is impaired included the following events that occurred after the initial recognition of the asset and that the event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- disappearance of an active market for financial assets because of significant financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: adverse changes in the payment status of borrowers in the group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the group;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer;
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and
- other objective evidence indicating there is an impairment of the financial asset.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of the impairment loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(7) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment of financial assets (Cont'd)

Financial assets with amounts that are individually significant are assessed individually for impairment. If there is objective evidence that an impairment loss on financial assets has been incurred on an individual basis, the impairment is recognized and recorded in the income statement as "Asset impairment losses". Receivables with amounts that are not individually significant and those financial assets with no objective evidence of impairment on an individual basis are assessed for impairment loss on a collective basis based on their credit risk characteristics.

When assessed for impairment loss on a collective basis, the financial assets are classified by their credit risk characteristics. These credit risk characteristics indicate the repaying capability of borrower according to the contract terms, which is related to the estimated future cash flow of the assessed assets.

As for a group of financial assets assessed for impairment loss on a collective basis, the Group estimates their future cash flows based on historical loss experience of financial assets with similar credit risk characteristics. To reflect the actual conditions of these financial assets, Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

When a financial asset becomes uncollectible, it is written off against the related provision for bad debts after all necessary procedures have been exhausted. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for impairment in the income statement.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(7) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(iii) De-recognition of financial assets

A financial assets is derecognized when it meets either one of the below conditions: (1) a contractual right to receive the cash flows of a financial asset is terminated; (2) substantially all the risks and rewards of ownership of a financial asset are transferred to the transferee; or (3) the financial assets have been transferred and the Company has not retained the control over the financial assets, although it has neither transferred nor retained substantially all risks and rewards of ownership of the financial assets.

When the financial assets are derecognized, the difference between the carrying value and consideration is recognized in the income statement of the current period.

(b) Financial liabilities

Financial liabilities are classified into the following two categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The Group's financial liabilities are mainly other financial liabilities, including borrowings, asset-backed securities, interest payable, other payables, etc.

Other financial liabilities are recognized initially at fair value, net of transaction costs incurred, and subsequently measured at amortized cost using the effective interest method. Borrowings with a term of less than one year (including one year) are short-term borrowings, and others are long-term borrowings.

A financial liability (or part of it) is extinguished when the liability (or part of it) is discharged. The difference between the carrying value of the derecognized part and the consideration paid is recorded into the income statement of the current period.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Fixed assets

Fixed assets mainly comprise computers and electronic equipment. Fixed assets purchased or constructed by the Company are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Computers and electronic equipment	3 years	0%	33.3%

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(9) Impairment of long-term assets

Fixed assets, intangible assets with finite useful lives and long-term equity investments in subsidiaries are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(10) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

(a) Short-term employee benefits

Short-term employee benefits include wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences and etc. The short-term employee benefits actually occurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(b) Post-employment benefits

The Group's post-employment benefit plans are defined contribution plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions. During the reporting period, the Group's post-employment benefits mainly include the premiums or contributions on basic pensions and unemployment insurance.

(11) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and,
- the tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(12) Operating income and operating expenses

The operating income of the Group mainly comprises rental income and fee and commission income from finance leases. The operating expenses mainly include interest expenses and fee and commission expenses incurred from borrowings from financial institutions, interest expenses and fee and commission expenses arising from offering of asset-backed securities, and relevant fee and commission expenses of leasing activities, etc.

(a) Interest income and expense

Interest income and interest expenses of finance leases are recognised using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial assets or financial liabilities to the net carrying amount of the financial asset or financial liability. The Group estimates the future cash flows, determines the effective interest rate on a basis of considering all the contract items of financial assets and financial liabilities except for the future credit loss. The Group also considers the income or expense related to fees, transaction costs, premium and discounts that are composition of effective interest rate.

(b) Fee and commission income and expenses

Fee and commission income and expenses are recognised on an accrual basis when the service is rendered or received.

(13) Profit distribution

Profits or dividends distributed after the balance sheet date as per profit distribution plan already approved are not recognized as a liability on the balance sheet date and are separately disclosed in the notes to the financial statements.

(14) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

Considering that the Group's business activities were mainly leasing operations and these operations were not noticeably exposed to risks associated with geographical areas, these operations were not managed by operating segments, and accordingly, no segment information is available.

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(15) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(a) Impairment losses on financial assets

The Group regularly reviews its financial assets for impairment, unless there is information indicating that impairment loss has been incurred in the period after the previous review and before the next upcoming review.

Significant judgment is required from the Group in assessing whether impairment losses exist in receivables with amounts that are individually significant and financial assets that are not individually significant but are of similar risk characteristics. Objective evidence for impairment includes observable data indicating adverse changes in the repayment status of certain lessee (or certain homogeneous lessee) or national or local economic conditions that correlate with defaults on the assets in the portfolio. The Group will make the above judgements during its regular quality review of its financial assets and when there is objective evidence indicating that impairment losses may have been incurred.

Judgements concerning and estimations of negative factors that may affect the future cash flows are critical when the Group determines that there is indication of impairment for individually significant financial assets. The Group regularly reviews the methods and assumptions used in its estimations of the amounts and timing of future cash flows so as to minimize the difference between the estimated losses and actual losses of its financial assets. Factors that may have a bearing on the judgements include availability and level of detail of information in relation to the lessees, and the correlation between qualitative factors (e.g., the relationship between regional economic changes and defaults on financial assets, etc.).

Financial assets not identified as impaired based on individual assessment and financial assets identified as impaired but individually insignificant are included in a group for collective assessment for impairment. Collective assessment for impairment involves significant judgement. In reviewing its impairment assessment methods, the Group considers the risk profile of its asset portfolio, changes of and uncertainties in the macro-economic environments in which it operates, and the quality and capability of its management of financial assets.

(b) Income Tax

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5 Taxation

The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax rate	Tax base
Corporate income tax	25%	Taxable income
Value added tax ("VAT") (1)	17%, 6%	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)
Business tax(2)	5%	Taxable turnover amount

(1) Value added tax

In accordance with the 'Rules for Pilot Implementation of the Transition from Business Tax to VAT' as part of the 'Circular regarding the Inclusion of the Railway Transportation and Postal Services in the Pilot Business Tax to VAT Implementation' (Cai Shui [2013] No.106) jointly issued by the Ministry of Finance and the State Administration of Taxation and relevant requirements, the Group's income from finance leasing of its tangible personal properties is subject to VAT at a rate of 17%, and its income from services in modern services industries other than services in connection with tangible personal properties is subject to VAT at a rate of 6%.

(2) Business tax

According to relevant taxation laws and regulations of China, the Group engages in financial leasing activities in China, and income from its finance lease services (e.g. real estate financial leasing service) other than those in connection with tangible personal properties is subject to business tax at the rate of 5% where applicable.

(3) Preferential tax benefits

In accordance with the 'Memorandum of Understanding' entered into between the Management Committee of Tianjin Dongjiang Bonded Port Area and the Company in 2015, Tianjin Dongjiang Bonded Port Area provides one-off preferential tax benefits to the Company and all of its subsidiaries and branches established and registered in Tianjin Dongjiang Bonded Port Area for their corporate income tax, commodity turnover tax and individual income tax.

6 Subsidiaries

(1) Subsidiaries included in the consolidation scope

	Place of registration	Registered capital	Nature of business	Shareholding (%)	Voting rights (%)
CM Shenying No. 1 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 2 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 3 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 5 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 6 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 7 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 8 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 9 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM Shenying No. 10 (Tianjin) Aviation Leasing Co., Ltd.	Tianjin	RMB 100,000	Leasing	100%	100%
CM International Financial Leasing Investment Holding Co., Ltd.	Hong Kong	HKD 10,000	Leasing	100%	100%

The registered capital of all the subsidiaries was subscribed capital as at 31 December 2015. The Company has committed to completing its capital injection in its subsidiaries before 1 June 2016, with the exception of CM International Financial Leasing Investment Holding Co., Ltd.

(2) Consolidation of structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements.

6 Subsidiaries (Cont'd)

(2) Consolidation of structured entities (Cont'd)

The structured entity consolidated by the Company is an asset-backed special programme sponsor by the Company. For the purpose of consolidation, the Company first considers whether its controls the structured entity as its sponsor and servicer, and assesses whether the structured entity should be consolidated based on the scope of its decision-making as the sponsor and servicer, its power over the special programme, and its exposure to the variable returns from the special programme.

The structured entity consolidated by the Group is 'CM International Leasing asset-backed special programme No.1', which was organized by a third-party asset management company (Shanghai Fucheng Fortis Haitong Asset Management Company) for the purpose of the Group's asset-backed securitization operation. The Group did not provide financial support for the asset-backed special programme in the period from 17 April 2015 to 31 December 2015.

7 Notes to the financial statements

(1) Cash at bank and on hand

	31 December 2015 Consolidated	31 December 2015 Company
Cash at bank in RMB	1,387,063,376	1,386,004,068
Cash at bank in USD	7,132	7,132
	1,387,070,508	1,386,011,200

As at 31 December 2015, the Company had a total of RMB 600,013,670 of current deposits placed in the security deposit account as a guarantee for the Group's borrowings.

(2) Prepayments

	31 December 2015 Consolidated	31 December 2015 Company
Finance lease prepayments	841,866,243	755,794,871
Less: Provision for prepayment for finance lease collectively assessed	(1,262,799)	(1,262,799)
Prepayments of operating lease equipment	33,930,600	33,930,600
Others	1,481,874	1,481,874
Total	876,015,918	789,944,546

7 Notes to the financial statements (Cont'd)

(3) Interest receivable

	31 December 2015 Consolidated	31 December 2015 Company
Interest receivable from the related party(Note 8(3))	7,900,469	7,900,469
Interest receivable before the lease commencement date	2,163,369	1,788,016
Others	174,167	174,167
Total	10,238,005	9,862,652

(4) Other receivables

	31 December 2015 Consolidated	31 December 2015 Company
Receivables from subsidiaries	-	73,756,447
Rental deposit	2,180,713	2,180,713
Others	665,170	665,170
Total	2,845,883	76,602,330

(5) Current portion of non-current assets

	31 December 2015 Consolidated and Company
Current portion of finance lease receivables (Note 7(6))	1,553,027,054
Current portion of entrusted loans (Note 7(9))	46,600,850
Total	1,599,627,904

7 Notes to the financial statements (Cont'd)

(6) Long-term receivables

Net book value of current portion of finance lease receivables is as follows:

	31 December 2015
	Consolidated and Company
Current portion of finance lease receivables	1,849,617,333
Less: Unrealized finance income	(294,257,239)
Provision for impairment losses collectively assessed	(2,333,040)
Net book value	1,553,027,054

Net book value of finance lease receivables due over 1 year is as follows:

	31 December 2015
	Consolidated and Company
Finance lease receivables due over 1 year	5,138,357,758
Less: Unrealized finance income	(508,220,871)
Provision for impairment losses collectively assessed	(8,896,073)
Net book value	4,621,240,814

Movements of provision for impairment losses of finance lease are as follows:

	16 April 2015 (Establishment date of the Company)	Increase in the current period (Note 7(26))	31 December 2015
Provision for impairment losses	-	11,229,113	11,229,113

Future lease payment from lessees according to the contracts are as follows:

	31 December 2015
	Consolidated and Company
Within 1 year	1,849,617,333
1 to 2 years	1,609,373,920
2 to 3 years	1,504,850,905
Over 3 years	2,024,132,933
	6,987,975,091

7 Notes to the financial statements (Cont'd)

(7) Fixed assets

Consolidated and Company	Computers and electronic equipment
Cost	
16 April 2015 (Establishment Date of the company)	-
Transfers from construction in progress	250,208
31 December 2015	250,208
Accumulated depreciation	
16 April 2015 (Establishment Date of the company)	-
Increase in the current period	-
31 December 2015	-
Net book value	
31 December 2015	250,208
16 April 2015 (Establishment Date of the company)	-

As at 31 December 2015, there is no signs of significant impairment of the Group's fixed assets.

(8) Deferred tax assets

Deferred assets and liabilities before offsetting of certain debit and credit balances are set out as follows:

Consolidated and Company

	31 December 2015	
	Deferred tax assets	Deductible temporary differences
Provision for asset impairments	3,272,978	13,091,912
Accrued expenses	1,250,000	5,000,000
Employee benefits payable	6,536,666	26,146,666
	11,059,644	44,238,578
Including:		
Expected to be recovered within 1 year (inclusive)	7,786,666	
Expected to be recovered after 1 year	3,272,978	

7 Notes to the financial statements (Cont'd)

(8) Deferred tax assets (Cont'd)

Movements of deferred tax assets are as follows:

	The Period from 16 April 2015 (Establishment date of the Company) to 31 December 2015
	Consolidated and Company
Opening balance	-
Deferred tax assets included in the income statements (Note 7(28))	11,059,644
Closing balance	11,059,644

(9) Other non-current assets

	31 December 2015
	Consolidated and Company
Entrusted loans due within 1 year (Note 7(5))	46,670,856
Less: Provision for impairment	(70,006)
Net book value	46,600,850

	31 December 2015
	Consolidated and Company
Entrusted loans due over 1 year	353,329,144
Less: Provision for impairment	(529,994)
Net book value	352,799,150

(10) Short-term borrowings

	31 December 2015
	Consolidated and Company
Pledged borrowings (Note 7(1))	490,000,000
Unsecured borrowings	875,000,000
	1,365,000,000

As at 31 December 2015, the weighted average interest rate of short-term borrowings is 4.64% per annum.

7 Notes to the financial statements (Cont'd)

(11) Employee benefits payable

	31 December 2015 Consolidated and Company
Short-term employee benefits payable	26,659,863

(a) Short-term employee benefits payable

Consolidated and Company

	16 April 2015 (Establishment date of the Company)	Increase in the current year	Decrease in the current year	31 December 2015
Wages and salaries, bonus, allowances and subsidies	-	50,000,000	24,340,137	25,659,863
Staff welfare	-	539,990	539,990	-
Social security contributions	-	440,951	440,951	-
Including: Medical insurance	-	396,130	396,130	-
Work injury insurance	-	12,710	12,710	-
Maternity insurance	-	32,111	32,111	-
Housing funds	-	479,333	479,333	-
Labour union funds and employee education funds	-	1,000,000	-	1,000,000
Commercial insurance	-	562,930	562,930	-
	-	53,023,204	26,363,341	26,659,863

(b) Defined contribution plans payable

Consolidated and Company

	16 April 2015 (Establishment date of the Company)	Increase in the current year	Decrease in the current year	31 December 2015
Basic pensions	-	780,780	780,780	-
Unemployment insurance	-	40,204	40,204	-
	-	820,984	820,984	-

7 Notes to the financial statements (Cont'd)

(12) Taxes payable

	31 December 2015 Consolidated	31 December 2015 Company
Corporate income tax payable	34,843,686	34,760,607
Value-added tax payable	(30,675,365)	(30,937,610)
Business tax payable	945,026	945,026
Withholding individual income tax payable	2,314,227	2,314,227
Stamp tax payable	189,228	182,773
City maintenance and construction tax payable	84,509	66,152
Educational surcharge and others payable	72,437	56,702
	7,773,748	7,387,877

(13) Interest payable

As at 31 December 2015, the amount of interest payable of the Group and the Company is RMB 8,745,634.

(14) Other payables

	31 December 2015 Consolidated	31 December 2015 Company
Payables to related parties (Note 8(3)(a))	506,576,447	506,576,447
Others	48,747,718	48,706,543
	555,324,165	555,282,990

7 Notes to the financial statements (Cont'd)

(15) Current portion of non-current liabilities

	31 December 2015 Consolidated	31 December 2015 Company
Current portion of long-term payables	300,409,500	300,409,500
Current portion of long-term borrowings (Note7(16))	224,438,835	224,438,835
Current portion of asset-backed securities financing (Note 7 (17))	357,456,507	357,456,507
Current portion of deferred fee and commission income from finance lease	26,332,351	21,961,616
Current portion of financial leasing deposit	6,600,000	6,600,000
	915,237,193	910,866,458

Net book value current portion of long-term payables is as follows:

	31 December 2015 Consolidated and Company
Current portion of long-term payables	305,047,750
Less: unrecognized financing expenses	(4,638,250)
Net book value	300,409,500

(16) Long-term borrowings

	31 December 2015 Consolidated and Company
Borrowings from financial institutions	
Pledged borrowings (Note 7(1))	245,000,000
Unsecured borrowings	510,000,000
Factoring financing (Note 7(1))	1,141,529,746
	1,896,529,746
Including:	
Current portion of long-term borrowings	224,438,835
Long-term borrowings due over 1 year	1,672,090,911

As at 31 December 2015, the weighted average interest rate of long-term borrowings is 4.99% per annum.

7 Notes to the financial statements (Cont'd)

(17) Other non-current liabilities

	31 December 2015 Consolidated	31 December 2015 Company
Asset-backed securities financing due over 1 year	670,000,000	670,000,000
Deferred fee and commission income from finance lease due over 1 year	55,831,735	55,831,735
Financial leasing deposit due over 1 year	442,069,566	434,367,000
	1,167,901,301	1,160,198,735

Asset-backed securities financing as mentioned above refers to 'CM International Leasing Asset-backed special programme No.1' organized by the Group in 11 November 2015 through a third-party asset management company (Shanghai Fucheng Fortis Haitong asset management company), of which the amount due within 1 year is RMB 357,456,507 (Note 7(15)) and the amount due over 1 year is RMB 670,000,000. The total face value of these asset-backed securities is RMB 1.2 billion, including RMB 1.1 billion of senior tranches and RMB 0.1 billion of junior tranches. The Company holds all junior tranches and the A-12 senior tranche. In addition, the Company has the obligations to make up any shortfall in the interests and principals of the senior tranches. The expected maturity date of the junior tranches is 23 August 2019. The face value, annual interest rates and expected maturity dates of the senior tranches are as follows:

	Face value (RMB 10 thousand)	Annual interest rate	Due date
Senior tranche A-1	10,000	5.05%	25 January 2016
Senior tranche A-2	7,500	5.10%	25 April 2016
Senior tranche A-3	7,500	5.15%	25 July 2016
Senior tranche A-4	10,000	5.20%	24 October 2016
Senior tranche A-5	10,000	5.25%	23 January 2017
Senior tranche A-6	10,000	5.30%	24 April 2017
Senior tranche A-7	10,000	5.35%	24 July 2017
Senior tranche A-8	9,000	5.40%	23 October 2017
Senior tranche A-9	9,000	5.45%	23 January 2018
Senior tranche A-10	9,500	5.65%	23 April 2018
Senior tranche A-11	9,500	5.75%	23 July 2018
Senior tranche A-12	8,000	5.80%	23 August 2018

7 Notes to the financial statements (Cont'd)

(18) Share capital

Consolidated and Company

	31 December 2015	
	Amount	% of total balance
China Minsheng Investment Corp., Ltd.	1,800,000,000	60.00%
Hana Bank Co., Ltd.	750,000,000	25.00%
CM International Investment Holding Co., Ltd.	450,000,000	15.00%
	3,000,000,000	100.00%

The Company issued 3 billion shares in the period from 16 April 2015 (establishment date of the Company) to 31 December 2015, at a face value of RMB 1 per share. On 28 April 2015 and at 26 June 2015, the Company received the capital contributions of RMB 1,350,000,000 and RMB 450,000,000 respectively from China Minsheng Investment Corp., Ltd., which were included in the share capital. On 26 June 2015 and at 1 September 2015, the Company received capital contributions of USD 98,127,002 and USD 23,528,674 respectively from Hana Bank Co., Ltd., or a total amount of RMB 750 million, which were included in the share capital. On 31 August 2015, the Company received the capital contribution of USD 70,459,954, or RMB 450,189,784, from CM International Investment Holding Co., Ltd., of which RMB, 450,000,000 was included in the share capital, and RMB 189,784 was included in the capital reserve, as shown in the capital verification report.

The contributions to the share capital as described above have been verified by PricewaterhouseCoopers Zhong Tian LLP, as through its capital verification reports, PwC ZT BJ Yan Zi (2015) No. 432, PwC ZT BJ Yan Zi (2015) No. 834, and PwC ZT BJ Yan Zi (2015) No. 1126, issued on 29 April 2015, 29 June 2015 and 11 September 2015, respectively.

(19) Capital reserve

Consolidated and Company	16 April 2015 (Establishment date of the Company)	Increase in current period	31 December 2015
Capital premium	-	189,784	189,784

(20) Surplus reserve

Consolidated and Company	16 April 2015 (Establishment date of the Company)	Increase in current period	31 December 2015
Statutory surplus reserve	-	14,097,620	14,097,620

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, amounting to RMB 14,097,620.

7 Notes to the financial statements (Cont'd)

(21) Profit distribution

As approved by the Board of Directors on 14 March 2016, the Company's plan with respect to profit distribution for the period from 16 April 2015 (Establishment Date of the Company) to 31 December 2015 is as follows:

- appropriation of 10% of its net profit, or RMB 14,097,620, to the statutory surplus reserve fund as per the Company Law and the Company's Articles of Association; and

- no profit distribution to shareholders.

(22) Operating income and expenses

Operating income	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015 Consolidated	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015 Company
Interest income	116,828,124	116,452,771
Fee and commission income	210,829,614	210,829,614
	327,657,738	327,282,385

Operating expenses	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015 Consolidated	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015 Company
Interest expenses	(40,622,099)	(40,622,099)
Fee and commission expenses	(15,578,285)	(15,578,285)
	(56,200,384)	(56,200,384)

(23) Taxes and surcharges

	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015 Consolidated	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015 Company
Business tax	1,674,450	1,674,450
City maintenance and construction tax and educational surcharge	1,264,046	1,229,955
	2,938,496	2,904,405

7 Notes to the financial statements (Cont'd)

(24) General and administrative expenses

	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015
	Consolidated	Company
Employee benefits	53,844,188	53,844,188
Business entertainment expenses	8,761,653	8,761,653
Rental and property management expenses	7,704,368	7,704,368
Conference and administrative expenses	6,760,810	6,760,810
Organization costs	5,882,777	5,882,777
Travelling expenses	4,819,049	4,819,049
Consulting fees	2,335,168	2,335,168
Stamp tax	2,161,399	2,154,943
Advertising and publicity expenses	1,622,917	1,622,917
Others	6,341,570	6,341,570
	100,233,899	100,227,443

(25) Financial expenses-net

	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015
	Consolidated	Company
Interest income	11,561,341	11,556,896
Exchange gains	5,704,439	5,704,439
Others	(29,197)	(22,264)
	17,236,583	17,239,071

(26) Asset impairment losses

	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015
	Consolidated and Company
Impairment of long-term receivables (Note 7(6))	11,229,113
Impairment of prepayments (Note 7(2))	1,262,799
Impairment of entrusted loans (Note 7(9))	600,000
	13,091,912

7 Notes to the financial statements (Cont'd)

(27) Non-operating income

	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015
	Consolidated and Company
Government grant	20,000,000

In accordance with the 'Memorandum of Understanding' entered into between the Management Committee of Tianjin Dongjiang Bonded Port Area and the Company in 2015, Tianjin Dongjiang Bonded Port Area provided a government grant of RMB 20 million to the Company in a one-off cash payment before the end of 2015.

(28) Income tax expenses

	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015
	Consolidated	Company
Current income tax	62,263,839	62,180,760
Deferred income tax	(11,059,644)	(11,059,644)
	51,204,195	51,121,116

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the financial statements to the income tax expenses is listed below:

	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015
	Consolidated	Company
Total profit	192,429,630	192,097,312
Income tax expenses calculated at applicable tax rates	48,107,407	48,024,328
Costs, expenses and losses not deductible for tax purposes	3,096,788	3,096,788
Income tax expenses	51,204,195	51,121,116

7 Notes to the financial statements (Cont'd)

(29) Notes to cash flow statement

(a) Reconciliation from net profit to cash flows from operating activities

	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015
	Consolidated	Company
Net Profit	141,225,435	140,976,196
Add: Provisions for impairment losses	13,091,912	13,091,912
Exchange income	(5,704,439)	(5,704,439)
Increase in deferred tax assets	(11,059,644)	(11,059,644)
Increase in operating receivables	(7,540,460,782)	(7,527,770,504)
Increase in operating payables	4,699,732,815	4,686,232,468
Others	3,276,532	3,276,532
Net cash flows from operating activities	(2,699,898,171)	(2,700,957,479)

(b) Net increase / (decrease) in cash and cash equivalents

	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015
	Consolidated	Company
Closing balance of cash	1,287,056,838	1,285,997,530
Less: Opening balance of cash	-	-
Net increase in cash and cash equivalents	1,287,056,838	1,285,997,530

(c) Cash and cash equivalents

Cash at bank and on hand in the cash flow statement includes:

	31 December 2015	31 December 2015
	Consolidated	Company
Cash at bank and on hand (Note 7(1))	1,387,070,508	1,386,011,200
Less: Restricted cash at bank	(100,013,670)	(100,013,670)
Closing balance of cash and cash equivalents	1,287,056,838	1,285,997,530

7 Notes to the financial statements (Cont'd)

(29) Notes to cash flow statement (Cont'd)

(d) Cash paid relating to other operating activities

Cash paid relating to other operating activities in the cash flow statement mainly includes:

	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015
	Consolidated	Company
Entrusted loans	400,000,000	400,000,000
Deposits pledged for borrowings	100,013,670	100,013,670
Others	48,771,120	122,776,423
	548,784,790	622,790,093

8 Related parties and related party transactions

(1) The parent company

(a) General information of the parent company

Name of enterprise	Place of registration	Nature of business
China Minsheng Investment Corp., Ltd.	Shanghai, China	Equity investment, management of equity investment, business consulting, financial consulting, industrial investment, assets management and investment consulting

(b) Registered capital and changes in registered capital of the parent company

China Minsheng Investment Corp., Ltd.

Currency	16 April 2015	Increase in current period	Decrease in current period	31 December 2015
Renminbi	50,000,000,000	-	-	50,000,000,000

(c) The percentages of shareholding and voting rights in the Company held by the parent company

	31 December 2015	
	Shareholding (%)	Voting rights (%)
China Minsheng Investment Corp., Ltd.	60%	60%
CM International Investment Holding Co., Ltd.	15%	15%

The ultimate controlling company of the Company is China Minsheng Investment Corp., Ltd.

8 Related parties and related party transactions (Cont'd)

(2) Nature of related parties that do not control/ are not controlled by the Company

	Relationship with the Group
China Minsheng New Energy Investment Co., Ltd.	Both the Company and China Minsheng New Energy Investment Co., Ltd. are Controlled by the parent company of the Company

(3) Related party transactions and balances of related party transactions

These transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.

(a) Transactions with China Minsheng Investment Corp., Ltd.

In daily business, the closing balances of significant transactions and receivables and payables between the Group / the Company and China Minsheng Investment Corp., Ltd. are as follows:

	31 December 2015
Other payables- intercompany balances and advances	506,576,447
Interest receivable (Note 7(3))	7,882,778

In daily business, the influence of the significant transactions between the Group / the Company and China Minsheng Investment Corp., Ltd. on the income statement are as follows:

	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015
Interest income	7,882,778

(b) Transactions with China Minsheng New Energy Investment Co., Ltd.

In daily business, the closing balances of significant transactions and receivables and payables between the Group / the Company and China Minsheng New Energy Investment Co., Ltd. are as follows:

	31 December 2015
Long-term receivables	174,525,885
Prepayments	6,780,000
Interest receivable (Note 7(3))	17,691

8 Related parties and related party transactions (Cont'd)

(3) Related party transactions and balances of related party transactions (Cont'd)

(b) Transactions with China Minsheng New Energy Investment Co., Ltd. (Cont'd)

The Profit and Loss impacts of significant transactions between the Group / Company and China Minsheng New Energy Investment Co., Ltd. in the normal course of business are as follows:

	The period from 16 April 2015 (Establishment date of the Company) to 31 December 2015
Interest income	1,262,652
Fees and commission income	6,196,786

(c) Transactions with subsidiaries

Transactions with subsidiaries are not significant and have been eliminated in consolidation.

(d) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors, supervisors and other senior executives.

In addition to key management personnel remuneration, there are no other connected transactions with the key management personnel.

9 Commitments

(1) Commitments of operating lease asset acquisition

	31 December 2015
	Consolidated and Company (USD in equivalent RMB)
Amounts payable for purchase of helicopters	137,664,320

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2015
	Consolidated and Company
Within 1 year	9,028,850
1 to 2 years	9,028,850
2 to 3 years	5,614,470
	23,672,170

9 Commitments (Cont'd)

(3) Investment commitments

As at 31 December 2015, the Company was committed to completing the capital injection to its subsidiaries before 1 June 2016, except for CM International Financial Leasing Investment Holding Co., Ltd., and total commitment amounted to RMB 900,000 (Note 6).

10 Financial instruments and risks of financial instruments

(1) Overview of financial risk management

The Group's activities expose it to a variety of financial risks: market risk (primarily including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(2) Credit risk

Credit risk arises from the financial loss incurred by the counterparties' failure to meet their obligations in the contract matured date. Credit risk is one of the most crucial risks involved in the Group's business operation mainly arising from cash at bank, long-term receivables, prepayments, account receivables, other receivables, etc.

(a) Measurement of credit risk

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium- or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Risk Management Department assumes overall responsibility in decision-making and general management in connection with credit risk, tracking and monitoring the external credit ratings of clients, and performing risk assessment and analysis on lessees on a regular basis.

(b) Credit risk limit control and mitigation policies

The Group has introduced a range of policies and adopted various means and methods in managing its credit risk, including collecting security deposit and obtaining guarantee or mortgage, which are crucial means to control credit risk.

Before considering lease proposals, the Market Promotion Department would collect and analyze information on the operations and financial position of the lessees, review its qualifications, and set out requirements for additional collaterals or guarantors for high-risk lessees. The Operation Department develops and enforces standard rules and procedures with regard to finance lease contracts and monitors their performance to control relevant legal risks. After the commencement of a lease, the Operation Department monitors the leased equipment on an on-going basis to anticipate and prevent risks due to technologies being out of date or expiration of the economic life of the equipment, identifies and reports immediately on any adverse changes that may affect the repayment ability of the lessees, and takes effective measures to mitigate and manage these risks.

10 Financial instruments and risks of financial instruments (Cont'd)

(2) Credit risk (Cont'd)

(c) On-balance sheet credit risk exposure

	31 December 2015 Consolidated
Cash at bank and on hand	1,387,070,508
Prepayments	840,603,444
Interest receivable	10,238,005
Other receivables	2,845,883
Long-term receivables	6,174,267,868
Other non-current assets	399,400,000
	8,814,425,708

The maximum credit risk exposure at 31 December 2015 without taking into consideration of any collateral held, netting agreement or other credit enhancement is presented above. The Maximum credit risk exposure of assets on balance is the net amount of each type of financial assets in the balance sheet.

(d) As at 31 December 2015, the Group's financial assets are not overdue or impaired.

(3) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign exchange risk.

As at 31 December 2015, the balance of US dollar deposits of the Group was USD 1,099, or an equivalent of RMB 7,132, and the Group had no foreign currency liabilities. The payment for the purchase of helicopters for which the Group had signed the contract but had not paid in full should be made in US dollars, and the amount payable is USD 21,200,000, or an equivalent of RMB 137,664,320.

(b) Interest rate risk

Interest rate risk refers to the possibilities of losses caused by any change of market interest rate that induced the opposite difference between actual gains/losses and anticipated gains/losses.

Interest rate risk is mainly caused by the mismatching between maturity of financial assets and financial liabilities or the inconsistency of sensitivity degree of interest rate regarding assets and liabilities.

10 Financial instruments and risks of financial instruments (Cont'd)

(3) Market risk (Cont'd)

(b) Interest rate risk (Cont'd)

The following table summarizes the interest rate risk exposure of the Company. The on-balance sheet assets and liabilities have been classified by the earlier of the contractual repricing date and the maturity date, and financial assets are stated in net book value.

	31 December 2015 (Consolidated)						
	Non-interest bearing	Within 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Financial assets							
Cash at bank and on hand	-	1,387,070,508	-	-	-	-	1,387,070,508
Prepayments	-	820,670,640	-	19,932,804	-	-	840,603,444
Interest receivable	10,238,005	-	-	-	-	-	10,238,005
Other receivables	16,800	648,370	-	-	2,180,713	-	2,845,883
Long-term receivables	-	-	-	6,174,267,868	-	-	6,174,267,868
Other financial assets	-	-	-	399,400,000	-	-	399,400,000
Total financial assets	10,254,805	2,208,389,518	-	6,593,600,672	2,180,713	-	8,814,425,708
Financial liabilities							
Borrowings from banks	-	790,994,707	2,470,535,039	-	-	-	3,261,529,746
Interest payable	8,745,634	-	-	-	-	-	8,745,634
Other payables	511,926,087	-	-	43,398,078	-	-	555,324,165
Long-term payables	-	-	-	300,409,500	-	-	300,409,500
Other financial liabilities	448,669,566	107,456,507	920,000,000	-	-	-	1,476,126,073
Total financial liabilities	969,341,287	898,451,214	3,390,535,039	343,807,578	-	-	5,602,135,118
Total interest repricing gap	(959,086,482)	1,309,938,304	(3,390,535,039)	6,249,793,094	2,180,713	-	3,212,290,590

10 Financial instruments and risks of financial instruments (Cont'd)

(3) Market risk (Cont'd)

(b) Interest rate risk (Cont'd)

The Group performs exchange sensitivity analyses on its net foreign currency exposures to assess the potential impact of fluctuations of exchange rates on the income statement.

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Group regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position). An incremental 100 basis points parallel fall or rise in all yield curves, would increase or decrease planned net interest income for the next twelve months from the reporting date by RMB 63.2million.

(4) Liquidity risk

Liquidity risk refers to the risk that the Group is unable to realize its assets to fund the matured liabilities in a timely manner or at a reasonable cost. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial assets and liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows.

10 Financial instruments and risks of financial instruments (Cont'd)

(4) Liquidity risk (Cont'd)

(a) Remaining maturities analysis

	31 December 2015 (Consolidated)						
	Repayable on demand	Within 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Financial assets							
Cash at bank and on hand	787,056,838	-	500,000,000	-	63,000,000	37,013,670	1,387,070,508
Prepayments	-	820,670,640	-	19,932,804	-	-	840,603,444
Other receivables	16,800	648,370	-	-	2,180,713	-	2,845,883
Long-term receivables	-	142,536,512	164,219,707	1,246,031,675	4,015,254,595	606,225,379	6,174,267,868
Other financial assets	-	-	-	46,600,850	352,799,150	-	399,400,000
Total financial assets	787,073,638	963,855,522	664,219,707	1,312,565,329	4,433,234,458	643,239,049	8,804,187,703
Financial liabilities							
Borrowings from banks	-	55,813,580	508,694,854	1,102,894,421	1,350,518,388	243,608,503	3,261,529,746
Other payables	511,926,087	-	-	43,398,078	-	-	555,324,165
Long-term payables	-	-	-	300,409,500	-	-	300,409,500
Other financial liabilities	-	107,456,507	75,000,000	181,600,000	881,182,389	230,887,177	1,476,126,073
Total financial liabilities	511,926,087	163,270,087	583,694,854	1,628,301,999	2,231,700,777	474,495,680	5,593,389,484
Liquidity exposure	275,147,551	800,585,435	80,524,853	(315,736,670)	2,201,533,681	168,743,369	3,210,798,219

10 Financial instruments and risks of financial instruments (Cont'd)

(4) Liquidity risk (Cont'd)

(b) Contractual undiscounted cash flow analysis

	31 December 2015 (Consolidated)						
	Repayable on demand	Within 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Financial liabilities							
Borrowings from banks	-	57,843,010	538,582,234	1,182,714,308	1,525,504,751	255,971,108	3,560,615,411
Other payables	511,926,087	-	-	43,398,078	-	-	555,324,165
Long-term payables	-	-	-	305,047,750	-	-	305,047,750
Other financial liabilities	-	107,807,201	75,000,000	188,125,382	948,389,049	230,887,177	1,550,208,809
Total financial liabilities	511,926,087	165,650,211	613,582,234	1,719,285,518	2,473,893,800	486,858,285	5,971,196,135

10 Financial instruments and risks of financial instruments (Cont'd)

(5) Fair value of financial assets and liabilities

Financial assets and liabilities of the Group not measured at fair value

Most of the Group's financial assets and liabilities have a maturity within one year or have floating interest rates, and the carrying amounts are reasonable approximation of their fair value. The differences between the book value and fair value of the financial assets and liabilities which are not measured by fair value are immaterial, except for the financial liabilities listed as follows:

Consolidated

	31 December 2015	
	Book value	Fair value
Financial liabilities		
Other payables	555,324,165	554,834,566
Asset-backed securities financing	1,027,456,507	1,195,417,886
Finance lease deposit	448,669,566	392,600,686

(6) Capital management

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern and maintain healthy capital ratios in order to support business development and maximize the value of shareholders.

The Group manages and adjusts the capital structure on the basis of the changes of economic situation and risk features of relevant assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, capital refunded to shareholders, new shares issued. The Group is not subject to external mandatory capital requirements.

11 Post balance sheet events

Up to the date of the approval for the consolidated financial statements, there was no material event subsequent to the balance sheet date.

CM INTERNATIONAL FINANCIAL LEASING INVESTMENT HOLDING LIMITED

(Incorporated in Hong Kong with Limited Liability)

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2017
(Prepared In Accordance With Hong Kong Financial Reporting Standards)

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Members of CM International Financial Leasing Investment Holding Limited
(Incorporated in Hong Kong with Limited Liability)

Introduction

We have reviewed the condensed consolidated interim financial information set out on pages 3 to 30, which comprises the condensed consolidated interim statement of financial position of CM International Financial Leasing Investment Holding Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The directors of the Company are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of condensed consolidated interim financial information Performed by the Independent Auditor of the Entity". A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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pwc

羅兵咸永道

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

Other matters

The comparative information for the condensed consolidated interim statement of financial position is based on the audited financial statements as at 31 December 2016. The comparative information for the condensed consolidated interim statements of comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended 30 June 2016 has not been audited or reviewed.

PricewaterhouseCoopers

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 14 December 2017

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017
(All amounts in USD unless otherwise stated)

		Six months ended 30 June	
		2017	2016
	Note	(unaudited)	(unaudited)
Revenue	4	27,140,188	-
Cost of services	5	(19,650,106)	(42,844)
Gross profit		7,490,082	(42,844)
Administrative expenses	6	(2,102,885)	-
Finance income	7	1,576,940	(30)
Profit before income tax		6,964,137	(42,874)
Income tax expense	8	449,470	-
Profit for the period		7,413,607	(42,874)
Profit attributable to: Owners of the Company		7,413,607	(42,874)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		2,408	120
Total other comprehensive income for the period		2,408	120
Total comprehensive income for the period attributable to owners of the Company		7,416,015	(42,754)

The accompanying notes form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

(All amounts in USD unless otherwise stated)

	Note	As at 30 June 2017 (unaudited)	As at 31 December 2016 (audited)
Non-current assets			
Property, plant and equipment	9	244,312,059	250,130,294
Financial assets at fair value through profit or loss	10	50,000,000	50,000,000
Other assets	11	6,161,290	1,290
Deferred income tax assets	12	800,538	41,886
Receivables from finance lease contracts	13	284,569,945	180,906,913
Loan receivables	14	25,832,708	24,438,530
Total non-current assets		**611,676,540**	**505,518,913**
Current assets			
Other assets	11	3,407,639	33,823
Loan receivables	14	389,500,000	-
Receivables from finance lease contracts	13	18,824,101	6,602,559
Cash and cash equivalent	15	7,696,644	11,283,151
Total current assets		**419,428,384**	**17,919,533**
Total assets		**1,031,104,924**	**523,438,446**
Non-current liabilities			
Payables from finance lease contracts	16	165,363,435	176,783,084
Borrowings	17	93,018,466	-
Guarantee deposit		501,889	490,126
Total non-current liabilities		**258,883,790**	**177,273,210**
Current liabilities			
Other current liabilities	18	20,149,823	17,380,835
Tax payable		600,002	290,344
Notes payables	19	100,647,778	-
Borrowings	17	620,151,267	306,398,000
Payables from finance lease contracts	16	21,460,816	20,300,624
Total current liabilities		**763,009,686**	**344,369,803**
Total liabilities		**1,021,893,476**	**521,643,013**
Net assets		**9,211,448**	**1,795,433**
Equity			
Share capital	20	1,290	1,290
Translation reserve		(2,042)	(4,450)
Retained earnings		9,212,200	1,798,593
Equity attributable to owners of the Company		9,211,448	1,795,433
Total equity		**9,211,448**	**1,795,433**

The accompanying notes form an integral part of this condensed consolidated interim financial statements.

Approved and authorized for issue by the Directors on 14 December 2017

Director Tang Min

Director Hu Bin

CM INTERNATIONAL FINANCIAL LEASING INVESTMENT HOLDING LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017
(All amounts in USD unless otherwise stated)

	Unaudited			
	Attributable to owners of the Company			
	Share capital	Translation reserve	Retained earnings	Total equity
As at 1 January 2016	1,290	-	-	1,290
Profit for the period	-	-	(42,874)	(42,874)
Other comprehensive income	-	120	-	120
Total comprehensive income for the period	-	120	(42,874)	(42,754)
As at 30 June 2016	1,290	120	(42,874)	(41,464)
As at 1 January 2017	1,290	(4,450)	1,798,593	1,795,433
Profit for the period	-	-	7,413,607	7,413,607
Other comprehensive income	-	2,408	-	2,408
Total comprehensive income for the period	-	2,408	7,413,607	7,416,015
As at 30 June 2017	1,290	(2,042)	9,212,200	9,211,448

The accompanying notes form an integral part of this condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2017
(All amounts in USD unless otherwise stated)

	Note	Six months ended 30 June 2017 (unaudited)	2016 (unaudited)
Cash flows from operating activities			
Profit before income tax		6,964,137	(42,674)
Adjustments for:			
Depreciation of equipment	9	5,818,235	-
Impairment losses	6	1,025,013	-
Operating cash flows before movements in working capital		13,807,385	(42,674)
Increase in receivables from finance lease contracts		(116,881,731)	-
Increase in loan receivables		(390,924,114)	-
Increase in borrowings		406,771,733	50,175,656
Decrease in payables from finance lease contracts		(10,259,457)	-
Increase in notes payables		100,000,000	-
Increase in other assets		(9,528,853)	-
Increase in other liabilities		3,428,530	35,176
Net cash from operating activities		(3,586,507)	50,168,158
Net increase in cash and cash equivalents		(3,586,507)	50,168,158
Cash and cash equivalents at beginning of the period		11,283,151	-
Cash and cash equivalents at end of the period	15	7,696,644	50,168,158

The accompanying notes form an integral part of this condensed consolidated interim financial statements.

1 General information

CM International Financial Leasing Investment Holding Limited (The "Company") is a limited liability company incorporated by CM International Financial Leasing Co., Ltd. ("CMIG Leasing) in Hong Kong under the Companies Ordinance on 14 September 2015. The original issued capital of the Company was HKD10,000. The registered address of the Company is 2/F, Hong Kong Offshore Centre, 28 Austin Avenue, Tsim Sha Tsui, Kowloon, Hong Kong.

As at 30 June 2017, the Company has 14 subsidiaries (refer to Note 22 for the detailed information of subsidiaries). The Company and all the subsidiaries are referred to as the "Group" or individually as "Group entities". The Group is principally engaged in finance and operating lease business, related consulting services and investment business.

This condensed consolidated interim financial information for the six months ended 30 June 2017 ("condensed consolidated interim financial information") is presented in US dollars ("USD"), which is also the functional currency of the Company.

The condensed consolidated interim financial information has been reviewed, not audited.

The financial information relating to the period from 14 September 2015 (date of incorporation) to 31 December 2016 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2017 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that period but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the period from 14 September 2015 (date of incorporation) to 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

2 Basis of preparation

The condensed interim financial information has been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim financial reporting' ("HKAS 34"). The interim financial information should be read in conjunction with the financial statements for the period from 14 September 2015 (date of incorporation) to 31 December 2016 ("annual financial statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 Accounting policies and estimates

The accounting policies applied are consistent with those of the annual financial statements, as described in those annual financial statements.

3.1 Changes in accounting policy and disclosures

(a) Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

3 Accounting policies and estimates (Cont'd)

3.1 Changes in accounting policy and disclosures (Cont'd)

(b) Impact of standards issued but not yet applied by the Group

(i) HKFRS 9 Financial instruments

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9, retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised 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 not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. While the Group is yet to perform a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit loss.

The Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information and is gathering data to quantify the potential impact arising from the adoption.

(ii) HKFRS 15 Revenue from contracts with customers

HKFRS 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. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

The management of the Group anticipates that the application of HKFRS 15 in the future may result in more disclosures, however, does not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

3 Accounting policies and estimates (Cont'd)

3.1 Changes in accounting policy and disclosures (Cont'd)

(b) New standards, amendments and interpretations effective after 1 January 2017 and have not been early adopted (Cont'd)

(iii) HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, cash flows in relation to operating lease payments are currently presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The management of the Group does not expect the adoption of HKFRS 16 as compared with current accounting policy would impose any material impacts on the financial statements.

3.2 Critical accounting estimates and judgements

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates and judgements.

In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the period from 14 September 2016 (date of incorporation) to 31 December 2016, except for the significant judgement on deferred tax assets.

3.2 Critical accounting estimates and judgements (Cont'd)

Deferred tax assets relating to unused tax losses are recognized to the extent that management considers it is probable that future taxable profit will be available against which the tax losses can be utilised. Significant management judgment is required to estimate the timing and the amount of future taxable profit and to determine the amount of deferred tax assets to be recognized, taking into account tax planning strategy.

4 Revenue

	Six months ended 30 June	
	2017	2016
Operating lease income	15,475,500	-
Interest income	11,664,688	-
	27,140,188	-

5 Cost of services

	Six months ended 30 June	
	2017	2016
Interest expenses	13,716,155	-
Depreciation of equipment	5,818,235	-
Fee and commission expenses	115,716	42,844
	19,650,106	42,844

6 Administrative expenses

	Six months ended 30 June	
	2017	2016
Impairment losses		
Receivables from finance lease contracts	995,077	-
Loan receivables	29,936	-
Feasibility investigation expenses	1,004,705	-
General operating expenses	35,112	-
Other expenses	38,055	-
	2,102,885	-

NOTES TO THE CONDENSED CONSOLIDATED INERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2017
(All amounts in USD unless otherwise stated)

7 Finance income

	Six months ended 30 June	
	2017	**2016**
Exchange gains	1,430,483	–
Interest income	149,310	–
Other expenses	(2,853)	(30)
	1,576,940	(30)

8 Income tax expense

(1) Recognised in the income statement

	Six months ended 30 June	
	2017	**2016**
Current tax expenses	309,183	–
Deferred tax expenses	(758,653)	–
Total	(449,470)	–

(2) Reconciliation between tax expense and accounting profit

	Six months ended 30 June	
	2017	**2016**
Profit before income tax	6,964,137	(42,874)
Income tax rate	16.5%	–
Expected income tax charged at statutory tax rate	1,149,083	–
Tax-free income	(1,598,553)	–
Income tax expense for the period	(449,470)	–

9 Property, plant and equipment

Equipment held for operating lease businesses

	Vessel
Cost	
As at 1 January 2017	251,100,000
Additions	-
As at 30 June 2017	251,100,000
Accumulated depreciation	
As at 1 January 2017	(969,706)
Charge for the period	(5,818,235)
As at 30 June 2017	(6,787,941)
Net carrying amount	
As at 1 January 2017	250,130,294
As at 30 June 2017	244,312,059

As at 30 June 2017, all property, plant and equipment are recognized as the asset acquisition through acquisition of subsidiary at a consideration of USD251,100,000 and held under a finance lease as a lessee.

As at 30 June of 2017, there was no indication of significant impairment to the Group's property, plant and equipment.

10 Financial assets at fair value through profit or loss

As at 30 June 2017, the financial asset at fair value through profit or loss designated by the Group is as follows.

Investment project	% of Shareholding	At 30 June 2017	At 31 December 2016
SinoLending Ltd	4.44%	50,000,000	50,000,000

The above investment was a hybrid finance instrument which comprises a preferred share investment with conversion option and put option (embedded derivatives), so the Group designated it as the financial asset at fair value through profit or loss.

11 Other assets

	At 30 June 2017	At 31 December 2016
Other receivables	940,155	1,290
Interest receivables	2,468,774	33,823
Restricted cash at bank (Note 15)	6,160,000	-
	9,568,929	35,113
Including:		
Current portion	3,407,639	33,823
Non-current portion	6,161,290	1,290

12 Deferred income tax assets

The following is an analysis of the deferred tax balances for financial reporting purposes:

	At 30 June 2017	At 31 December 2016
Deferred tax assets	800,538	41,886

The following are the major deferred tax assets recognised and movements thereon in the six months ended 30 June 2017:

	Allowance for impairment losses	Deductible tax losses	Total
As at 1 January 2017	41,886	-	41,886
Charged to profit or loss	148,857	609,795	758,652
As at 30 June 2017	190,743	609,795	800,538

13 Receivables from finance lease contracts

	At 30 June 2017	At 31 December 2016
Receivables from finance lease contracts	472,398,978	339,804,720
Less: Unearned finance income	(166,784,053)	(151,071,526)
Allowance for impairment Losses - collectively assessed	(2,220,879)	(1,223,722)
Net book value	303,394,046	187,509,472
Including:		
Current portion	18,824,101	6,602,559
Non-current portion	284,569,945	180,906,913

As at 30 June 2017 and 31 December 2016, the leasing arrangements comprise the finance lease recognised as asset acquisition through two subsidiaries.

As at 30 June 2017, receivables from finance lease contracts include USD130,044,491 sale and leaseback transactions, and the assets under such transactions are almost certain to be repurchased. They are accounted for secured loans receivables.

13 Receivables from finance lease contracts (Con't)

Movements of provision for impairment losses are as follows:

	Six months ended 30 June 2017	Period from 14 September 2015 (date of incorporation) to 31 December 2016
At the beginning of the period	1,223,722	-
Charge for the period	995,077	1,227,565
Translation difference	2,080	(3,843)
At the end of the period	2,220,879	1,223,722

Future lease payment from lessees according to the contracts are as follows:

	At 30 June 2017	At 31 December 2016
Within 1 year	38,204,883	19,856,553
1 to 5 years	193,432,415	79,088,167
Over 5 years	240,761,680	240,860,000
	472,398,978	339,804,720

14 Loan receivables

	At 30 June 2017	At 31 December 2016
Financing to related parties (Note 21)	389,500,000	-
Financing to third parties	26,022,674	24,598,560
Less: Allowance for impairment losses- collectively assessed	(189,966)	(160,030)
Net book value	415,332,708	24,438,530
Including:		
Current portion	389,500,000	-
Non-current portion	25,832,708	24,438,530

Movements of provision for impairment losses are as follows:

	Six months ended 30 June 2017	Period from 14 September 2015 (date of incorporation) to 31 December 2016
At the beginning of the period	160,030	-
Charge for the period	29,936	160,030
At the end of the period	189,966	160,030

15 Cash and cash equivalents

For the purpose of presentation of the consolidated cash flow statements, cash and cash equivalents include the following balances with an original maturity within 3 months:

	At 30 June 2017	At 31 December 2016
Cash at Bank	13,856,644	11,283,151
Less: Restricted cash at bank	(6,160,000)	-
Closing balance of cash and cash equivalents	7,696,644	11,283,151

As at 30 June 2017, The deposits of USD6,160,000 (31 December 2016: Nil) was pledged as collateral for the Group's borrowings (Note 17).

16 Payables from finance lease contracts

	At 30 June 2017	At 31 December 2016
Gross payables from finance lease contracts	220,667,040	235,378,826
Future finance charges on finance leases	(33,842,789)	(38,295,118)
Present value of payables from finance lease contracts	186,824,251	197,083,708
Including:		
Current portion	21,460,816	20,300,624
Non-current portion	165,363,435	176,783,084

17 Borrowings

Short-term borrowings

	At 30 June 2017	At 31 December 2016
Unsecured bank borrowings	105,000,000	98,400,000
Unsecured borrowings from related parties (Note 21)	428,998,000	128,998,000
Secured bank borrowings	78,998,000	79,000,000
	612,996,000	306,398,000

Long-term borrowings

	At 30 June 2017	At 31 December 2016
Secured bank borrowings	100,173,733	-
Including:		
Current portion	7,155,267	-
Non-current portion	93,018,466	-

As at 30 June 2017, short-term pledged borrowings of USD78,998,000 (31 December 2016: 79,000,000) were secured by bank deposits of CM International Financial Leasing Co., Ltd. of USD88,568,729 (31 December 2016: USD611,823,000).

As at 30 June 2017, long-term pledged borrowings of USD100,800,000 (31 December 2016: Nil) were secured by bank deposits of USD6,160,000 and receivables from finance lease contracts with carrying amounts of USD173,349,555 (31 December 2016: Nil).

18 Other current liabilities

	At 30 June 2017	At 31 December 2016
Payables to related parties	11,374,594	12,856,255
Operating lease rentals received in advance	1,396,500	1,282,500
Fee and commission payables	-	1,830,506
Interest payable	6,826,904	1,405,081
Deferred income	323,190	-
Other payables	228,635	206,493
	20,149,823	17,380,835

19 Notes payables

	At 30 June 2017	At 31 December 2016
Guaranteed notes issued	100,647,778	-

As at 9 May 2017, the Group issued notes with principal amount of USD0.1 billion in Hong Kong.The maturity date for the notes is 8 May 2018, and the coupon rate is 4.40%. The notes were guaranteed by its parent company, CM International Financial Leasing Co., Ltd.

20 Share capital

	Number of shares	Share capital
Issued:		
At 30 June 2017	10,000	1,290

On 14 September 2015, the company issued 10,000 ordinary shares with par value of HKD1 per share.

21 Related party transactions

21.1 Parent company

As at 30 June 2017, CM International Financial Leasing Co., Ltd. directly owned 100% of the share capital of the Company. The ultimate controlling party of the Company is China Minsheng Investment Corp., Ltd.

The Group had the following balances with CM International Financial Leasing Co., Ltd.

	At 30 June 2017	At 31 December 2016
Loan receivables (Note 14)	85,000,000	-
Other payables (Note 18)	11,374,594	12,656,225
Interest receivables	23,611	-

The influences on the comprehensive income statement are as follows:

	Six months ended 30 June 2017	Six months ended 30 June 2016
Interest income	23,611	-

The loan receivable from CM International Financial Leasing Co., Ltd. are unsecured with an interest rate of 2% per annum. The original contract term is 1 month.

The other payables are no interest bearing and on demand advances.

For the six months ended 30 June 2017, the general and administrative expenses, such as employee benefits and rental expenses etc., were borne by the parent company.

21.2 Transactions with CMIG Aviation Capital Holding Ireland DAC

The Company and CMIG Aviation Capital Holding Ireland DAC are ultimately controlled by China Minsheng Investment Corp., Ltd.

The Group had the following balances with CMIG Aviation Capital Holding Ireland DAC.

	At 30 June 2017	At 31 December 2016
Loan receivables (Note 14)	4,500,000	-
Other receivables	139,740	-
Interest receivables	2,124,000	-
Interest payables	134,387	-

The influences on the comprehensive income statement are as follows:

	Six months ended 30 June 2017	Six months ended 30 June 2016
Interest income	2,125,156	-
Interest expenses	134,387	-

The loan receivable from CMIG Aviation Capital Holding Ireland DAC are unsecured with an interest rate of 4% per annum. The original contract term is 4 months.

21 Related party transactions(Conf'd)

21.3 Transactions with CMIG Aviation Capital (BVI) Company Limited

The Company and CMIG Aviation Capital (BVI) Company Limited are ultimately controlled by China Minsheng Investment Corp.,Ltd.

The Group had the following balances with CMIG Aviation Capital (BVI) Company Limited.

	At 30 June 2017	At 31 December 2016
Loan receivables (Note 14)	300,000,000	-
Interest receivables	293,333	-

The influences on the comprehensive income statement are as follows:

	Six months ended 30 June 2017	Six months ended 30 June 2016
Interest income	293,333	-

The loan receivable from CMIG Aviation Capital (BVI) Company Limited are unsecured with an interest rate of 4.40% per annum. The original contract term is 6 months.

21.4 Harvest Year Global Limited

The Company and Harvest Year Global Limited are ultimately controlled by China Minsheng Investment Corp.,Ltd.

The Group had the following balances with Harvest Year Global Limited.

	At 30 June 2017	At 31 December 2016
Borrowings (Note 17)	378,998,000	78,998,000
Interest payables	4,603,712	631,641

The influences on the comprehensive income statement are as follows:

	Six months ended 30 June 2017	Six months ended 30 June 2016
Interest expense	3,972,071	631,641

The borrowings of USD78,998,000 from Harvest Year Global Limited are unsecured with an interest rate of 4% per annum. The borrowings of USD300,000,000 from Harvest Year Global Limited are unsecured with an interest rate of 4.40% per annum. The original contract term is 12 months.

21 Related party transactions (Cont'd)

21.5 Hana Bank Co., Ltd.

As at 30 June 2017, Hana Bank Co., Ltd. directly owned 25% of the share capital of CM International Financial Leasing Co., Ltd., which is the parent of the Company.

The Group had the following balances with Hana Bank Co., Ltd.

	At 30 June 2017	At 31 December 2016
Borrowings (Note 17)	50,000,000	50,000,000
Interest payables	158,459	54,893

The influences on the comprehensive income statement are as follows:

	Six months ended 30 June 2017	Six months ended 30 June 2016
Interest expense	822,070	537,798
Fee and commission expenses	84	-

The borrowings from Hana Bank Co., Ltd. are unsecured with an interest rate of 3 months LIBOIR plus 230 basis points, and the original contract term is 1 year.

22 Investments in subsidiaries

The following is a list of the principal subsidiaries at 30 June 2017:

Directly owned:

Name of subsidiary	Place of registration	Registered share capital	Proportion of voting rights	Principal activities
HAI KUO SHIPPING 1307 LIMITED	Marshall Islands	USD1	100%	Leasing
HAI KUO SHIPPING 1308 LIMITED	Marshall Islands	USD1	100%	Leasing
CMA CGM Leasing (Hong Kong) Co. Limited	Hong Kong	USD4	100%	Leasing
CM Lilac Limited	Hong Kong	HKD10,000	100%	Leasing
CM Aloe Limited	Hong Kong	HKD10,000	100%	Leasing
CM Carnation Limited	Hong Kong	HKD10,000	100%	Leasing
CM Jasmine Limited	Hong Kong	HKD10,000	100%	Leasing
CM Lily Limited	Hong Kong	HKD10,000	100%	Leasing
CM Peony Limited	Hong Kong	HKD10,000	100%	Leasing
CM Rose Limited	Hong Kong	HKD10,000	100%	Leasing
CM Sunflower Limited	Hong Kong	HKD10,000	100%	Lending
CM Tulip Limited	Hong Kong	HKD10,000	100%	Leasing
CM Violet Limited	Hong Kong	HKD10,000	100%	Leasing
CMIG Capital Limited	The British Virgin Islands	USD1	100%	Financing

22 Investments in subsidiaries (Cont'd)

Indirectly owned:

The companies below are the subsidiaries of CMA CGM Leasing (Hong Kong) Co., Limited.

Name of subsidiary	Place of registration	Registered share capital	Proportion of voting rights	Principal activities
SALALAH leasing Co. Limited	Cayman Islands	USD1	100%	Leasing
LE HAVRE leasing Co. Limited	Cayman Islands	USD1	100%	Leasing
QINGDAO leasing Co. Limited	Cayman Islands	USD1	100%	Leasing

23 Financial risk management

23.1 Financial risk factors

The Group's activities expose it to a variety of financial risks. The Group identifies, valuates and monitors the risks continuously. The major financial risks of the Group are credit risk, market risk and liquidity 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 management of the Group 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.

23.2 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.

23 Financial risk management (Cont'd)

23.2 Credit risk (Cont'd)

23.2.1 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 at bank, interest receivable, and loan receivables. 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.

Maximum exposure to credit risk before collateral held and other credit enhancement:

	At 30 June 2017	At 31 December 2016
Financial assets		
Receivables from finance lease contracts	303,394,046	187,509,472
Loan receivables	415,332,708	24,438,530
Cash at bank	13,856,644	11,283,151
Other financial assets	3,408,929	35,113
	735,992,327	223,266,266

The above table represents the worst case scenario of credit risk exposure to the Group as at 30 June 2017, without taking account of any collateral held or other credit enhancements attached.

As at 30 June 2017, the Group's financial assets are neither overdue nor impaired. The Group collectively assessed the impairment losses for the receivables from finance lease contracts and loans and receivables, the details are disclosed in Note 13 and Note 14. There are no indications of impairment for the rest of the financial assets.

23.3 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).

23.3.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange relates primarily to the operating activities of the Group (when receipt or payment is settled using a currency that is different from the functional currency), primarily with respect to RMB and GBP.

As at 30 June 2017 and 31 December 2016, the carrying amounts in USD equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized as below:

23 Financial risk management (Cont'd)

23.3 Market risk (Cont'd)

23.3.1 Currency risk (Cont'd)

	As at 30 June 2017		
	GBP (USD equivalent)	Others (USD equivalent)	Total
Financial assets denominated in foreign currency			
Other assets	39,034	63,609	102,643
Loan receivables	25,860,157	-	25,860,157
Cash at bank	717,586	-	717,586
Subtotal	26,616,777	63,609	26,680,386
Net position	26,616,777	63,609	26,680,386

	As at 31 December 2016	
	GBP (USD equivalent)	Total
Financial assets denominated in foreign currency		
Loan receivables	24,438,530	24,438,530
Cash at bank	21,433	21,433
Subtotal	24,459,963	24,459,963
Financial liabilities denominated in foreign currency		
Other payables	706	706
Subtotal	706	706
Net position	24,459,257	24,459,257

23 Financial risk management (Cont'd)

23.3 Market risk (Cont'd)

23.3.1 Currency risk (Cont'd)

As at 30 June 2017, for the financial assets and liabilities measured in RMB and GBP of the Group, if the USD had strengthened/weakened by 1% against the RMB or GBP while all other variables had been held constant, the Group's net profit and other comprehensive income would not have been materially affected.

23.3.2 Interest rate risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is mainly caused by the mismatching between maturity of financial assets and financial liabilities or the inconsistency of sensitivity degree of interest rate regarding assets and liabilities.

The following table summarizes the interest rate risk exposure of the Group. The on-balance sheet assets and liabilities have been classified by the earlier of the contractual repricing date and the maturity date, and financial assets are stated in net book value.

23 Financial risk management (Cont'd)

23.3 Market risk (Cont'd)

23.3.2 Interest rate risk (Cont'd)

	30 June 2017				
	Non-interest bearing	within 1 year	1-5 years	More than 5 years	Total
Financial assets					
Financial assets at fair value through profit or loss	50,000,000	-	-	-	50,000,000
Other financial assets	3,406,929	-	-	-	3,406,929
Receivables from finance lease contracts	-	18,824,101	127,601,665	156,968,280	303,394,046
Loan receivables	-	389,500,000	25,832,708	-	415,332,708
Cash at bank	-	13,856,644	-	-	13,856,644
Total financial assets	53,406,929	422,180,745	153,434,373	156,968,280	785,990,327
Financial liabilities					
Payables from finance lease contracts	-	21,460,816	96,589,828	68,773,607	186,824,251
Borrowings	-	713,169,733	-	-	713,169,733
Guarantee deposit	-	-	501,889	-	501,889
Other current liabilities	20,149,823	-	-	-	20,149,823
Notes payables	-	100,647,778	-	-	100,647,778
Total financial liabilities	20,149,823	835,278,327	97,091,717	68,773,607	1,021,293,474
Total interest repricing gap	33,257,106	(413,097,582)	56,342,656	88,194,673	(235,303,147)

23 Financial risk management (Cont'd)

23.3 Market risk (Cont'd)

23.3.2 Interest rate risk (Cont'd)

	31 December 2016				
	Non-interest bearing	within 1 year	1-5 years	More than 5 years	Total
Financial assets					
Financial assets at fair value through profit or loss	50,000,000	-	-	-	50,000,000
Other assets	35,113	-	-	-	35,113
Receivables from finance lease contracts		17,455,220	20,139,912	149,914,331	187,509,472
Loan receivables	-	-	24,438,530	-	24,438,530
Cash at bank	-	11,283,151	-	-	11,283,151
Total financial assets	50,035,113	28,738,380	44,578,442	149,914,331	273,266,266
Financial liabilities					
Payables from finance lease contracts	-	20,300,624	94,753,901	82,029,183	197,083,708
Borrowings	-	306,398,000	-	-	306,398,000
Guarantee deposit	-	-	490,126	-	490,126
Other current liabilities	17,380,835	-	-	-	17,380,835
Total financial liabilities	17,380,835	326,698,624	95,244,027	82,029,183	521,352,669
Total interest repricing gap	32,654,278	(297,960,244)	(50,665,585)	67,885,148	(248,086,403)

The Group performs interest rate risk sensitivity analyses on its interest rate risk exposures to assess the potential impact of fluctuations of exchange rates on the income statement.

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Group regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position). As at 30 June 2017, an incremental 100 basis points parallel fall or rise in all yield curves, would increase or decrease planned net interest income for the next twelve months from the reporting date by USD3,093,461 (31 December 2016: USD 2,979,602).

23.4 Liquidity risk

Liquidity risk refers to the risk that the Group is unable to obtain fund at a reasonable cost to repay the liabilities or seize other investment opportunities. The Group's liquidity risk management target is to ensure sufficient capital resource at any time to meet the repayment needs of matured liabilities, as well as the lessee's withdraw demand and seize new investment opportunities.

The major payments demand of the Group are the repayments of matured bank borrowings, obligations under finance lease, withdraw request from lessees under finance leases and other payables.

23 Financial risk management(Cont'd)

23.4 Liquidity risk (Cont'd)

23.4.1 Analysis of remaining contractual maturity

	30 June 2017				
	On demand/ infinite	within 1 year	1-5 years	More than 5 years	Total
Financial assets					
Financial assets at fair value through profit or loss	-	-	50,000,000	-	50,000,000
Others assets	3,408,929	-	-		3,408,929
Receivables from finance lease contracts	-	18,824,101	128,793,295	155,776,650	303,394,046
Loan receivables	-	389,500,000	25,832,708	-	415,332,708
Cash at bank	7,696,644	-	-	6,160,000	13,856,644
Total financial assets	11,105,573	408,324,101	204,626,003	161,936,650	785,992,327
Financial liabilities					
Payables from finance lease contracts	-	21,460,816	96,589,828	68,773,607	186,824,251
Borrowings	-	620,151,267	39,398,700	53,619,766	713,169,733
Guarantee deposit	-	-	501,889	-	501,889
Other current liabilities	-	20,149,823	-	-	20,149,823
Notes payables	-	100,647,778	-	-	100,647,778
Total financial liabilities	-	762,409,684	136,490,417	122,393,373	1,021,293,474
Liquidity exposure	11,105,573	(354,085,583)	68,135,586	39,543,277	(235,301,147)

23 Financial risk management(Cont'd)

23.4 Liquidity risk (Cont'd)

23.4.1 Analysis of remaining contractual maturity

	31 December 2016				
	On demand/ infinite	within 1 year	1-5 years	More than 5 years	Total
Financial assets					
Financial assets at fair value through profit or loss	-	-	50,000,000	-	50,000,000
Other assets	1,290	33,823	-	-	35,113
Receivables from finance lease contracts	-	6,602,559	30,992,582	149,914,331	187,509,472
Loan receivables	-	-	24,438,530	-	24,438,530
Cash at bank	11,283,151	-	-	-	11,283,151
Total financial assets	11,284,441	6,636,382	105,431,112	149,914,331	273,266,266
Financial liabilities					
Payables from finance lease contracts	-	20,300,624	94,753,901	82,029,183	197,083,708
Borrowings	-	306,398,000	-	-	306,398,000
Guarantee deposit	-	-	490,126	-	490,126
Other current liabilities	-	17,380,835	-	-	17,380,835
Total financial liabilities	-	344,079,459	95,244,027	82,029,183	521,352,669
Liquidity exposure	11,284,441	(337,443,077)	10,187,085	67,885,148	(248,086,403)

23 Financial risk management(Cont'd)

23.4 Liquidity risk (Cont'd)

23.4.2 Analysis of undiscounted contractual cash flows

	30 June 2017				
	On demand/ infinite	within 1 year	1-5 years	More than 5 years	Total
Financial liabilities					
Payables from finance lease contracts	-	29,696,400	118,866,960	86,829,840	235,393,200
Borrowings	-	625,814,027	41,156,495	55,279,472	722,249,994
Guarantee deposit	-	-	501,889	-	501,889
Notes payable	-	103,761,096	-	-	103,761,096
Operating lease commitment	-	10,402,500	41,610,000	13,870,000	65,882,500
Other current liabilities	-	20,306,381	-	-	20,306,381
Total financial liabilities	-	789,980,404	202,135,344	155,979,312	1,148,095,060

	31 December 2016				
	On demand/ infinite	within 1 year	1-5 years	More than 5 years	Total
Financial liabilities					
Payables from finance lease contracts	-	29,682,026	118,866,960	86,829,840	235,378,826
Borrowings	-	312,717,508	-	-	312,717,508
Guarantee deposit	-	-	490,126	-	490,126
Operating lease commitment	-	10,402,500	41,610,000	19,071,250	71,083,750
Other current liabilities	-	17,380,835	-	-	17,380,835
Total financial liabilities	-	370,182,869	160,967,086	105,901,090	637,051,045

24 Fair value of the financial instruments

Some of the Group's financial assets and liabilities are measured at fair value or with fair value disclosed for financial reporting purposes. The management of the Group 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 management periodically.

The selected level of fair value measurement must be decided by the lowest level of input that is significant to the overall fair value measurement.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

24.1 Assets and liabilities continuously measured at fair value

As at 30 June 2017, the assets and liabilities continuously measured at fair value by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	-	-	50,000,000	50,000,000

The fair value of financial instruments not traded in an active market is determined by the Group using valuation technique.

The valuation of financial assets is performed by post management team of the Group. The above valuation results are independently verified and accounted for by the finance department of the Group, and disclose the results information in relation to fair value based on the verified valuation results.

24.2 Assets and liabilities not measured at fair value but for which the fair value is disclosed

Financial assets and liabilities not measured at fair value but for which the fair value is disclosed mainly include: Cash at bank, receivables from finance lease contracts, loan receivables, other assets, borrowings, payables from finance lease contracts, guarantee deposit, notes payables, other payables and etc.

Except for receivables from finance lease contracts and payables from finance lease contracts, the majority of these financial assets and liabilities are mature within one year. Accordingly, their carrying amounts approximate the fair values.

The Group estimates the fair values of receivables from finance lease contracts and payables from finance lease contracts using the discounted cash flow model, which are classified as the Level 2 of the fair value hierarchy. As at 30 June of 2017 and 31 December of 2016, the fair values of receivables from finance lease contracts and payables from finance lease contracts approximate their carrying amounts.

25 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 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.

The Group manages its capital through the optimisation of the debt and equity balance. The capital structure of the Group consists of debts, which include the borrowings and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the reporting period.

26 Operating lease commitment

The Group as lessor

Operating lease commitment represents future minimum rental receivables by the Group from its operating lease contracts. As at 30 June, it falls due as follows:

	At 30 June 2017	At 31 December 2016
Within 1 year	10,402,500	10,402,500
1 to 5 years	41,610,000	41,610,000
Over 5 years	13,870,000	19,071,250
	65,882,500	71,083,750

27 Directors' remuneration

The directors receive remuneration from the parent company, in respect of their services to the larger group which includes the Company and its subsidiaries. No apportionment has been made as the qualifying services provided by these directors to the Company and its subsidiaries are incidental to their responsibilities to the larger group.

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services. There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities.

During the year and at the year end, no director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party.

28 Post balance sheet events

On 2 November 2017, The National Development and Reform Commission approved CMIG Capital Limited, which is the subsidiary of the Company, the issuance of overseas bonds not exceeding USD1 billion. As at the date of this report, CMIG Capital Limited has not issued such bonds.

Directors' Report

The director presents the first report and the audited consolidated financial statements of CM International Financial Leasing Investment Holding Limited (the "Company") for the period from 14 September 2015 (date of incorporation) to 31 December 2016.

Principal activity
The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are provision of finance lease and related consulting services, investment business.

Results and appropriations
The results of the Company for the period from 14 September 2015 (date of incorporation) to 31 December 2016 are set out in the consolidated statement of comprehensive income on page 5.

The director did not recommend the payment of any dividend during the period.

Property, plant and equipment
Details of the movements in plant and equipment of the Group during the period are set out in Note 8 to the consolidated financial statements.

Share capital
Details of the share capital of the Company are set out in Note 15 to the consolidated financial statements.

Subsidiary
Details of the subsidiary of the Company are set out in Note 15 to the consolidated financial statements.

Reserves
Details of movements in the Company's reserves during the period are set out in the consolidated statement of changes in equity on page 7.

Major customer and suppliers
Due to the nature of our continuing operations, we do not have any significant purchases from suppliers during the normal course of our business during the period. However, we relied on interest-bearing borrowings from various banks and non-bank financial institutions to operate our business.

None of the directors, their associates, or any shareholder (which to the knowledge of the directors) owns more than 5% of the Company's share capital has any interest in the Group's five largest customers.

Related party transactions
Related party transactions during the period are disclosed in Note 17 to the consolidated financial statements.

Director
The directors of the Company and its subsidiaries during the period and up to the date of this report were as follows:

Directors of the Company
Mr. Tang Min (appointed on 14 September 2015)
Mr. Zhang Luyang (appointed on 16 February 2017)

Directors of CMA CGM Leasing (HongKong) Co., Limited
Mr. Tang Min (appointed on 16 November 2016)
Mr. Li Gang (appointed on 18 November 2016)

Ms. Zhao Beijia (appointed on 16 November 2016)

Directors of LE HAVRE Leasing Co., Ltd., QINGDAO leasing Co. Ltd. and SALALAH Leasing Co., Ltd.:
Ms. Zhao Beijia (appointed on 16 November 2016)
Mr. Zhang Luyang (appointed on 16 November 2016)

Directors of the other subsidiaries:
Mr. Wei Taoli (appointed on 16 February 2017)
Mr. Zhang Yao (appointed on 16 February 2017)

There being no provision in the Company's articles of association for the retirement of the director by rotation, the director continues in office.

Director's Interests
At no time during the period was the Company or any of its holding companies or fellow subsidiaries a party to any arrangement to enable the Company's director to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, nor were any such rights exercised by them.

Director's interests in contracts
The director did not have a material interest, either directly or indirectly, in any contract of significance to the business of the Company to which the Company or its holding companies and fellow subsidiaries was a party during the period.

Auditor
The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

Director Tang Min

Director Zhang Luyang

Hong Kong
22 May 2017

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Independent Auditor's Report

To the Members of CM International Financial Leasing Investment Holding Limited
(Incorporated in Hong Kong with Limited Liability)

Opinion

What we have audited

The consolidated financial statements of CM International Financial Leasing Investment Holding Limited (the "Company") and its subsidiaries set out on pages 5 to 36, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the period from 14 September 2015 (date of incorporation) to 31 December 2016;
- the consolidated statement of changes in equity for the period from 14 September 2015 (date of incorporation) to 31 December 2016;
- the consolidated statement of cash flows for the period from 14 September 2015 (date of incorporation) to 31 December 2016; and
- the notes to the consolidated financial statements, a summary of significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the period from 14 September 2015 (date of incorporation) to 31 December 2016 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. 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.

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Independence

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

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the directors' report but does not include 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 For The Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by HKICPA and 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.

Auditor's Responsibility 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, in accordance with Section 405 of the Hong Kong Companies Ordinance 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 HKSAs 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 HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with directors 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 22 May 2017

CM INTERNATIONAL FINANCIAL LEASING INVESTMENT HOLDING LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
PERIOD FROM 14 SEPTEMBER 2016 (DATE OF INCORPORATION) TO 31 DECEMBER 2016
(All amounts in USD unless otherwise stated)

	Note	Period from 14 September 2016 (date of incorporation) to 31 December 2016
Revenue	4	14,276,276
Cost of services	5	(10,809,949)
Gross profit		3,466,327
Administrative expenses	6	(1,394,800)
Finance costs		(23,596)
Profit before income tax		2,047,931
Income tax expense	7	(249,338)
Net Profit for the period		1,798,593
Net profit attributable to:		
Owners of the Company		1,798,593
Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences		(4,450)
Total other comprehensive loss for the period		(4,450)
Total comprehensive income for the period		1,794,143
Total comprehensive income attributable to:		
Owners of the Company		1,794,143

The accompanying notes form an integral part of these consolidated financial statements.

GM INTERNATIONAL FINANCIAL LEASING INVESTMENT HOLDING LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016
(All amounts in USD unless otherwise stated)

	Note	As at 31 December 2016
Non-current assets		
Property, plant and equipment	8	250,130,294
Financial assets at fair value through profit or loss	9	50,000,000
Finance lease receivables	10	180,906,913
Loan receivables	11	24,438,530
Deferred income tax assets		41,886
Total non-current assets		**505,517,623**
Current assets		
Other receivables		35,113
Finance lease receivables	10	6,602,559
Cash at bank		11,283,151
Total current assets		**17,920,823**
Total assets		**523,438,446**
Non-current liabilities		
Finance lease liabilities	14	176,783,084
Guarantee deposit		490,126
Total non-current liabilities		**177,273,210**
Current liabilities		
Interest payables		1,405,081
Other payables	12	15,976,754
Tax payable		250,344
Borrowings	13	306,398,000
Finance lease liabilities	14	20,300,624
Total current liabilities		**344,369,803**
Total liabilities		**521,643,013**
Equity		
Share capital	15	1,290
Translation reserve		(4,450)
Retained earnings		1,799,593
Equity attributable to owners of the Company		1,796,433
Total equity		**1,796,433**
Total liabilities and equity		**523,438,446**

The accompanying notes form an integral part of these consolidated financial statements.

Approved and authorised for issue by the directors on 22 May 2017.

Director Tang Min

Director Zhang Luyang

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
PERIOD FROM 14 SEPTEMBER 2015 (DATE OF INCORPORATION) TO 31 DECEMBER 2016
(All amounts in USD unless otherwise stated)

		Attributable to owners of the Company			
	Note	Share Capital	Translation reserve	Retained earnings	Total equity
As at 14 September 2015 (date of incorporation)		-	-	-	-
Profit for the period		-	-	1,798,593	1,798,593
Other comprehensive loss		-	(4,450)	-	(4,450)
Total comprehensive income for the period		-	(4,450)	1,798,593	1,794,143
Issued ordinary shares	15	1,290	-	-	1,290
As at 31 December 2016		1,290	(4,450)	1,798,593	1,795,433

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
PERIOD FROM 14 SEPTEMBER 2015 (DATE OF INCORPORATION) TO 31 DECEMBER 2015
(All amounts in USD unless otherwise stated)

	Note	Period from 14 September 2015 (date of incorporation) to 31 December 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax		2,047,931
Adjustments for:		
Depreciation of equipment	5	969,705
Impairment losses	6	1,387,596
Operating cash flows before movements in working capital		4,405,232
Increase in finance lease receivables		(185,737,037)
Increase in loan receivables		(24,598,560)
Increase in other payables		15,975,754
Increase in borrowings		303,392,000
Increase in finance lease liabilities		197,082,709
Increase in other assets/liabilities		1,856,054
NET CASH FROM OPERATING ACTIVITIES		312,383,151
INVESTING ACTIVITIES		
Purchase of property, plant and equipment		(251,100,000)
Purchase of financial assets at fair value through profit or loss		(50,000,000)
NET CASH FROM INVESTING ACTIVITIES		(301,100,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		11,283,151
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	13	11,283,151

The accompanying notes form an integral part of these consolidated financial statements.

1 General information

CM International Financial Leasing Investment Holding Limited (The "Company") is a limited liability company incorporated by CM International Financial Leasing Co., Ltd. ("CMIG Leasing) in Hong Kong under the Companies Ordinance on 14 September 2015. The original issued capital of the Company was HKD10,000. The registered address of the Company is 2/F, Hong Kong Offshore Centre, 28 Austin Avenue, Tsim Sha Tsui, Kowloon, Hong Kong.

As at 31 December 2016, the Company has 15 subsidiaries (refer to Note 1[illegible] for the detailed information of subsidiaries). The Company and all the subsidiaries are referred to as the "Group" or individually as "Group entities". The Group is principally engaged in finance and operating lease business, related consulting services and investment business.

These financial statements are presented in US dollars ("USD"), which is also the functional currency of the Company.

2 Summary of 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 preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA 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 financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs 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 the areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.1.1 Changes in accounting policy and disclosures

(a) Standards and amendments to existing standards effective 1 January 2016

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning on or after 1 January 2016 that have had a material impact on the Group.

(b) New standards, amendments and interpretations effective after 1 January 2016 and have not been early adopted

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

2 Summary of significant accounting policies (Cont'd)

2.1 Basis of preparation (Cont'd)

2.1.1 Changes in accounting policy and disclosures (Cont'd)

(b) New standards, amendments and interpretations effective after 1 January 2016 and have not been early adopted (Cont'd)

(i) HKFRS 9 Financial instruments

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9, retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised 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 not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

There is a financial asset currently measured at fair value through profit or loss (FVTPL) for the Group. They would likely continue to be measured on the same basis under HKFRS 9. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. While the Group is yet to perform a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit loss.

The Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information and is gathering data to quantify the potential impact arising from the adoption.

(ii) HKFRS 15 Revenue from contracts with customers

HKFRS 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. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

The management of the Group anticipates that the application of HKFRS 15 in the future may result in more disclosures, however, does not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2 Summary of significant accounting policies (Cont'd)

2.1 Basis of preparation (Cont'd)

2.1.1 Changes in accounting policy and disclosures (Cont'd)

(b) New standards, amendments and interpretations effective after 1 January 2016 and have not been early adopted (Cont'd)

(iii) HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.
HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, cash flows in relation to operating lease payments are currently presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at December 31, 2016, the Group has no non-cancellable operating lease commitments, and hence the management of the Group does not expect the adoption of HKFRS 16 as compared with current accounting policy would impose any material impacts on the financial statements. In addition, the Group expects that, as a lessor, there will be no significant impact on the financial statements.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2 Summary of significant accounting policies (Cont'd)

2.2 Subsidiaries (Cont'd)

2.2.1 Consolidation (Cont'd)

(a) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Revenue and cost of services

2.3.1 Interest income and expense

Interest income and interest expenses are recognised using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial assets or financial liabilities to the net carrying amount of the financial asset or financial liability. The Group estimates the future cash flows, determines the effective interest rate on a basis of considering all the contract terms of financial assets and financial liabilities except for the future credit loss. The Group also considers the income or expense related to fees, transaction costs, premium and discounts that are composition of effective interest rate.

2.3.2 Fee and commission income and expenses

Fee and commission income and expenses are recognised on an accrual basis when the service is rendered or received.

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in USD, which is the Group's functional and presentation currency. The functional currency of its subsidiaries is USD, except CM Lilac Limited. whose recording currency is Renminbi ("RMB") as appropriate in its business environment.

2.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (Cont'd)

2.4 Foreign currency translation (Cont'd)

2.4.3 Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

2.5 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.

2.6 Taxation

Income tax expense represents the sum of the current tax and deferred tax.

The current tax is based on taxable profit for the period. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, 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.

2 Summary of significant accounting policies (Cont'd)

2.6 Taxation (Cont'd)

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.7 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.

2.7.1 The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

2.7.2 The Group as lessee

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

2 Summary of significant accounting policies (Cont'd)

2.7 Leasing (Cont'd)

2.7.2 The Group as lessee (Cont'd)

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges are included in other long-term payables. The interest element of the finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.8 Property, plant and equipment

Property, plant and equipment comprise vessels, which are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated to write off the cost, less estimated residual value if applicable, of items of property, plant and equipment and is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives are as follows:

Asset	Estimated useful lives
- Vessel	25 years

The Group reviews the estimated useful lives and estimated net residual value of a property, plant or equipment and the depreciation method applied at least once at each financial year. Impairment losses on property, plant and equipment are accounted for in accordance with the accounting policies as set out in Note 2.9.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within in the statement of comprehensive income.

2.9 Impairment losses on non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives 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.

2 Summary of significant accounting policies (Cont'd)

2.9 Impairment losses on non-financial assets (Cont'd)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a prorate basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 a cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.10 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.10.1 Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets is determined based on the Group's intention and ability to hold the financial assets. The Group has no available-for-sale financial assets and held-to-maturity investments.

(a) Financial assets at fair value through profit or loss

The financial assets at fair value through profit or loss of the Group are initially designated at fair value through profit or loss. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current. A financial asset may be designated at fair value through profit or loss upon initial recognition if:

- The financial assets are managed, evaluated and reported internally on a fair value basis;
- The designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in the measurement basis of the financial assets or financial liabilities; or
- If a contract contains one or more embedded derivatives, an entity may designate the entire hybrid (combined) contract as a financial asset or financial liability at fair value through profit or loss unless the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited all resulting currency translation differences are recognised in other comprehensive income

2 Summary of significant accounting policies (Cont'd)

2.10 Financial instruments (Cont'd)

2.10.1 Classification of financial assets (Cont'd)

(b) Loans and receivables

Loans and receivables, including finance lease receivables, loan receivables and interest receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

2.10.2 Recognition and measurement of financial assets

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument.

In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initially recognised amounts. The subsequent measurement of financial assets after the initial recognition are as follows:

(a) Financial assets at fair value through profit or loss

Subsequent to initial recognition, gains or losses arising from change in the fair value of financial assets at fair value through profit or loss are recognised in the statement of comprehensive income for the current period. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

(b) Loans and receivables

Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method.

2.10.3 Impairment of financial assets

The Group assesses the carrying amounts of financial assets at each balance sheet date. 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 assets, the estimated future cash flows of the financial assets have been affected.

2 Summary of significant accounting policies (Cont'd)

2.10 Financial instruments (Cont'd)

2.10.3 Impairment of financial assets (Cont'd)

Objective evidence that a financial asset is impaired include the following events that occurred after the initial recognition and that the event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated:(1) significant financial difficulty of the borrower or issuer; (2) a breach of contract, such as a default or delinquency in interest or principal payments; (3) the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider; (4) it becoming probable that the borrower will enter bankruptcy or other financial reorganization; (5) disappearance of an active market for financial assets because of significant financial difficulties; (6) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including: adverse changes in the payment status of borrowers in the Group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the Group; (7) significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer; (8) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and (9) other objective evidence indicating there is an impairment of the financial asset.

(a) Loans and receivables

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of the impairment loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

Financial assets with amounts that are individually significant are assessed individually for impairment. If there is objective evidence that an impairment loss on financial assets has been incurred on an individual basis, the impairment is recognised and recorded in the income statement as "Impairment losses". Financial assets with amounts that are not individually significant or those financial assets with no impairment on an individual basis are assessed for impairment loss on a collective basis based on their credit risk characteristics.

As for financial assets portfolio assessed for impairment loss on a collective basis, the Group estimates their future cash flows based on historical loss experience. To reflect the actual conditions of these financial assets, the historical loss experience will be adjusted considering the current date. The adjustment includes adding the situation that not exist in historical loss experience, and eliminating the situation that not exist in the current period.

When a financial asset becomes uncollectible, it is written off against the related provision for bad debts after all necessary procedures have been exhausted. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for impairment in the income statement.

2 Summary of significant accounting policies (Cont'd)

2.10 Financial instruments (Cont'd)

2.10.4 De-recognition of financial assets

A financial asset is derecognised if one of the following is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

When such financial assets are derecognised, the differences between the carrying amount and the sum of the consideration received are recognised in profit or loss of the current period.

2.10.5 Financial liabilities

Financial liabilities are classified into the following two categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The Group's financial liabilities mainly are other financial liabilities, including interest payables, other payables, borrowings, finance lease payables and guarantee deposit.

Other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortized cost using the effective interest method. Borrowings with a term of less than one year (including one year) are short-term borrowings, and others are long-term borrowings.

A financial liability (or part of it) is extinguished when the liability (or part of it) is discharged. The difference between the carrying value of the derecognised part and the consideration paid is recorded into the income statement of the current period.

2.10.6 Embedded derivative financial instruments

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that all or some of the cash flows of the hybrid instrument vary in a way similar to a stand-alone derivatives. An embedded derivative, related to a hybrid instrument that is not designated as financial asset or financial liability at fair value through profit or loss, shall be separated from the host contract and accounted for as a separate derivative if, and only if it meets following conditions.

- The economic characteristics and risks are not closely related to those of the related host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

The Group will designate the hybrid financial instruments as financial assets or liabilities at fair value through profit or loss when they can't be separately measured initially or subsequently.

2.11 Cash and cash equivalents

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

As at December 31, 2016, the Group only possesses cash at bank.

2 Summary of significant accounting policies (Cont'd)

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3 Critical accounting estimates and judgements

In the application of the Group's accounting policies, which are described in note 2, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3.1 Impairment loss for finance lease receivables and loan receivables

The Group reviews finance lease receivables and loan receivables 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, loan 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, loan 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. Details of the impairment loss for finance lease receivables and loan receivables are disclosed in Note 10 and Note 11 respectively.

3 Critical accounting estimates and judgements (Cont'd)

3.2 Impairment loss for property, plant and equipment

The Group's property, plant and equipment are vessels. According to the accounting policy stated in Note 2, management makes judgment regarding whether there is any indicator of assets impairment at the financial reporting date, and measures the recoverable amount of any assets with impairment indicators. The recoverable amount is the higher of the net amount of assets' fair value minus the cost of disposal, and the estimated value in use. These measurements involve estimation. Details of impairment loss for property, plant and equipment are disclosed in Note 8.

3.3 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. Details of the fair value of financial instruments – financial assets at fair value through profit or loss are disclosed in Note 9.

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. Details of income taxes are disclosed in Note 7.

4 Revenue

	Period from 14 September 2015 (date of incorporation) to 31 December 2016
Fee and commission income	7,623,131
Interest income	2,719,145
Operating lease income	3,933,000
	14,275,276

5 Cost of services

	Period from 14 September 2015 (date of incorporation) to 31 December 2016
Fee and commission expenses	6,470,217
Interest expenses	3,369,026
Depreciation of equipment	969,706
	10,808,949

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(All amounts in USD unless otherwise stated)

6 Administrative expenses

	Period from 14 September 2015 (date of incorporation) to 31 December 2016
Impairment losses	
Finance lease receivables	1,227,565
Loan receivables	160,030
Audit fees	7,205
	1,394,800

7 Income tax expense

	Period from 14 September 2015 (date of incorporation) to 31 December 2016
Current income tax	291,224
Deferred income tax	(41,888)
	249,336

8 Property, plant and equipment

Equipment held for operating lease businesses

	Vessel
Cost	
As at 14 September 2015 (date of incorporation)	-
Additions	251,100,000
As at 31 December 2016	251,100,000
Accumulated depreciation	
As at 14 September 2015 (date of incorporation)	-
Charge for the period	(969,706)
As at 31 December 2016	(969,706)
Net carrying amount	
As at 14 September 2015 (date of incorporation)	-
As at 31 December 2016	250,130,294

As at 31 December 2016, all property, plant and equipment are recognised as asset acquisition through acquisition of subsidiary at a consideration of USD251,100,000 and held under a finance lease as a lessee.

As at 31 December 2016, there was no indication of significant impairment to the Group's property, plant and equipment.

9 Financial assets at fair value through profit or loss

As at 31 December 2016, the financial asset at fair value through profit or loss designated by the Group is as follows:

Investment project	% of Shareholding	At 31 December 2016
SinoLending Ltd.	4.44%	50,000,000

The above investment was a hybrid finance instrument which comprised a preferred share investment with conversion option and put option (embedded derivatives), so the Group designated it as the financial asset at fair value through profit or loss.

10 Finance lease receivables

	At 31 December 2016
Finance lease receivables	339,804,720
Less: Unearned finance income	(151,071,526)
Allowance for impairment losses	
- collectively assessed	(1,223,722)
Net book value	187,509,472
Including:	
Current portion	6,602,559
Non-current portion	180,906,913

As at 31 December 2016, the leasing arrangements comprise the finance lease receivables recognised as asset acquisition through two subsidiaries.

Movements of provision for impairment losses are as follows:

	Period from 14 September 2015 (date of incorporation) to 31 December 2016
At the beginning of the period	-
Charge for the period	1,227,565
Translation differences	(3,843)
At the end of the period	1,223,722

Future lease payment from lessees according to the contracts are as follows:

	At 31 December 2016
Within 1 year	19,836,553
1 to 5 years	79,068,167
Over 5 years	240,900,000
	339,804,720

11 Loan receivables

	At 31 December 2016
Financing to third parties	24,598,560
Less: Allowance for impairment losses	
- collectively assessed	(160,030)
Net book value	24,438,530

12 Other payables

	At 31 December 2016
Payables to related parties	12,656,255
Service fee payables	1,830,506
Operating lease rentals received in advance	1,282,510
Other payables	206,483
	15,975,754

13 Borrowings

	At 31 December 2016
Secured bank borrowings	79,000,000
Unsecured bank borrowings	148,400,000
Unsecured Intercompany borrowings	78,996,000
	306,396,000
Carrying amount repayable:	
Within one year	306,396,000

As at 31 December 2016, the Group had short term pledged borrowings of USD 79,000,000 secured by bank deposits of CM International Financial Leasing Co., Ltd. of RMB 611,823,000.

14 Finance lease liabilities

	At 31 December 2016
Gross finance lease liabilities	235,378,826
Less: Future finance charges on finance leases	(38,295,118)
Present value of finance lease liabilities	197,083,708
Including:	
Current portion	20,300,624
Non-current portion	176,783,084

14 Finance lease liabilities (Cont'd)

Future lease payment to lessors according to the contracts are as follows:

	At 31 December 2016
Within 1 year	29,682,026
1 to 5 years	118,866,960
Over 5 years	86,829,840
	235,378,826

15 Share capital

	Number of shares	Share capital
Issued and fully paid:		
At 31 December 2016	10,000	1,290

On 14 September 2015, the Company issued 10,000 ordinary shares at a total consideration of HKD 10,000 for cash.

16 Cash and cash equivalents

For the purpose of presentation of the consolidated cash flow statements, cash and cash equivalents include the following balances with an original maturity within 3 months:

	At 31 December 2016
Cash at bank	11,283,151

17 Related party transactions

17.1 Parent company

As at 31 December 2016, CM International Financial Leasing Co., Ltd. directly owned 100% of the share capital of the Company. The ultimate controlling party of the Company is China Minsheng Investment Corp., Ltd.

The Group had the following balances with CM International Financial Leasing Co., Ltd.

	At 31 December 2016
Other payables – advances	12,656,255

The other payables from related parties arose mainly from normal transactions with no maturity. The payables are unsecured in nature and bear no interest.

During the period from 14 September 2015 (date of incorporation) to 31 December 2016, the general and administrative expenses, such as employee benefits, were borne by the parent company.

17 Related party transactions (Cont'd)

17.2 Hana Bank Co., Ltd.

As at 31 December 2016, Hana Bank Co., Ltd. directly owned 25% of the share capital of CM International Financial Leasing Co., Ltd., which is the parent of the Company.

The Group had the following balances and amounts with Hana Bank Co., Ltd.

	At 31 December 2016
Borrowings	50,000,000
Interest payable	54,893

	Period from 14 September 2015 (date of incorporation) to 31 December 2016
Interest expense	837,795

The borrowings from Hana Bank Co., Ltd. are unsecured with an interest rate of 3 months LIBOR plus a margin repayable within 1 year.

17.3 Harvest Year Global Limited

The Company and Harvest Year Global Limited are ultimately controlled by China Minsheng Investment Corp., Ltd.

The Group had the following balances and amounts with Harvest Year Global Limited.

	At 31 December 2016
Borrowings	78,898,000
Interest payable	631,641

	Period from 14 September 2015 (date of incorporation) to 31 December 2016
Interest expense	631,641

The borrowings from Harvest Year Global Limited are unsecured with a fixed interest rate repayable within 6 months.

18 Investments in subsidiaries

The following is a list of the principal subsidiaries at 31 December 2016.

Directly owned:

Name of subsidiary	Place of registration	Registered share capital	Proportion of voting rights	Principal activities
HAI KUO SHIPPING 1307 LIMITED	Marshall Islands	USD 1	100%	Leasing
HAI KUO SHIPPING 1308 LIMITED	Marshall Islands	USD 1	100%	Leasing
CMA CGM Leasing (Hong Kong) Co., Limited	Hong Kong	USD 4	100%	Leasing
CM Lilac Limited	Hong Kong	HKD 10,000	100%	Leasing
CM Aloe Limited	Hong Kong	HKD 10,000	100%	Leasing
CM Carnation Limited	Hong Kong	HKD 10,000	100%	Leasing
CM Jasmine Limited	Hong Kong	HKD 10,000	100%	Leasing
CM Lily Limited	Hong Kong	HKD 10,000	100%	Leasing
CM Peony Limited	Hong Kong	HKD 10,000	100%	Leasing
CM Rose Limited	Hong Kong	HKD 10,000	100%	Leasing
CM Sunflower Limited	Hong Kong	HKD 10,000	100%	Leasing
CM Tulip Limited	Hong Kong	HKD 10,000	100%	Leasing
CM Violet Limited	Hong Kong	HKD 10,000	100%	Leasing

Indirectly owned:

The companies below are the subsidiaries of CMA CGM Leasing (Hong Kong) Co., Limited.

Name of subsidiary	Place of registration	Registered share capital	Proportion of voting rights	Principal activities
SALALAH leasing Co. Limited	Cayman Islands	USD 1	100%	Leasing
LE HAVRE leasing Co. Limited	Cayman Islands	USD 1	100%	Leasing
QINGDAO leasing Co. Limited	Cayman Islands	USD 1	100%	Leasing

19 Financial risk management

19.1 Financial risk factors

The Group's activities expose it to a variety of financial risks. The Group identifies, valuates and monitors the risks continuously. The major financial risks of the Group are credit risk, market risk and liquidity 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 management of the Group 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.

19 Financial risk management (Cont'd)

19.2 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.

19.2.1 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 at bank, interest receivable, and loan receivables. 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.

Maximum exposure to credit risk before collateral held and other credit enhancement:

	At 31 December 2016
Financial assets	
Finance lease receivables	187,509,472
Loan receivables	24,438,530
Other receivables	35,113
Cash at bank	11,283,151
	223,266,266

The above table represents the worst case scenario of credit risk exposure to the Group as at 31 December 2016, without taking account of any collateral held or other credit enhancements attached.

As at 31 December 2016, the Group's financial assets are not overdue. The Group collectively assessed the impairment losses for the finance lease receivables and loans and receivables, the details are disclosed in Note 10 and Note 11. There are no indications of impairment for the rest of the financial assets.

19.3 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)

19 Financial risk management (Cont'd)

19.3 Market risk (Cont'd)

19.3.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange relates primarily to the operating activities of the Group (when receipt or payment is settled using a currency that is different from the functional currency), primarily with respect to RMB and GBP.

As at 31 December 2015, the carrying amounts in USD equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized as below:

	At 31 December 2016		
	RMB (USD equivalent)	GBP (USD equivalent)	Total
Financial assets denominated in foreign currency			
Cash at bank	-	21,433	21,433
Finance lease receivables	13,266,484	-	13,266,484
Loan receivables	-	24,438,530	24,438,530
Subtotal	13,266,484	24,459,963	37,726,447
Financial liabilities denominated in foreign currency			
Other payables	12,656,255	706	12,656,961
Guarantee deposits	490,126	-	490,126
Subtotal	13,146,381	706	13,147,087
Net position	120,103	24,459,257	24,579,360

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange relates primarily to the operating activities of the Group (when receipt or payment is settled using a currency that is different from the functional currency), primarily with respect to RMB and GBP.

As at 31 December 2016, for the financial assets and liabilities measured in RMB and GBP of the Group, if the USD had strengthened/weakened by 1% against the RMB or GBP while all other variables had been held constant, the Group's net profit and other comprehensive income would not have been materially affected.

19 Financial risk management (Cont'd)

19.3 Market risk (Cont'd)

19.3.2 Interest rate risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is mainly caused by the mismatching between maturity of financial assets and financial liabilities or the inconsistency of sensitivity degree of interest rate regarding assets and liabilities.

The following table summarizes the interest rate risk exposure of the Group. The on balance sheet assets and liabilities have been classified by the earlier of the contractual repricing date and the maturity date, and financial assets are stated in net book value.

	At 31 December 2016				
	Non-interest bearing	Within 1 year	1-5 years	More than 5 years	Total
Financial assets					
Cash at bank	-	11,333,151	-	-	11,333,151
Other receivables	35,113	-	-	-	35,113
Loan receivables	-	-	24,438,530	-	24,438,530
Finance lease receivables	-	17,455,229	20,135,912	149,914,331	187,505,472
Financial assets at fair value through profit and loss	50,000,000	-	-	-	50,000,000
Total financial assets	50,035,113	28,738,380	44,578,442	149,914,331	273,356,765
Financial liabilities					
Interest payables	1,405,081	-	-	-	1,405,081
Other payables	15,375,754	-	-	-	15,375,754
Borrowings	-	306,396,000	-	-	306,396,000
Finance lease payables		70,303,674	94,753,901	82,029,183	197,063,708
Guarantee deposit	490,125	-	-		490,125
Total financial liabilities	17,270,961	326,698,624	94,753,901	82,029,183	521,352,655
Total interest repricing gap	32,764,152	(297,960,244)	(50,175,459)	67,885,148	(248,006,423)

The Group performs interest rate risk sensitivity analyses on its interest rate risk exposures to assess the potential impact of fluctuations of interest rates on the income statement.

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Group regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position). As at 31 December 2016, an incremental 100 basis points parallel fall or rise in all yield curves, would increase or decrease planned net interest income for the next twelve months from the reporting date by USD2,979,602.

19 Financial risk management(Cont'd)

19.4 Liquidity risk

Liquidity risk refers to the risk that the Group is unable to obtain fund at a reasonable cost to repay the liabilities or seize other investment opportunities. The Group's liquidity risk management target is to ensure sufficient capital resource at any time to meet the repayment needs of matured liabilities, as well as the lessee's withdraw demand and seize new investment opportunities.

The major payments demand of the Group are the repayments of matured bank borrowings, obligations under finance lease, withdraw request from lessees under finance leases and other payables.

19.4.1 Analysis of remaining contractual maturity

	At 31 December 2016				
	On demand/ Infinite	Within 1 year	1-5 years	More than 5 years	Total
Financial assets					
Cash at bank	11,283,151	-	-	-	11,283,151
Other receivables	1,290	33,573	-	-	56,113
Loan receivables	-	-	24,438,530	-	24,438,530
Finance lease receivables	-	6,602,809	30,992,332	149,914,331	187,509,472
Financial assets at fair value through profit and loss	-	-	50,000,000	-	50,000,000
Total financial assets	11,284,441	6,636,382	105,431,112	149,914,331	273,288,266
Financial liabilities					
Interest payables	-	1,405,081	-		1,405,081
Other payables	-	15,975,754	-	-	15,975,754
Borrowings	-	306,396,000	-	-	306,396,000
Finance lease payables	-	20,302,624	94,753,901	82,029,183	197,085,708
Guarantee deposit	-	-	490,126	-	490,126
Total financial liabilities	-	344,079,459	95,244,027	82,029,183	521,352,669
Total interest repricing gap	11,284,441	(337,443,077)	10,187,085	67,885,148	(248,064,403)

19.4.2 Analysis of undiscounted contractual cash flows

	At 31 December 2016				
	On demand/ Infinite	Within 1 year	1-5 years	More than 5 years	Total
Financial liabilities					
Interest payables	-	1,405,081	-	-	1,405,081
Other payables	-	15,975,754	-	-	15,975,754
Borrowings	-	312,717,500	-	-	312,717,500
Finance lease payables	-	29,662,023	118,366,960	86,823,640	235,270,626
Guarantee deposit	-	-	490,126	-	490,126
Total financial liabilities	-	359,760,358	119,357,085	86,823,640	565,587,295

20 Fair value of the financial instruments

Some of the Group's financial assets and liabilities are measured at fair value or with fair value disclosed for financial reporting purposes. The management of the Group 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 management periodically.

The selected level of fair value measurement must be decided by the lowest level of input that is significant to the overall fair value measurement.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

20.1 Assets and liabilities continuously measured at fair value

As at 31 December 2016, the assets and liabilities continuously measured at fair value by the above three levels are analysed below :

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss			50,000,000	50,000,000

The fair value of financial instruments not traded in an active market is determined by the Group using valuation technique.

The valuation of financial assets is performed by post management team of the Group. The above valuation results are independently verified and accounted for by the finance department of the Group.

20.2 Assets and liabilities not measured at fair value but for which the fair value is disclosed

Financial assets and liabilities not measured at fair value but for which the fair value is disclosed mainly include: Cash at bank, finance lease receivables, loan receivables, borrowings, and finance lease liabilities, etc.

The Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows model. As at 31 December 2016, the fair value of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximates their carrying amount.

As at 31 December 2016, the majority of Group's assets and liabilities not measured at fair value were in level 3.

21 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 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.

The Group manages its capital through the optimisation of the debt and equity balance. The capital structure of the Group consists of debts, which include the borrowings and equity attributable to owners of the Company, comprising issued share capital, reserves and retaining earnings. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the reporting period.

22 Operating lease commitment

22.1 The Group as lessor

Operating lease commitment represents future minimum rental receivables by the Group from its operating lease contracts. As at 31 December, it falls due as follows:

	At 31 December 2016
Within 1 year	10,402,500
1 to 5 years	41,610,000
Over 5 years	19,071,250
	71,083,750

23 Directors' remuneration

The directors receive remuneration from the parent company in respect of their services to the larger group which includes the Company and its subsidiaries. No apportionment has been made as the qualifying services provided by these directors to the Company and its subsidiaries are incidental to their responsibilities to the larger group.

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services. There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities.

During the year and at the year end, no director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party.

24 Post balance sheet events

Up to the date of the approval for the consolidated financial statements, there was no material event subsequent to the balance sheet date.

26 Statement of Financial Position of the Company

	As at 31 December 2016
Non-current assets	
Financial assets at fair value through profit or loss	50,000,000
Investment in subsidiaries	50,220,002
Loan receivables	24,438,530
Total non-current assets	**124,658,532**
Current assets	
Other receivables	35,113
Receivables from subsidiaries	76,429,131
Cash at bank	11,283,151
Total current assets	87,747,395
Total assets	**212,405,927**
Current liabilities	
Interest payables	745,793
Other payables	2,275,155
Tax payable	223,058
Borrowings	207,998,000
Total current liabilities	**211,242,006**
Total liabilities	**211,242,006**
Equity	
Share capital	1,290
Retained earnings	1,162,631
Equity attributable to owners of the Company	1,163,921
Total equity	1,163,921
Total liabilities and equity	**212,405,927**

Approved and authorized for issue by the directors on 22 May 2017.

Director Tang Min

Director Zhang Luyang

26 Statement of Changes in Equity of the Company

	Share capital	Retained earnings	Total equity
As at 14 September 2015	-	-	-
Profit for the period	-	1,162,631	1,162,631
Other comprehensive loss	-	-	-
Total comprehensive income for the period		1,162,631	1,162,631
Issued ordinary shares	1,290	-	1,290
As at 31 December 2016	1,290	1,162,631	1,163,921

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