IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")) PURCHASING THE SECURITIES OUTSIDE THE U.S. IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S.

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the "**Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR MAY NOT BE DOWNLOADED, FORWARDED OR DISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY DOWNLOADING, FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view the following Offering Circular or make an investment decision with respect to the securities, investors must be addressees who are not U.S. persons (as defined under Regulation S) purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing the following Offering Circular, you shall be deemed to have represented to us, the Arrangers (as defined in the Offering Circular) and the Dealers (as defined in the Offering Circular) under this programme that (1) you and any customers you represent are non-U.S. persons eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S and that the electronic e-mail address that you gave us and to which this e-mail has been delivered is not accessed from in the United States and (2) that you consent to the delivery of such Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of this Offering Circular to any other person. You should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any reply by e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

This Offering Circular does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Dealers or any affiliate of the Dealers is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealers or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Arrangers, the Dealers, the Trustee (as defined in the Offering Circular) or the Agents (as defined in the Offering Circular), nor any person who controls any of them, nor any director, officer, employee, nor agent of any of them, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

ICBCIL FINANCE CO. LIMITED

(a public company incorporated in Hong Kong with limited liability)

US$10,000,000,000

Medium Term Note Programme

WITH THE BENEFIT OF A KEEPWELL AND LIQUIDITY SUPPORT DEED AND A DEED OF ASSET PURCHASE UNDERTAKING PROVIDED BY

ICBC 工銀租賃

ICBC Financial Leasing Co., Ltd.

(a company incorporated in the PRC with limited liability)

Under the US$10,000,000,000 Medium Term Note Programme described in this Offering Circular (the "**Programme**"), ICBCIL Finance Co. Limited (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed US$10,000,000,000 (or the equivalent in other currencies), subject to increase as further described in "Summary of the Programme".

The Issuer, ICBC Financial Leasing Co., Ltd. (工銀金融租賃有限公司), as the keepwell provider, (the "**Company**") and ICBC International Leasing Company Limited ("**ICBCIL**") have entered into an amended and restated keepwell and liquidity support deed dated on or about 24 April 2018 (as amended and supplemented from time to time, the "**Keepwell and Liquidity Support Deed**") and a deed of asset purchase undertaking dated on or about 7 October 2015 (as amended and supplemented from time to time, the "**Deed of Asset Purchase Undertaking**") with Citicorp International Limited (the "**Trustee**") as trustee of the notes, as further described in the "Description of the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking". **Neither the Keepwell and Liquidity Support Deed nor the Deed of Asset Purchase Undertaking constitutes a direct or indirect guarantee of the Programme or the Notes by the Company.**

The Notes will constitute direct, general, unconditional, unsubordinated and, subject to the creation of any security permitted or approved in accordance with Condition 4(a) of the Terms and Conditions of the Notes, unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Programme" and any additional Dealer appointed under the Programme from time to time by the Issuer and the Company (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 Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, "**Professional Investors**") only during the 12-month period from the date of this Offering Circular on the Hong Kong Stock Exchange. This Offering Circular is for distribution to Professional Investors only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme and the Notes on Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer and the Company or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

With respect to each Tranche of the Notes, registration will be completed, or application to registration will be made, by the Issuer and the Company in accordance with the Notice on the Administrative Reform for the Registration of Offshore Debt Issuances issued by the National Development and Reform Commission (the "**NDRC Notice**"), as set forth in the applicable Pricing Supplement. After issuance of each Tranche of the Notes, the Issuer and the Company shall report the issuance information to the NDRC within 10 working days after the completion of each such issuance.

Each Series (as defined in "Summary of the Programme") of Notes in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note in bearer form (each a "**Temporary Global Note**") or a permanent global note in bearer form (each a "**Permanent Global Note**", and together with the Temporary Global Note, the "**Global Notes**"). Interests in Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent Global Note or for definitive Bearer Notes, after the expiry of 40 days after the issue date of the relevant Tranche, upon certification as to non-U.S. beneficial ownership. Notes in registered form ("**Registered Notes**") will be represented by registered certificates (each a "**Certificate**"), one definitive Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series or (a) in the case of Notes issued in reliance on Category 2 of Regulation S ("**Regulation S**") of the United States Securities Act of 1933, as amended (the "**Securities Act**") (other than Notes representing the first Tranche of a given Series), a temporary global certificate in registered form (a "**Temporary Global Certificate**") or (b) in the case of all other Notes, a permanent global certificate in registered form (a "**Permanent Global Certificate**", and together with the Temporary Global Certificate, the "**Global Certificates**") in respect of the Notes. Global Notes may be deposited on the issue date with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream**") or with a sub-custodian for the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority (the "**CMU**"), and Global Certificates may be deposited on the issue date with a custodian (the "**Custodian**") for, and registered in the name of a nominee of, The Depository Trust Company ("**DTC**"), with a common depositary on behalf of Euroclear and Clearstream or with a sub-custodian for the CMU. In the case of a Series intended to be cleared through a clearing system other than, or in addition to, DTC, Euroclear and/or Clearstream or CMU, or delivered outside a clearing system, the Global Notes and Global Certificates may be deposited on the relevant issue date as agreed between the Issuer and the relevant Dealer.

The Notes of each Series to be issued in registered form and which are sold in an "offshore transaction" within the meaning of Regulation S ("**Regulation S Notes**") will, subject to the temporary global certificate requirements described above, initially be represented by a registered global certificate (each an "**Regulation S Global Certificate**") without interest coupons, which may be deposited on the relevant issue date (a) in the case of a Series intended to be cleared through Euroclear and/or Clearstream, with a common depositary on behalf of Euroclear and Clearstream and (b) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream, or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer. Registered Notes which are sold in the United States to "qualified institutional buyers" (each, a "**QIB**") within the meaning of Rule 144A ("**Rule 144A**") under the Securities Act will initially be represented by a permanent registered global certificate (each a "**Rule 144A Global Certificate**"), which may be deposited on the relevant issue date with the Custodian for, and registered in the name of Cede & Co. as nominee for, DTC.

The Notes have not been and will not be registered under the Securities Act, or the securities laws of any other place. Accordingly, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such terms are defined under Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Unless an amendment or supplement to the Offering Circular for issuance of Notes under the Programme in reliance of Rule 144A is made available by the Issuer and the Company, the Notes may be offered and sold only to non-U.S. persons in offshore transactions in reliance on Regulation S and in accordance with any other applicable law. Bearer Notes are subject to U.S. tax law requirements and, subject to certain exceptions, may not be offered, sold or delivered within the United States or its possessions or to, or for the account or benefit of, U.S. persons. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Offering Circular see "Subscription and Sale" and "Transfer Restrictions".

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein (the "**Conditions**"), in which event a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

MIFID II product governance / target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person offering, selling or recommending the Notes (a "**distributor**") should take into consideration such target market; 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 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 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger 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.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE) – The Pricing Supplement in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"). The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Pricing Supplement will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

The Programme is rated "A" by Standard & Poor's Ratings Services Inc. (the "**S&P**") and "A2" by Moody's Investors Service, Inc. ("**Moody's**"). These ratings are only correct as at the date of this Offering Circular. Tranches of Notes (as defined in "Summary of the Programme") to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. 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.

Investing in the Notes 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 applicable 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. Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Offering Circular.

Arrangers and Dealers

ICBC	**Bank of China**	**Bank of Communications**	**BNP PARIBAS**	**CMB Wing Lung Bank Limited**	**Goldman Sachs (Asia) L.L.C.**

Offering Circular dated 25 February 2019

NOTICE TO INVESTORS

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purposes of giving information with regard to the Issuer and the Company. The Issuer and the Company accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

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 a Pricing Supplement. This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference. See "Documents Incorporated by Reference". This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Arrangers or the Dealers (each as defined in "**Summary of the Programme**") or the Trustee or the Agents (each as defined in "**Terms and Conditions of the Notes**"). Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes should be considered as a recommendation by the Issuer, the Company, any Arranger, any Dealer, the Trustee or the Agents that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. This Offering Circular does not take into account the objectives, financial situation or needs of any potential investor. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Company, any Arranger, any Dealer, the Trustee or the Agents to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Group (as defined in "**Certain Definitions and Conventions**") since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Company since the date hereof or 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 as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Dealers and the Arrangers to inform themselves about and to observe any such restriction. 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 Notes in bearer form that are subject to U.S. tax law requirements.

Subject to certain exceptions, Bearer Notes may not be offered, sold or delivered within the United States or its possessions or to, or for the account or benefit of, U.S. persons.

Unless an amendment or supplement to the Offering Circular for issuance of Notes under the Programme in reliance of Rule 144A is made available by the Issuer and the Company, the Notes are being offered and sold only outside the United States to non-U.S. persons in reliance on Regulation S. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Offering Circular see "Subscription and Sale" and "Transfer Restrictions".

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UP ON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. None of the Issuer, the Company, any Arranger, any Dealer, the Trustee, the Agents or their respective affiliates makes any representation to any investor in the Notes regarding the legality of its investment under any applicable law. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions.

None of the Issuer, the Company, the relevant Arrangers, the relevant Dealers, the Trustee, the Agents or their respective affiliates represents that this Offering Circular 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, unless specifically indicated to the contrary in the applicable Pricing Supplement, no action has been taken by the Issuer, the Company, the relevant Arrangers, the relevant Dealers, the Trustee, the Agent or their respective affiliates which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor 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. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, Ireland, Hong Kong, Singapore, the PRC, Japan, Taiwan, Cayman Islands and Canada. See "Subscription and Sale".

To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee, the Agents or their respective affiliates accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by an Arranger or a Dealer, the Trustee or any Agent or on its behalf in connection with the Issuer or the Company or the issue and offering of the Notes. Each Arranger, each Dealer, the Trustee, each Agent and each of their respective affiliates accordingly disclaims 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. Neither this Offering Circular nor any financial statements of the Issuer or the Group is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Company, the Arrangers, the Dealers, the Trustee, the Agents or their respective affiliates that any recipient of this Offering Circular or any financial statements of the Issuer or the Group should purchase the Notes. Each potential investor of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arrangers, the Dealers or their respective affiliates makes any representation, warranty or undertaking, express or implied, as to the accuracy or completeness of the information contained herein. None of the Arrangers, the Dealers, the Trustee, the Agents or their respective affiliates undertakes to review the financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Offering Circular or to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers, the Dealers, the Trustee, the Agents or their respective affiliates.

From time to time, in the ordinary course of business, certain of the Dealers and/or their affiliates have provided advisory and investment banking services, and entered into other commercial transactions with the Issuer, the Company and their affiliates, including commercial banking services, for which customary compensation has been received. It is expected that the Dealers and their affiliates will continue to provide such services to, and enter into such transactions with, the Issuer and the Company and their affiliates in the future.

The Dealers or certain of their respective affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

In making an investment decision, each potential investor must rely on its own examination of the Issuer and the Company and the terms of the Notes being offered, including the merits and risks involved. The Issuer, the Company, the Arrangers, the Dealers, the Trustee, the Agents and their respective affiliates do not make any representation regarding the legality of investment under any applicable laws.

Potential investors should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

MIFID II product governance / target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person offering, selling or recommending the Notes (a "**distributor**") should take into consideration such target market; 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 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 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger 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.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE) – The Pricing Supplement in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes pursuant to section 309B(1) of the SFA. The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Pricing Supplement will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

In connection with any Tranche of Notes, one or more of the Dealers (or persons acting on their behalf) may act as the stabilisation manager(s) (the "Stabilisation Manager(s)"). The identity of the Stabilisation Manager(s) (if any) will be disclosed in the relevant Pricing Supplement. In connection with the issue of any Tranche of Notes, one or more of the Dealers named as Stabilisation Manager (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Pricing Supplement 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, there is no obligation on the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager) to do this. Such stabilisation, if commenced, 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 be ended at any time, and must be brought to an end after a limited period. Such stabilisation shall be in compliance with all applicable laws, regulations and rules.

CERTAIN DEFINITIONS AND CONVENTIONS

In the Offering Circular, unless otherwise specified, references to the "PRC" or "China" are to the People's Republic of China, excluding Taiwan, Hong Kong and Macau, references to "Hong Kong" are to the Hong Kong Special Administrative Region of the People's Republic of China, references to "Macau" are to the Macau Special Administrative Region of the People's Republic of China, references to the "U.S." or the "United States" are to the United States of America, references to "US$", "U.S.$", "USD" or "U.S. dollar" are to the lawful currency of the United States of America, references to "Renminbi", "RMB" or "CNY" are to the lawful currency of the PRC, and references to "Hong Kong dollar" or "HK$" are to the lawful currency of Hong Kong.

In this Offering Circular, references to the "Group" are to the Company and its subsidiaries, and references to the "ICBCIL Group" are to ICBCIL and its subsidiaries.

In this Offering Circular, references to the "**CBIRC**" are to the China Banking and Insurance Regulatory Commission which was established on 8 April 2018 through the merger of functions between China Banking Regulatory Commission ("**CBRC**") and the China Insurance Regulatory Commission. CBIRC, replacing CBRC, currently holds the regulatory authority to develop rules on the business operations and regulations for financial leasing companies, commercial factoring companies and pawnshop business.

In this Offering Circular, certain amounts and percentages may have been rounded up or down, including but not limited to where information has been presented in thousands, millions or billions of units. 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 U.S. dollar amounts into Renminbi amounts. Unless indicated otherwise, the translation of U.S. dollar amounts into Renminbi amounts has been made at the rate of US$1.00 to RMB6.6171, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 29 June 2018. These translations should not be construed as representations that the U.S. dollar amounts could actually be converted into any Renminbi amounts at the rates indicated or at all. For further information relating to exchange rates, see "Exchange Rate Information".

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.

DOCUMENTS INCORPORATED BY REFERENCE

The Issuer hereby incorporates by reference (i) each Pricing Supplement and (ii) all amendments and supplements from time to time to this Offering Circular (but excluding any amendment or supplement specifically identified by the Issuer and the Company to be used for issuance of the Notes under the Programme in reliance of Rule 144A), each of which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with the contents of this Offering Circular.

Any documents incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available for inspection free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified offices of the Issuer and of the Trustee (as defined below) set out at the end of this Offering Circular.

SUPPLEMENTAL OFFERING CIRCULAR

The Issuer has given an undertaking to the Arrangers and the Dealers that if it has notified the Arrangers or the Dealers in writing that it intends to issue Notes under the Programme for the time being, and if a significant new factor, material mistake or inaccuracy arises or is noted relating to the information included in the Offering Circular which is capable of affecting an assessment by investors of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and/or the Company and/or of the rights attaching to the Notes, it shall (i) prepare and publish an amendment or supplement to the Offering Circular (the "**Supplemental Offering Circular**"), (ii) advise the Arrangers and the Dealers promptly of any proposal to amend or replace the Offering Circular, (iii) advise the Arrangers and Dealers promptly of any proposal to supplement the Offering Circular and (iv) provide the Arrangers and the Dealers with a copy of any such proposed amendment, supplement or replacement immediately prior to its publication.

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Group as at and for each of the years ended 31 December 2016 and 2017 (collectively, the "**Group Audited Financial Statements**") have been prepared in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**") and have been audited in accordance with the International Standards on Auditing by KPMG Huazhen LLP ("**KPMG Huazhen**").

The consolidated financial statements of the Group as at and for the six months ended 30 June 2018 (the "**Group Interim Financial Statements**", and together with the Group Audited Financial Statements, the "**Group Financial Statements**") have been reviewed but not audited by KPMG Huazhen. The Group Interim Financial Statements have been prepared in accordance with PRC GAAP. Consequently, the Group Interim Financial Information 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 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 Interim Financial Information should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ended 31 December 2018.

PRC GAAP differs in certain material respects from the International Financial Reporting Standards ("**IFRS**"). For a discussion of certain differences between PRC GAAP and IFRS, see "Summary of Certain Differences between PRC GAAP and IFRS".

The Group's financial information and data as at and for the 11 months ended 30 November 2017 and 2018 included in this Offering Circular were prepared by the Company's management and have not been reviewed or audited by KPMG Huazhen LLP, its independent auditor. Investors should not place undue reliance on any such financial information or data. Any description of such information or data as at and for the 11 months ended 30 November 2018 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 2018.

In addition, the Asset Transfer (as defined herein), which was completed in September 2018, has resulted in the consolidation of the relevant financial information of the offshore aviation assets formerly of ICBCIL into the Group's financial statements. The Group's consolidated financial statements, information or data as at and for the years ended 31 December 2015, 2016 and 2017 and as at and for the six months ended 30 June 2017 and 2018 contained in the Offering Circular (the "**Historical Financial Information**") does not reflect the financial condition of the Group after the completion of the Asset Transfer, nor can it be taken as an indication of the Group's future performance after the Asset Transfer. Any financial statements, information or data of the Group after the Asset Transfer may be substantially different from the Historical Financial Information.

Because the Asset Transfer is treated as a restructuring under common control, the Group's financial information and data as at and for the 11 months ended 30 November 2018 included in this Offering Circular consolidates the financial information of the transferred offshore aviation assets as at and for the 11 months ended 30 November 2018 as if the Asset Transfer had occurred on 1 January 2019. However, the Group's financial information and data for the 11 months ended 30 November 2017 included in this Offering Circular and as at or prior to 30 June 2018 has not been restated to consolidate the relevant financial information of the transferred offshore aviation assets for the corresponding period. As a result, the Group's financial information and data as at and for the 11 months ended 30 November 2017 and

2018 included in this Offering Circular are not directly comparable. Similarly, the Group's financial information as at or prior to 30 June 2018 included in this Offering Circular is not directly comparable to the Group's financial information and data as at 30 November 2018 included in this Offering Circular.

Please refer to "Summary – Recent Development" and "Risk Factors – Risks relating to the Business of the Group – The Group has completed an Asset Transfer pursuant to which ICBC Aviation Leasing received offshore aviation assets from ICBCIL" for further details.

This Offering Circular contains the audited financial statements of the Issuer as at and for the year ended 31 December 2015, 2016 and 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and have been audited by KPMG (the "**Issuer Audited Financial Statements**"). In addition, this Offering Circular contains the unaudited financial statements of the Issuer as at and for the six months ended 30 June 2017 and 2018, which have been prepared in accordance with HKAS34 and have been reviewed by KPMG (the "**Issuer Interim Financial Statements**", and together with the Issuer Audited Financial Statements, the "**Issuer Financial Statements**").

"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 differences between HKFRS and IFRS which will impact the financial position and results of operations of the Issuer.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical fact contained in this Offering Circular, including, without limitation, those regarding the Company's future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where the Company 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 Company'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 Company's present and future business strategies and the environment in which the Company will operate in the future. Important factors that could cause the Company'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 Company operates;
- the business and operating strategies and the future business development of the Company;
- the general economic, political, social conditions and developments globally;
- changes in competitive conditions and the Company's ability to compete under these conditions;
- the Company's operations and business prospects;
- the Company's capital expenditure and development plans;
- the Company's expectations with respect to its ability to acquire and maintain regulatory qualifications required to operate its business;
- the Company's business strategy and plan to achieve this strategy;
- the availability and charges of bank loans and other forms of financing;
- the Company's financial condition and results of operations;
- changes in currency exchange rates;
- changes in interest rates;
- macroeconomic policies of the PRC government and changes in the regulatory environment in the PRC; and
- other factors beyond the Issuer's and the Company's control, including those discussed in the section headed "Risk Factors".

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors". The Issuer and the Company 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 or the Company 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 and the actual results of the Issuer, the Company or the Group, ICBCIL or the ICBCIL Group could differ materially from those anticipated in these forward-looking statements.

ENFORCEABILITY OF CIVIL LIABILITY

The Issuer is a corporation organised under the laws of Hong Kong. The Company is a corporation organised under the laws of the People's Republic of China. Most of the directors and executive officers of the Issuer and the Company are residents of the People's Republic of China, and all or a substantial portion of the assets of the Company and such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company or such persons or to enforce against any of them in the United States judgements obtained in United States courts, including judgements predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

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SUMMARY

This summary aims to give prospective investors an overview of the information contained in the Offering Circular and is qualified in its entirety by the more detailed information and the financial statements appearing elsewhere in the Offering Circular. As it is a summary, it does not contain all the information that may be important to making a decision to invest in the Notes. Prospective investors should read the whole Offering Circular, including the financial statements and notes thereto contained elsewhere in the Offering Circular before deciding to invest in the Notes.

There are risks associated with any investment. Some of the particular risks in investing in the Notes are set out in the section with the heading "Risk Factors" of this Offering Circular. Prospective investors should carefully read that section before deciding to invest in the Notes.

Overview

The Company was the first bank-affiliated financial leasing company in the PRC approved by the then CBRC (see "Certain Definitions and Conventions"). It was established as a key platform in implementing ICBC's comprehensive operating strategy and products offering, and the ICBC Group has provided the Company with full support in its business development. After over ten years of steady business development, the Company has grown into one of the largest financial leasing companies in the PRC, with one of the largest market share among financial leasing companies in PRC in terms of total consolidated assets, net capital and net profit which were 12.31 per cent., 8.94 per cent. and 9.82 per cent., respectively, according to statistics from the CBA Financial Leasing Committee as at 30 June 2018. As at 30 June 2018, the equipment assets, airline assets and shipping assets owned and managed by the Group (through the ICBCIL Group) accounted for 29.36 per cent., 38.28 per cent., and 22.43 per cent., respectively for the Group's asset placement by industry, and 32.6 per cent., 42.5 per cent., and 24.9 per cent., respectively for the Group's total leasing assets.

ICBC's leasing operations consist of both domestic and offshore leasing businesses. ICBC's domestic leasing operations in the PRC are owned and operated by the Group, whereas the offshore leasing platform of ICBC is held by ICBC's wholly-owned subsidiary, ICBCIL, and its subsidiaries. Since the Group does not have any ownership interest in the ICBCIL Group and financial consolidation is not otherwise required or provided by applicable laws or regulations, the financial statements of the ICBCIL Group are not consolidated into the Group's consolidated financial statements. The offshore leasing business, however, is managed and operated by the Company, though the assets of the offshore leasing platform are owned by the ICBCIL Group. The Company manages the ICBCIL Group by providing management and sharing resources. See the section with the heading "Corporate Structure". References in this Offering Circular to the assets, liabilities, number of leasing contract, contract value, number of clients or other operation data of the Company or the Group refer only to the domestic leasing businesses unless specifically indicated otherwise. See the section with the heading "– Business Description of the ICBCIL Group".

The Company's leasing business is organised around three major sectors: (i) aviation, (ii) shipping and (iii) big-ticket equipment. The total consolidated assets of the Group decreased from RMB184.38 billion as at 31 December 2015 to RMB181.69 billion as at 30 June 2018. With a focus on "large markets, large clients and big-ticket leasing transactions", as at 30 June 2018, the Group owned 154 large aircraft which have been delivered for operation, 125 ships and maritime assets, and over 44,000 pieces of large equipment. As the Company is the ICBC Group's primary leasing platform, the ICBC Group also provides liquidity support to the Company. Moreover, the Group benefits from ICBC's extensive client base, brand recognition, widespread marketing, business network and rigorous risk management system.

On 13 January 2014, ICBC injected an additional RMB3 billion of equity capital into the Company, which increased the Company's share capital to RMB11 billion. This equity injection was one of several rounds made by ICBC. After this injection, the Company became the best capitalised financial leasing company in the PRC according to the most recent statistics from CBA Financial Leasing Committee. In the early 2018, the Company has further increased its equity capital, leading to a share capital of RMB18 billion as at 30 June 2018.

In the aviation sector, as at 30 June 2018, in terms of total aviation assets (including the assets owned by the ICBCIL Group), the Company was ranked 10th aviation leasing business company in the world in terms of fleet value and eighth in terms of fleet size, according to Air Finance Journal. According to the report by Flightglobal aviation website, as at 31 December 2016 and 2017, the Company was one of the top 10 aviation leasing business companies in the world by fleet value. The Company and ICBCIL have developed co-operative relationships with leading international airline companies, including American Airlines, Delta Airlines, AirAsia, British Airways, China Airlines, Air China, China Southern Airlines, China Eastern, Emirates, Korean Air and LATAM. The Company has also entered into strategic co-operation agreements with various international aviation manufacturers including Airbus, Boeing, Bombardier, Embraer and Commercial Aircraft Corporation of China ("**COMAC**"). In 2016, the Company and Commercial Aircraft Corporation of China announced the "Three-Year Plan: Aviation Financing to Support China-made Large Aircraft", which will strengthen the strategic co-operative relationship between the Company and Commercial Aircraft Corporation of China and accelerate the industrialisation and commercialisation of China-made commercial aircraft. The Company also arranged a sale-leaseback of six Boeing B787-8 aircraft for Qatar Airways. As at 30 June 2018, the Group strategically expanded its operating lease business in the aviation business to meet market demand, as demonstrated by its delivery of 332 aircraft (including those delivered by the ICBCIL Group) all over the world, most of which were signed under operating leases. As at the same period, the Company's customer base includes 65 airlines across 32 countries and regions, including 18 Chinese customers and 47 international customers.

In the shipping sector, the Company entered into a US$1.5 billion operating leasing agreement for 46 offshore support vessels in 2013, which was the single largest leasing transaction in terms of vessel quantity of that year globally; in the same year, the Company entered into a leasing agreement with a major container ship operator in the world, for seven large container ships with total value of US$574 million; in 2014, the Company entered into a sale and lease back transaction worth US$800 million for four large LNG carriers with a global leading LNG operator; in 2015, the Company entered into 18 tanker carrier lease agreements with a total value of approximately US$900 million with a large British multinational oil and gas company and in March 2016, as part of the cooperation between ICBC, the largest financial institution in China, and a Brazilian multinational oil corporation, to develop and strengthen the long-term, reciprocal strategic partnership between the two companies, the Company concluded a finance leasing transaction for one FPSO unit for US$1 billion with a Brazilian multinational oil corporation, which was the first transaction of this kind worldwide of a key offshore production asset under a leasing arrangement. In March 2016, the Company worked with Viking Cruise in a finance leasing transaction for one high-end cruise; in April 2016, the Company reached a package transportation contract with Vale S.A. of Brazil, which the Company would provide Vale S.A. of Brazil with iron ore transportation service with the term of 25 years; in May 2016, the Company worked with Pacific International Lines of Singapore in a finance leasing transaction for four new large container ships; in August 2016, the Company with Seatrade Group of Belgium completed a finance leasing transaction for four new cold container ships, including "Seatrade Blue", a 2200-freezer full container ship; in December 2016, the Company completed a finance leasing transaction for two new LNG carriers with a large British multinational oil and gas company. In 2016, the Company, jointly with China Merchants Group, entered into an agreement with the amount of US$1.4 billion for the purpose of building and transporting

14 VLOC with Vale S.A., Brazil. The Company also delivered "SC Neptune", a 33,000 tonne chemical tanker to Dorval SC Tanker Inc. In September 2017, the Company reached an agreement with the amount of US$0.28 billion for the purpose of building and transporting another three VLOC with Vale S.A., Brazil, which meant that the number of VLOC built and transported by the Company reaches 17. From 2016 to 2017, the Company worked with Teekay of Canada to complete finance leasing transactions for six new LNG carriers. In August 2017, the Company entered into an agreement with the amount of US$0.3 billion for the purpose of building seven chemical bulks with ODFJELL in Norway and in September 2017, the Company entered into an agreement with Hapag-Lloyd in German aiming to build container ship in the amount of US$0.13 billion. These transactions demonstrate the Company's ability in providing leasing products for the top class shipping clients in the world, including Mediterranean Shipping Company. The Company also cooperates with top class shipyards all over the world.

In the equipment leasing sector, the well-maintained relationships with both ICBC and major equipment manufacturers in the PRC allow the Company to draw upon a deep reservoir of industry knowledge and successful experience that supports its equipment leasing business. The Company has close relationships with a host of large clients across the PRC, including China National Nuclear Corporation, China Railway Construction Corporation Limited, China Railway, Datang International Power Generation, Laigang, Sichuan Telecom and Yunnan Highway Development & Investment. The Company has assisted these firms in implementing a variety of large leasing projects, such as rail vehicles, energy equipment, engineering machinery and production equipment. The Company has also benefited from the client base of ICBC's branches by providing financial leasing services to these clients. In addition, the Company enjoys the closest collaborations with leading domestic airlines among the domestic financial leasing companies.

The Company also benefits from the offshore leasing platform of ICBC owned by the ICBCIL Group but managed and operated by the Company. Although the Group does not retain any equity interest in the offshore leasing business, the development of such business facilitates the internationalisation of ICBC's leasing brand, builds an integrated global leasing platform for the ICBC Group, broadens the client base and leads to more innovative leasing products and services, thus creating synergy and benefiting the development of the Company's domestic leasing business in the long term. For example, in the shipping sector, the ICBCIL Group, under the management of the Company, is a pioneer in the financial leasing of offshore vessels provided by a PRC leasing entity, demonstrated by the US$1.5 billion agreement with the Export-Import Bank of China for 46 offshore support vessels designed and constructed by the Sinopacific Shipbuilding Group and the delivery of "South China Sea No. 7", a semi-submersible drilling platform to a leading integrated oilfield service provider in Asia. In 2015, the ICBCIL Group entered into a US$900 million leasing agreement with a large British multinational oil and gas company for 18 tanker vessels and a US$800 million leasing agreement with a global leading LNG operator for four large LNG vessels. Also in 2015, the ICBCIL Group entered into a series of transactions on the COA basis for four VLOCs of US$423 million with a Brazilian multinational corporation. Since the beginning of 2016 and as at the date of this Offering Circular, the ICBCIL Group entered into several significant leasing transactions for various types of leasing assets, including one large LNG carrier of US$180 million with one of the world's largest marine energy transportation, storage & production companies, two container vessels of US$240 million with a major container ship operator in the world, one luxury cruise ship with a river and ocean cruises provider for US$220 million, a series of transactions on the COA basis for ten new-built VLOCs with a Brazilian multinational corporation, and a transaction for 4 container ships of US$360 million with a large shipping company. These transactions demonstrated the ICBCIL Group's ability to win business from some of the leading shipping clients. In 2018, the ICBCIL Group also entered into leasing contracts with Angelicoussis Shipping Group Limited for two LNG carriers of US$360 million and with Silversea Cruises Ltd. for two new ferries of US$600 million. As at 30 June 2018, the ICBCIL Group owned 192 ships and maritime assets. As such, the Group owned and managed (through the ICBCIL Group) 314 maritime assets. In the aviation sector, as at 30 June 2018, the ICBCIL Group owned 178 large aircraft. As such, as at 30 June 2018 the Group owned and managed (through the ICBCIL Group) 332 aircraft. As at 30 June 2018, based on the internal data of the Company and ICBCIL, which have not been audited or reviewed, U.S. dollar denominated assets for leasing of both the Group and the ICBCIL Group accounted for 62.3 per cent. of the total assets for leasing of the Group and the ICBCIL Group, in which those physically located offshore accounted for 47.4 per cent. of such total assets for leasing. See "Summary – Recent Development" for further details.

The Company believes that its strategy, product innovation, and customisation of business, and support from and synergies with ICBC have led to numerous achievements, including many achievements that the Company believes to be the first in its field: the first financial lease based on a tax efficient Chinese special purpose vehicle structure with China Southern Airlines; purchase of 42 A320 aircraft from Airbus witnessed by the then Chinese Premier Wen Jiabao and German Chancellor Angela Merkel, the first direct overseas purchase of aircraft by a Chinese leasing company and the first time a Chinese leasing company was involved in a government programme; export of two A320 aircraft and lease of the same to AirAsia of Malaysia, the first export of large aircraft assembled in PRC, indicating that domestically assembled large commercial aircraft have won recognition in the international market; joint lease agreement of aircraft to Shenzhen Airlines with another bank-affiliated Chinese leasing company through two special-purpose-vehicle companies, the first joint lease arrangement in PRC; lease arrangement of 11 aircraft to Garuda Indonesia with support from the U.S. Export-Import Bank, the first lease financing of a Chinese leasing company guaranteed by the U.S. Export-Import Bank and the first bond issuance by a Chinese leasing company guaranteed by the U.S. Export-Import Bank in the international capital markets; leasing arrangement of eight A320 aircraft with Wizz Air Hungary Airlines, the first pre-delivery financing in PRC and the biggest finance deal between China and Hungary; as well as transfer of ownership of a special-purpose-vehicle project company to another bank-affiliated Chinese leasing company, the first equity transfer transaction of such kind in PRC. The Company was also the first financial leasing company in the PRC that was approved by the regulatory authority to directly purchase aircrafts from international aircraft manufacturers.

Competitive Strengths

- Strong support from ICBC
- Industry leader with a differentiated strategy
- Leading client base and global distribution channels through the management of the ICBCIL Group
- Strong product capabilities and superior innovation
- Diversified funding sources to support growth
- Comprehensive and robust risk management
- An experienced and professional management team

Business Strategies

- Maintain strategies of specialisation, marketisation and internationalisation
- Expand the Company's client base by targeting industry leaders and key markets

- Promote closer integration between ICBC and the leasing business
- Further improve risk management capabilities
- Actively optimise liability structure to reduce financing cost

Recent Development

Recent Accolades

Adding to its accolades, the Company received the "2018 China Outstanding Finance Leasing Company" by Securities Times in early 2018.

Increase in Registered Capital

In early 2018, the Company has further converted retained earnings of RMB7 billion to its registered capital, leading to a share capital of RMB18 billion as at 30 June 2018.

Transfer of Offshore Aviation Assets to the Company from ICBCIL

On 28 March 2018, the Company established a wholly-owned subsidiary, ICBC Aviation Leasing Company Limited (the "**ICBC Aviation Leasing**") in Hong Kong. In late August 2018, ICBCIL entered into an assets transfer arrangement with ICBC Aviation Leasing, pursuant to which ICBCIL would transfer the offshore aviation leasing assets to ICBC Aviation Leasing for nominal consideration (the "**Asset Transfer**").

The Asset Transfer was completed in September 2018. The offshore aviation leasing assets constitute an integral part of the Group's leasing portfolio. After the Asset Transfer, the Group was able to streamline its shareholding structure. Furthermore, the offshore aviation assets as well as the revenue stream generated will be consolidated in the Group's financial statements. Consequently, the Group substantially expanded its asset base, resulting a significant increase in its consolidated total assets, total liabilities, borrowings, revenue and net profit.

The total liabilities of the Group increased from RMB145.15 billion as at 31 December 2017 to RMB235.28 billion as at 30 November 2018. The total borrowings of the Group which include short-term and long-term borrowings increased from RMB114.43 billion as at 31 December 2017 to RMB160.78 billion as at 30 November 2018. In addition, the operating income and net operating lease income of the Group increased from RMB2,599.31 million and RMB1,800.85 million for the 11 months ended 30 November 2017 to RMB4,310.03 million and RMB5,082.04 million for the 11 months ended 30 November 2018. However, the net interest income/(expense) and the net fee and commission income of the Group decreased from RMB356.56 million and RMB381.02 million for the 11 months ended 30 November 2017 to negative RMB1,403.48 million and RMB264.87 million for the 11 months ended 30 November 2018.

The Group's financial information and data as at and for the 11 months ended 30 November 2017 and 2018 included in this Offering Circular were prepared by the Company's management and have not been reviewed or audited by KPMG Huazhen LLP, its independent auditor. Investors should not place undue reliance on any such financial information or data. Any description of such information or data as at and for the 11 months ended 30 November 2018 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 2018.

In addition, the Asset Transfer, which was completed in September 2018, has resulted in the consolidation of the relevant financial information of the offshore aviation assets formerly of ICBCIL into the Group's financial statements. The Group's consolidated financial statements, information or data as at and for the years ended 31 December 2015, 2016 and 2017 and as at and for the six months ended 30 June 2017 and 2018 contained in the Offering Circular (the "**Historical Financial Information**") does not reflect the financial condition of the Group after the completion of the Asset Transfer, nor can it be taken as an indication of the Group's future performance after the Asset Transfer. Any financial statements, information or data of the Group after the Asset Transfer may be substantially different from the Historical Financial Information.

Because the Asset Transfer is treated as a restructuring under common control, the Group's financial information and data as at and for the 11 months ended 30 November 2018 included in this Offering Circular consolidates the financial information of the transferred offshore aviation assets as at and for the 11 months ended 30 November 2018 as if the Asset Transfer had occurred on 1 January 2019. However, the Group's financial information and data for the 11 months ended 30 November 2017 included in this Offering Circular and as at or prior to 30 June 2018 has not been restated to consolidate of the relevant financial information of the transferred offshore aviation assets for the corresponding period. As a result, the Group's financial information and data as at and for the 11 months ended 30 November 2017 and 2018 included in this Offering Circular are not directly comparable. Similarly, the Group's financial information as at or prior to 30 June 2018 included in this Offering Circular is not directly comparable to the Group's financial information and data as at 30 November 2018 included in this Offering Circular.

SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Notes" below shall have the same meanings in this summary. For a complete description of the terms of the Notes issued under the Programme, see "Terms and Conditions of the Notes".

Issuer	ICBCIL Finance Co. Limited (工銀國際租賃財務有限公司)
Company	ICBC Financial Leasing Co., Ltd. (工銀金融租賃有限公司)
Description	Medium Term Note Programme
Size	Up to US$10,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Risk Factors	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "Risk Factors" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "Risk Factors" and include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of particular Series of Notes, certain market risks and certain risks relating to Renminbi-denominated Notes.
Arrangers	ICBC International Securities Limited ICBC Standard Bank Plc Industrial and Commercial Bank of China (Asia) Limited Bank of China Limited Bank of Communications Co., Ltd. Hong Kong Branch BNP Paribas CMB Wing Lung Bank Limited (formerly known as Wing Lung Bank Limited) Goldman Sachs (Asia) L.L.C.
Dealers	ICBC International Securities Limited ICBC Standard Bank Plc Industrial and Commercial Bank of China (Asia) Limited Bank of China Limited Bank of Communications Co., Ltd. Hong Kong Branch BNP Paribas CMB Wing Lung Bank Limited (formerly known as Wing Lung Bank Limited) Goldman Sachs (Asia) L.L.C.

	The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Status of the Notes	The Notes and the Receipts and the Coupons relating to them constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) of the Terms and Conditions of the Notes) unsecured obligations of the Issuer and shall at all times rank pan passu and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application and subject to Condition 4(a) of the Terms and Conditions of the Notes, at all times rank at least pan passu with all its other present and future unsecured and unsubordinated obligations of the Issuer.
Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking	The Issuer, the Company, ICBC International Leasing Company Limited ("**ICBCIL**") and the Trustee have entered into a Keepwell and Liquidity Support Deed and a Deed of Asset Purchase Undertaking, as further described in "Description of the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking".
Trustee	Citicorp International Limited
Paying Agent, Transfer Agent and Registrar	Citibank, N.A., London Branch
Calculation Agent	To be appointed on a per series basis.
CMU Lodging and Paying Agent	Citicorp International Limited
Method of Issue	The Notes may be issued on a syndicated or non-syndicated basis. The Notes may be issued in series (each a "**Series**") having one or more issue dates (each tranche within such Series, a "**Tranche**") and on terms otherwise identical (or in all respects save for the issue dates, the first Interest Payment Dates, Interest Commencement Dates (if applicable) and/or issue prices (if applicable)), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches on the same or different issue dates.

The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save for the issue dates, issue prices (if applicable), the first Interest Payment Dates, Interest Commencement Dates (if applicable) and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a pricing supplement (a "**Pricing Supplement**").

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.

Form of Notes

Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"). Registered Notes will not be exchangeable for Bearer Notes and vice versa. Bearer Notes will be issued only under Regulation S outside the United States to non-U.S. persons.

Each Tranche of Bearer Notes will initially be represented by a Temporary Global Note or a Permanent Global Note, as specified in the applicable 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. A Temporary Global Note will be exchangeable, in whole or in part, as described therein, for interests in a Permanent Global Note or if so stated in the relevant Pricing Supplement, the Definitive Notes, as described under "Summary of Provisions Relating to Notes While Represented by Global Notes or Global Certificates". A Permanent Global Note may be exchanged, in whole but not in part, for Definitive Notes only upon the occurrence of an Exchange Event as described under "Summary of Provisions Relating to Notes While Represented by Global Notes or Global Certificates". Any interest in a Temporary Global Note or a Permanent Global Note will be transferable only in accordance with the rules and procedures for 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 Regulation § 1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code (the "**D Rules**") unless (i) the applicable 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 "**C Rules**") or (ii) the Bearer Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" for U.S. federal income tax purposes, which circumstances will be referred to in the applicable Pricing Supplement. Bearer Notes that are issued in compliance with the D Rules must be initially represented by a Temporary Global Note, exchangeable for a Permanent Global Note upon certification of non-U.S. ownership as required under the D Rules.

Each Tranche of Registered Notes, which is sold outside the United States to non-U.S. persons in reliance on Regulation S, will, unless otherwise specified in the applicable Pricing Supplement, be represented by a Global Certificate (as defined in the "Summary of Provisions Relating to Notes While Represented by Global Notes or Global Certificates"), which will be deposited on or about its issue date with a Common Depositary for, and registered in the name of a nominee of, Euroclear and Clearstream, or with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, or, in respect of CMU Notes, a sub-custodian for the CMU Service operated by the HKMA. With respect to all offers or sales by a Dealer of an unsold allotment or subscription and in any case prior to the expiry of the distribution compliance period (as defined in Regulation S), beneficial interests in a Global Certificate of such Tranche may be held only through Euroclear, Clearstream or DTC for the accounts of Euroclear and Clearstream or the CMU Service. Regulation S Global Certificates will be exchangeable for Definitive Notes only upon the occurrence of an Exchange Event as described in "Summary of Provisions Relating to Notes While Represented by Global Notes or Global Certificates".

Each Tranche of Registered Notes sold to QIBs in compliance with Rule 144A and subject to the restrictions described in "Transfer Restrictions" and "Subscription and Sale" and the applicable Pricing Supplement will, unless otherwise specified in the applicable Pricing Supplement, be represented by a Rule 144A Global Certificate, which will be deposited on or about its issue date with a custodian for, and registered in the name of a nominee of, DTC. Rule 144A Global Certificates will be exchangeable for Definitive Notes only upon the occurrence of an Exchange Event as described in "Summary of Provisions Relating to Notes While Represented by Global Notes or Global Certificates".

Registered Notes will be represented by registered Certificates, one definitive Certificate being issued in respect of each

	Noteholder's entire holding of Registered Notes of one Tranche and (a) in the case of Notes issued in reliance on Category 2 of Regulation S of the Securities Act (other than Notes representing the first Tranche of a given Series), a Temporary Global Certificate or (b) in the case of all other Notes, a Permanent Global Certificate, in respect of the Notes. Interests in Temporary Global Certificates will be exchangeable for interests in a Permanent Global Certificate only after the date falling at least 40 days after the completion of the distribution of the Notes of the relevant Tranche and upon certification as to non-U.S. beneficial ownership. Registered Notes sold in an "offshore transaction" within the meaning of Regulation S will, subject to the temporary global certificate requirements described above, initially be represented by a Regulation S Global Certificate. Registered Notes sold in the United States to QIBs within the meaning of Rule 144A will initially be represented by a Rule 144A Global Certificate. Application will be made to have Global Notes or Global Certificates of any Tranche accepted for clearance and settlement through the facilities of DTC, Euroclear, Clearstream and/or the CMU Service, as appropriate.
Clearing Systems	With respect to Notes (other than CMU Notes), Euroclear, Clearstream and/or DTC and such other clearing system as shall be agreed between the Issuer, the Trustee, the Agents and the relevant Dealer. With respect to CMU Notes, the CMU Service (each of Euroclear, Clearstream, DTC and the CMU Service, a "**Clearing System**"). See "Clearance and Settlement".
Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, deposited with a sub-custodian for the HKMA as operator of the CMU, or deposited with the Custodian for, and registered in the name of Cede & Co. as a nominee for DTC or deposited with a depositary or sub-custodian for any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Trustee and the relevant Dealers. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems. It is expected that delivery of Notes will be made against payment therefore on the relevant Issue Date, which could be more than two business days following the date of pricing. Under Rule 15c6-1 of the Exchange Act, trades in the U.S. secondary

market generally are required to settle within two business days ("**T+2**"), unless the parties to any such trade expressly agree otherwise. Accordingly, in the event that an Issue Date is more than two business days following the relevant date of pricing, purchasers who wish to trade Registered Notes in the United States between the date of pricing and the date that is two business days prior to the relevant Issue Date will be required, by virtue of the fact that such Notes initially will settle beyond T+2, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practises and, in the event that an Issue Date is more than two business days following the relevant date of pricing, purchasers of Notes who wish to trade Notes between the date of pricing and the date that is two business days prior to the relevant Issue Date should consult their own adviser.

Currencies

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.

Maturities

Subject to compliance with all relevant laws, regulations and directives, any maturity agreed between the Issuer and the relevant Dealers.

Specified Denomination

Notes will be in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all relevant laws, regulations and directives.

Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") will have a minimum denomination of £100,000 (or its equivalent in other currencies).

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 Series. All such information will be set out in the relevant Pricing Supplement.

Fixed Rate Notes

Fixed interest will be payable in arrear on such date or dates as may be agreed between the Issuer and the Dealer(s) and on

	redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the Relevant Dealer(s).
Floating Rate Notes	Floating Rate Notes will bear interest determined separately for each Series as follows: • on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporated in the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the issue date of the first Tranche of the Notes of the relevant Series); or • by reference to LIBOR, EURIBOR, HIBOR or CNH HIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin; or • on such other basis as may be agreed between the Issuer, the Company and the Relevant Dealer(s).
Zero Coupon Notes	Zero Coupon Notes (as defined in "Terms and Conditions of the Notes") may be issued at their nominal amount or at a discount to it and will not bear interest.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined in "Terms and Conditions of the Notes") will be made in such currencies, and based on such rates of exchange, as the Issuer and the Relevant Dealer(s) may agree and as may be specified in the relevant Pricing Supplement.
Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes (as defined in "Terms and Conditions of the Notes") or of interest in respect of Index Linked Interest Notes (as defined in "Terms and Conditions of the Notes") will be calculated by reference to such index and/or formula or to changes in prices of securities or commodities or to such other factors as the Issuer and the Dealer(s) may agree and as may be specified in the relevant Pricing Supplement.
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

Redemptions	The relevant Pricing Supplement will specify the basis for Amounts calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which must be redeemed before the first anniversary of their date of issue and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Redemption for Change of Control	At any time following the occurrence of a Change of Control (as defined in the Terms and Conditions of the Notes), the holder of each Note will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Notes on the Put Settlement Date at a redemption price equal to 101 per cent. of their principal amount, together with interest accrued to such Put Settlement Date, as further described in Condition 6(e) of the Terms and Conditions of the Notes.
Redemption for Taxation Reasons	Notes will be redeemable at the Issuer's option prior to maturity for taxation reasons as further described in Condition 6(c) of the Terms and Conditions of the Notes.
Negative Pledge	The Notes will contain a negative pledge provision as further described in Condition 4(a) of the Terms and Conditions of the Notes.
Events of Default	Upon the occurrence of certain events as described in Condition 10 of the Terms and Conditions of the Notes, 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 prefunded 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 Redemption Amount together with accrued interest without further action or formality.
Cross-Acceleration	The Notes will contain a cross-acceleration provision as further described in Condition 10(c) of the Terms and Conditions of the Notes.

Ratings	The Programme is rated "A" by Standard & Poor's Ratings Services Inc. (the "**S&P**") and "A2" by Moody's. In addition, the Company is rated "A stable" by S&P, "A1 stable" by Moody's and "A stable" by Fitch. The Issuer is rated "A" by S&P. These ratings are only correct as at the date of this Offering Circular. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be 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 or withdrawal at any time by the assigning rating agency.
Withholding Tax	All payments of principal, premium (if any) and interest in respect of the Notes by or on behalf of the Issuer 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 or levied by or on behalf of Hong Kong, the PRC or by or within any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is compelled by law. In that event, the Issuer shall pay certain additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction 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 in the circumstances set out in Condition 8 of the Terms and Conditions of the Notes.
Governing Law	The Notes, the Trust Deed, the Agency Agreement and the Keepwell and Liquidity Support Deed or the Deed of Asset Purchase Undertaking are governed by English law.
Jurisdiction	Exclusive jurisdiction of Hong Kong courts.
Listing	Application has been made to the Hong Kong Stock Exchange for the listing of the Programme during the 12-month period from the date of this Offering Circular on the Hong Kong Stock Exchange under which the Notes may be issued by way of debt issues to Professional Investors only, as described in this Offering Circular. 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 applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).

	Notes to be listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies).
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, the European Economic Area, the United Kingdom, Ireland, Hong Kong, Singapore, the PRC, Japan, Taiwan, Cayman Islands and Canada, see "Subscription and Sale" below. For the purposes of Regulation S, Category 2 selling restrictions will apply unless otherwise indicated in the relevant Pricing Supplement. In connection with the offering and sale of a particular Series of Notes, additional restrictions may be imposed which will be set out in the applicable Pricing Supplement. Bearer Notes will be issued in compliance with the D Rules unless (i) the applicable Pricing Supplement states that the Bearer Notes are issued in compliance with the C Rules or (ii) the Bearer Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" for U.S. federal income tax purposes, which circumstances will be referred to in the applicable Pricing Supplement. Bearer Notes with a term of 365 days or less (taking into account any unilateral rights to extend or rollover the term) may be issued other than in compliance with the D Rules or the C Rules and will be referred to in the applicable Pricing Supplement as a transaction to which the United States Tax Equity and Fiscal Responsibility Act of 1982 (**"TEFRA"**) is not applicable.
Transfer Restrictions	There are restrictions on the transfer of Notes. See "Transfer Restrictions".

SUMMARY FINANCIAL INFORMATION OF THE GROUP

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

*The summary consolidated financial information as at and for the years ended 31 December 2016 and 2017 and as at and for the six months ended 30 June 2017 and 2018 (the "**Summary of Group Financial Information**") has been derived from the Group's consolidated financial statements for the years ended 31 December 2017 which have been audited by KPMG Huazhen and the Group's consolidated financial statements for the six months ended 30 June 2018 which have been reviewed by KPMG Huazhen LLP (the "**Group Financial Statements**") 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, such audited consolidated financial statements of the Group and, including the notes thereto, included elsewhere in this Offering Circular. Certain figures in the Group Financial Statements as at and for the year ended 31 December 2016 as set forth in this Offering Circular have been reclassified to conform to the presentation of, and in order that such data be comparable to, the Group Financial Statements as at and for the year ended 31 December 2017. Historical results of the Group are not necessarily indicative of results that may be achieved for any future period.*

The Group Financial Statements have been prepared and presented in accordance with PRC GAAP. PRC GAAP differs in certain material respects from IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see the section with the heading "Summary of Certain Differences Between PRC GAAP and IFRS" in the Offering Circular.

The said reclassification had no significant effect on the operating results and financial condition of the Group in the comparative periods. In accordance with CAS16 (2017) and Caikuai [2017] No. 30 formulated and promulgated by Ministry of Finance of the People's Republic of China, the line item "(Losses)/gains from asset disposal" in the consolidated income statement of the Group has been separately stated, which has been set out in Description and reasons of changes in accounting policies of Note IV in the Group Financial Statements of 2017. The line items "sub-total of cash inflows", "repayments of long-term borrowings" and "sub-total of cash outflows" in cash follow statement, which were previously part of the line item "Net Increase/(decrease) in long-term borrowings", have been separately stated.

Furthermore, the Group has completed the Asset Transfer in September 2018 which subsequently results in the consolidation of the relevant financial information of the transferred offshore aviation assets into the Group's financial statements. See 'Summary - Recent Development' for further details. However, the consolidated financial information and data as at and for the 11 months ended 30 November 2018 were not audited or reviewed, and any description of such information or data should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ended 31 December 2018.

CONSOLIDATED BALANCE SHEET OF THE GROUP

	As at 31 December				As at 30 June	
	2015	**2016**	**2017**	**2017**	**2018**	**2018**
	(in RMB thousands)			(in US$ thousands)	(in RMB thousands)	(in US$ thousands)
					unaudited	
ASSETS						
Cash at bank and on hand	20,715,175	14,082,041	11,954,657	1,837,397	21,806,284	3,295,444.23
Deposits with the central bank	24,667	25,057	20,325	3,124	17,853	2,698.01
Placements with bank and other financial institutions	6,887,600	–	–	–	–	–
Financial assets at fair value through profit or loss	2,636,366	1,014,820	–	–	–	–
Prepayments	4,487,455	2,258,319	3,047,126	468,335	7,519,223	1,136,332.08
Finance lease receivables	108,166,447	97,938,729	104,808,112	16,108,712	97,862,333	14,789,308.46
Fixed assets	28,607,091	35,510,397	37,935,159	5,830,527	39,436,201	5,959,740.82
Construction in progress	5,818,057	5,919,697	8,790,681	1,351,103	11,534,528	1,743,139.44
Intangible assets	13,616	17,994	15,745	2,420	14,817	2,239.20
Deferred tax assets	325,059	419,380	496,658	76,335	690,960	104,420.37
Other assets	6,702,455	8,306,995	2,672,011	410,681	2,804,813	423,873.45
Total assets	184,383,988	165,493,429	169,740,474	26,088,633	181,687,012	27,457,196.05
LIABILITIES AND OWNERS' EQUITY						
Liabilities						
Borrowings	148,267,358	126,192,328	114,427,545	17,587,192	123,682,518	18,691,347.87
Advances from customers	2,992,921	2,282,245	2,177,075	334,610	2,314,824	349,824.55
Long-term payables	3,369,593	3,726,560	3,117,446	479,143	2,948,411	445,574.50
Employee benefits payable	226,454	228,395	190,288	29,247	206,700	31,237.25
Taxes payable	355,077	480,281	308,731	47,451	415,142	62,737.76
Security deposit payable	296,892	264,869	261,549	40,199	244,004	36,874.76
Repurchase agreements	7,193,120	8,597,497	22,357,274	3,436,250	25,104,271	3,793,847.91
Other payable	1,302,195	966,405	2,312,164	355,373	1,819,921	275,033.02
Total liabilities	164,003,610	142,738,580	145,152,072	22,309,465	156,735,791	23,686,477.61
Owners' equity						
Paid-in capital	11,000,000	11,000,000	11,000,000	1,690,669	18,000,000	2,720,224.87
Surplus reserve	983,922	1,174,989	1,427,329	219,376	1,427,329	215,703.10
General reserve	2,750,042	2,750,042	2,750,042	422,674	2,750,042	415,596.26
Retained earnings	5,601,680	7,678,276	9,390,938	1,443,361	2,892,008	437,050.67
Other comprehensive income	44,734	151,542	20,093	3,088	(118,158)	17,856.46
Total equity	20,380,378	22,754,849	24,588,402	3,779,168	24,951,221	3,770,718.44
Total liabilities and equity	184,383,988	165,493,429	169,740,474	26,088,633	181,687,012	27,457,196.05

CONSOLIDATED INCOME STATEMENT OF THE GROUP

	Year ended 31 December				Six months ended 30 June		
	2015	2016	2017	2017	2017	2018	2018
	(in RMB thousands)			(in US$ thousands)	(in RMB thousands)	*(unaudited)*	(in US$ thousands
Net interest income							
Interest income	6,107,948	5,750,180	5,478,831	842,081	2,790,970	2,559,734	386,836.23
Interest expense	(5,174,972)	(4,393,293)	(5,212,278)	(801,112)	(2,341,007)	(2,607,803)	(394,100.59)
	932,976	1,356,887	266,553	40,968	449,963	(48,069)	(7,264.36)
Net operating lease income							
Operating lease income	2,185,802	2,869,387	3,367,676	517,602	1,628,310	1,675,489	253,205.94
Operating lease expense	(883,853)	(1,188,520)	(1,402,314)	(215,532)	(683,549)	(761,562)	(115,089.99)
	1,301,949	1,680,867	1,965,362	302,071	944,761	913,927	138,115.94
Net fee and commission income							
Fee and commission income	416,333	416,023	808,218	124,221	313,974	288,122	43,542.04
Fee and commission expense	(282,858)	(345,968)	(123,112)	(18,922)	(118,790)	(71,523)	(10,808.81)
	133,475	70,055	685,106	105,299	195,184	216,599	32,733.22
Investment income	60,882	300,144	214,031	32,896	86,232	17,842	2,696.35
Gain/(losses) from changes in fair value	248,547	(157,707)	(178,659)	(27,459)	(70,581)	–	–
Exchange (losses)/gains	28,853	200,595	(253,657)	(38,986)	(97,617)	68,461	10,346.07
(Losses)/gains from asset disposal	–	48,721	(78,007)	(11,989)	–	–	–
Other income	–	–	465,367	71,526	222,818	299,714	45,293.86
Operating income	2,706,682	3,499,562	3,086,096	474,324	1,730,560	1,468,474	221,921.08
Taxes and surcharges	(135,615)	(96,369)	(85,381)	(13,123)	(38,538)	(46,458)	(7,020.90)
Operating and administrative expenses	(368,015)	(353,694)	(353,714)	(54,365)	(161,707)	(183,295)	(27,700.20)
Impairment losses/(reversals)	(133,290)	(210,443)	(125,078)	(19,224)	(254,282)	49,292	7,449.18
Operating expenses	(636,920)	(660,506)	(564,173)	(86,712)	(454,527)	(180,461)	(27,271.92)
Operating profit	2,069,762	2,839,056	2,521,923	387,612	1,276,033	1,288,013	194,649.17
Add: Non-operating income	1,027,073	253,270	476	73	2,351	10	1.51
Less: Non-operating expenses	(32,896)	(244)	(335)	(51)	(1,450)	–	–
Profit before taxation	3,063,939	3,092,082	2,522,064	387,634	1,276,934	1,288,023	194,650.68
Less: Income tax expenses	(823,249)	(824,419)	(557,062)	(85,619)	(262,759)	(324,795)	(49,084.19)
Net profit for the year	2,240,690	2,267,663	1,965,002	302,015	1,014,175	963,228	145,566.49
Other comprehensive income, net of tax	46,802	106,808	(131,449)	(20,203)	(48,329)	(138,251)	(20,892.99)
Total comprehensive income for the year	2,287,492	2,374,471	1,833,553	281,812	965,846	824,977	124,673.50

CONSOLIDATED CASH FLOWS STATEMENT OF THE GROUP

	Year ended 31 December				Six months ended 30 June		
	2015	2016	2017	2017	2017	2018	2018
	(in RMB thousands)			(in US$ thousands)	(in RMB thousands) *(unaudited)*		(in US$ thousands)
Cash flows from operating activities							
Net decrease in finance lease receivables and prepayments	10,770,311	12,359,466	–	–	–	869,539	131,407.87
Cash received from interest, fee and commission	6,464,475	6,361,735	6,310,909	969,969	3,126,149	2,790,397	421,694.85
Cash received from operating lease income	2,145,842	2,742,071	3,287,969	505,352	1,618,026	1,645,443	248,665.28
Net increase in repurchase agreements	1,320,343	1,404,377	13,759,777	2,114,839	8,164,167	2,746,997	415,136.09
Net decrease in placements with bank and other financial institutions	–	6,887,600	–	–	–	–	–
Net increase in short-term borrowings	2,397,849				–	8,901,380	1,345,208.63
Net decrease in deposits with the central bank	52,294		4,732	727	4,933	2,472	373.58
Cash received relating to other operating activities	1,097,263	1,728,324	4,387,492	674,345	2,431,364	951,272	143,759.65
Sub-total of cash inflows	24,248,377	31,483,573	27,750,879	4,265,232	15,344,639	17,907,500	2,706,245.94
Net increase in financial lease receivables and prepayments	–	–	(7,916,471)	(1,216,739)	(9,858,431)	–	–
Net decrease in short-term borrowings	–	(27,137,510)	(8,439,952)	(1,297,197)	(2,856,818)	–	–
Net increase in placements with bank and other financial institutions	(6,887,600)	–	–	–	–	–	–
Net increase in deposits with the central bank	–	(390)	–	–	–	–	–
Payments of interest expense on short-term borrowings, fee and commission expenses	(4,916,768)	(4,687,624)	(4,572,945)	(702,849)	(2,139,742)	(2,343,525)	(354,161.94)
Payments of on behalf of employees	(183,486)	(228,131)	(269,045)	(41,351)	(165,053)	(109,434)	16,538.00
Payments of taxes	(1,284,233)	(1,078,858)	(891,271)	(136,986)	(615,394)	(381,250)	(57,615.87)
Cash paid relating to other operating activities	(1,218,374)	(805,872)	(364,644)	(56,045)	(147,028)	(222,760)	(33,664.29)
Sub-total of cash outflows	(14,490,461)	(33,938,385)	(22,454,328)	(3,451,167)	(15,782,466)	(3,056,969)	(461,980.17)
Net cash inflow/(outflow) from operating activities	9,757,916	(2,454,812)	5,296,551	(814,065)	(437,827)	14,850,531	2,244,265.77

	Year ended 31 December				Six months ended 30 June		
	2015	2016	2017	2017	2017	2018	2018
	(in RMB thousands)			(in US$ thousands)	(in RMB thousands) *(unaudited)*		(in US$ thousands)
Cash flows from investing activities							
Proceeds from sale and redemption of financial investments.	200,200	1,463,839	1,050,192	161,412	450,696	17,842	2,696.35
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets	2,818,475	1,539,312	621,932	95,589	66,902	–	–
Cash received relating to other investing activities . .	3,452,424	796,464	12,593,215	1,935,542	12,334,383	9,711,629	1,467,656.38
Sub-total of cash inflows	6,471,099	3,799,615	14,265,339	2,192,542	12,851,981	9,729,471	1,470,352.72
Payment for acquisition of fixed assets, intangible assets and other long-term assets	(10,731,210)	(12,402,858)	(10,155,308)	(1,560,842)	(3,625,176)	(5,028,986)	(759,998.49)
Payment for other investing activities	(500,000)	(7,720,377)	(9,711,629)	(1,492,650)	(11,979,950)	(18,222,116)	(72,753,791.84)
Sub-total of cash outflows . . .	(11,231,210)	(20,123,235)	(19,866,937)	(3,053,492)	(15,605,126)	(23,251,102)	(3,513,790.33)
Net cash outflow from investing activities	(4,760,111)	(16,323,620)	(5,601,598)	(860,950)	(2,753,145)	(13,521,631)	(2,043,437.61)
Cash flows from financing activities							
Proceed from long-term borrowings.	–	9,093,926	3,495,627	537,268	936,493	1,853,457	280,101.10
Sub-total of cash inflows	–	9,093,926	3,495,627	537,268	936,493	1,853,457	280,101.10
Repayments of long-term borrowings	–	(4,031,446)	(6,820,458)	(1,048,285)	(2,426,932)	(1,499,864)	226,664.85
Payment for interest of long-term borrowings	(484,353)	(206,399)	(712,222)	(109,467)	(374,182)	(353,442)	53,413.43
Sub-total of cash outflows . . .	–	(4,237,845)	(7,532,680)	(1,157,752)	(2,801,114)	(1,853,306)	(280,078.28)
Net cash (outflow)/inflow from financing activities . .	796,933	4,856,081	(4,037,053)	(620,484)	(1,864,621)	151	22.82
Effect of foreign exchange rate changes on cash and cash equivalents	1,660,821	519,549	(232,463)	(35,729)	(215,606)	13,084	1,977.30
Net (decrease)/increase in cash and cash equivalents	7,455,559	(13,402,802)	(4,574,563)	(703,097)	(5,271,199)	1,342,135	202,828.28
Add: cash and cash equivalents at the beginning of the year	12,764,834	20,220,393	6,817,591	1,047,845	6,817,591	2,243,028	338,974.48
Cash and cash equivalents at the end of the year	20,220,393	6,817,591	2,243,028	344,747	1,546,392	3,585,163	541,802.75

SUMMARY FINANCIAL INFORMATION OF THE ISSUER

*The following tables set forth the summary financial information of the Issuer as at and for the financial years indicated (the "**Summary of Issuer Financial Information**"). The selected financial information presented below as at and for the year ended 31 December 2015, 2016 and 2017 have been extracted from the Issuer's audited financial statements for the years ended 31 December 2016 and 2017 which have been prepared in accordance with HKFRS and have been audited by KPMG, Certified Public Accountants in accordance with Hong Kong Standards on Auditing issued by the HKICPA, and the selected financial information presented below as at 30 June 2018 and for the six months ended 30 June 2017 and 2018 have been extracted from the Issuer's reviewed financial statements for the six months ended 30 June 2018 which have been prepared in accordance with HKAS34 and have been reviewed by KPMG (collectively, the "**Issuer Financial Statements**").*

The information set out below should be read in conjunction with, and is qualified in its entirety by, reference to the relevant audited financial statements of the Issuer and including the notes thereto, included elsewhere in this Offering Circular.

Certain figures in the Issuer Financial Statements as at and for the year ended 31 December 2016 as set forth in this Offering Circular have been reclassified to conform to the presentation of, and in order that such data be comparable to, the Issuer Financial Statements as at and for the year ended 31 December 2017. The said reclassification had no significant effect on the operating results and financial condition of the Issuer in the comparative periods. The line items "interest expense of long-term bank loans, repurchase agreements and bonds" and "Increase/(decrease) in short-term loan" in cash flow statement, which were previously part of cash flows from financing activities, have been stated in the cash flows from operating activities.

Statement of Profit or Loss and Other Comprehensive Income of the Issuer

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
			(US$)		
				(unaudited)	
Interest income	232,465,248	239,792,805	327,818,948	145,832,598	236,498,661
Interest expense	(126,524,282)	(228,130,641)	(286,961,640)	(121,493,844)	(187,725,524)
Net interest income	105,940,966	11,662,164	40,857,308	24,338,754	48,773,137
Investment income/(loss)	3,163,675	(11,951,678)	4,218,815	(3,583,731)	2,088,208
Exchange (loss)/gain	(9,880,769)	36,099,229	(6,133,817)	(6,169,044)	(18,934,312)
Gain/(loss) from changes in fair value	(11,014,265)	42,337,729	133,242	(3,838,391)	24,218,333
Operating expenses	(308,904)	(1,532,247)	(796,157)	(276,138)	(1,070,640)
Impairment loss	–	–	–	–	(10,465)
Profit before taxation	87,900,703	76,615,197	38,279,391	10,471,450	55,064,261
Income tax	(6,286,443)	(10,899,760)	(5,191,439)	(1,061,586)	(8,193,441)
Profit for the year/period	81,614,260	65,715,437	33,087,952	9,409,864	46,870,820
Other comprehensive income for the year	–	(535,764)	7,392,578	7,138,635	(2,839,503)
Total comprehensive income for the year	81,614,260	65,179,673	40,480,530	16,548,499	44,031,317

Statement of Financial Position of the Issuer

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	(US$)			
				(unaudited)
Assets				
Cash and cash equivalents	2,025,006,800	257,947,313	812,845,327	1,449,220,829
Amounts due from holding company	97,330,835	97,330,835	–	–
Amounts due from a fellow subsidiary	920,175	920,175	920,175	–
Amounts due from other related companies	6,990,101,615	7,666,106,141	11,318,013,442	11,578,349,771
Interest receivable	239,540,086	468,845,644	748,163,776	971,954,213
Financial assets designated at fair value through profit or loss	200,988,324	350,928,504	274,629,878	253,797,067
Financial derivative asset	8,947,165	39,474,721	42,688,180	57,675,198
Prepayments	–	–	510,638	74,133
Tax prepaid	–	–	5,629,687	–
Total assets	9,562,835,000	8,881,553,333	13,203,401,103	14,311,071,211
Liabilities				
Bank loans	5,571,183,511	2,295,131,365	4,051,292,105	4,255,283,073
Amounts due to holding company	2,008,195	2,017,400	2,027,400	–
Amounts due to other related companies	1,075,059,572	13,953,919	6,830,575	5,703
Interest payable	38,531,238	44,364,869	77,534,974	87,007,069
Financial derivative liability	25,568,422	48,097,783	17,869,803	12,712,720
Tax payable	9,763,503	4,609,479	–	2,560,863
Other payables	56,619	49,721	19,159	16,625
Bond payable	2,707,586,356	6,275,071,540	8,731,639,300	9,605,430,679
Repurchase agreements	–	–	38,500,000	–
Security deposits	–	–	38,950,000	65,300,000
Total liabilities	9,429,757,416	8,683,296,076	12,964,663,316	14,028,316,732
Net assets	133,077,584	198,257,257	238,737,787	282,754,479
Capital and Reserves				
Share capital	50,000	50,000	50,000	50,000
Reserves	133,027,584	198,207,257	238,687,787	282,704,479
Total equity	133,077,584	198,257,257	238,737,787	282,754,479

Statement of Cash Flows of the Issuer

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
			(US$)		
				(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the year	81,614,260	65,715,437	33,087,952	10,471,450	55,064,261
Exchange loss/(gain)	9,880,769	(36,099,229)	5,387,034	2,228,983	13,946,036
Interest expense of long-term bank loans, repurchase agreements and bonds	120,603,378	160,288,034	240,658,136	108,671,624	136,625,166
Investment (income)/loss	(3,163,675)	11,951,678	(4,218,815)	3,583,731	(2,088,208)
Impairment loss	–	–	–	–	10,465
(Gain)/loss from changes in fair value	11,014,265	(42,337,729)	(133,242)	3,838,391	(24,218,333)
Decrease in amount due from holding company	2,745,915	–	97,330,835	–	–
Decrease/(increase) in amount due from fellow subsidiaries	257,198,167	–	–	–	920,175
Increase in amounts due from other related companies	(4,426,057,394)	(625,702,780)	(3,646,363,594)	(1,334,562,737)	(262,271,386)
Increase in interest receivable	(166,278,458)	(229,305,558)	(279,318,132)	(145,114,340)	(223,922,485)
Increase in tax prepaid	–	–	(5,629,687)	–	–
Increase/(decrease) in other payables and tax payable	6,093,386	(5,160,922)	(4,639,285)	(15,390)	(2,463)
Increase in security deposits	–	–	38,950,000	–	26,350,000
Increase/(Decrease) in interest payable	126,524,282	(8,519,014)	9,119,058	(1,855,283)	3,798,938
Increase/(Decrease) in amount due to the holding company	7,400	9,205	10,000	–	(2,027,400)
Decrease in amount due to fellow subsidiaries	(1,080,000)	–	–	–	–
Increase/(Decrease) in amount due to other related companies	497,339,305	(1,061,105,653)	(7,123,679)	130	(6,824,872)
Increase/(decrease) in prepayments	–	–	(510,638)	–	436,505
Increase/(decrease) in short-term loan	–	(3,276,052,146)	1,473,895,547	(201,548,378)	210,512,049
Increase in restricted cash	–	–	(526,960,000)	–	(270,000,000)
Net cash flows used in operating activities	(3,483,558,400)	(5,046,318,677)	(2,576,458,510)	(1,554,301,819)	(343,691,552)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income (paid)/received	3,163,675	(3,135,926)	1,004,091	(3,583,731)	8,567,390
Purchase of financial derivative instruments	(1,876,000)	(3,111,000)	–	–	–
Purchase of financial assets designated at fair value through profit or loss	(200,000,000)	(209,153,000)	(15,607,270)	–	(7,604,733)
Sales of financial assets designated at fair value through profit and loss	–	74,444,444	102,266,171	48,333,333	18,333,333
Net cash flows generated from/(used in) investing activities	(198,712,325)	(140,955,482)	87,662,992	44,749,602	19,295,990

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
			(US$)		
				(unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid	(224,166,014)	(145,935,389)	(236,833,791)	(88,874,073)	(142,512,010)
Repayment of long-term bank loans	(24,418,500,000)	–	(20,239,841)	–	–
Proceeds from long-term bank loans	27,349,258,163	–	300,000,000	294,088,735	–
Repayment of the bond	–	(512,322,496)	(1,329,190,057)	(1,299,041,980)	(624,165,402)
Proceeds from bond	2,707,586,356	4,079,807,680	3,764,471,773	2,776,541,000	1,495,977,676
Proceed/(repayment) from repurchase agreements	–	–	38,500,000	–	(38,500,000)
Net cash flows generated from financing activities	5,414,178,505	3,421,549,795	2,516,708,084	1,682,713,682	690,800,264
Net increase/(decrease) in cash and cash equivalents	–	(1,765,724,364)	27,912,566	173,161,465	366,404,702
Effect of foreign exchange rate changes on cash and cash equivalents	(1,277,791)	(1,335,123)	25,448	5,198	(1,221)
Cash and cash equivalents at beginning of the year	294,376,811	2,025,006,800	257,947,313	257,947,313	285,885,327
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	2,025,006,800	257,947,313	285,885,327	431,113,976	652,288,808

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in the Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Issuer and the Group could be materially adversely affected by any of these risks. Each of the Issuer and the Company believes that the following factors may affect the Issuer's and/or the Company's ability to fulfil its obligations under the Notes and/or the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking. Prospective investors should pay particular attention to the fact that the Company and its activities are governed by the legal, regulatory and business environment in the PRC, which differs from that of other countries. The risks and investment considerations as set forth below do not form an exhaustive list of the challenges which the Issuer and the Company currently face or may develop in the future. Additional considerations and uncertainties not presently known to the Issuer or the Company or which they currently deem immaterial may also have an adverse effect on an investment in the Notes. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Company is in a position to express a view on the likelihood of any such contingency occurring.

Factors which each of the Issuer and the Company believes may be material for the purpose of assessing the market risks associated with the Notes are also described below. Each of the Issuer and the Company believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer and the Company to repay principal, interest or other amounts or fulfil other obligations on or in connection with the Notes and/or the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking may occur for other reasons and neither the Issuer nor the Company represents that the statements below regarding the risks of investment in the Notes are exhaustive.

Risks Relating to the Business of the Group

The Group's revenue is influenced by macroeconomic conditions and a global or domestic economic slowdown could adversely impact the demand for the Group's leasing products and results of operation.

The Group's revenue is primarily generated by interest income generated by finance leases and income from consulting services. Variations in demand for airplanes, ships and heavy equipment from airlines, shipping companies and manufacturers impact the Group's revenue. This demand for airplanes, ships and heavy equipment is heavily influenced by the global and domestic economic environment. The PRC's economic growth has a positive impact on PRC consumer demand for leasing products, including those provided by the Group. However, a significant slowdown in the PRC or global economy could have a negative impact on infrastructure projects, the airline and shipping industries as well as consumer demand for equipment and machinery, which could greatly decrease the demand for finance leasing products, resulting in a downward pressure on the development of the Group's businesses, revenue and results of operations. For example, the PRC economy has experienced a slow down in recent years. The current restructuring of the economy and deeper reform initiatives in the PRC are expected to cause PRC economic growth to emphasise quality and efficiency. Although the GDP of the PRC grew to 6.8 per cent. in 2017 as compared to 6.7 per cent. in 2016, it is uncertain whether the GDP of the PRC will continue to increase in 2018 and beyond. In addition, the PRC financial market has recently experienced significant volatility. The PRC A-share stock market experienced a significant increase during the first half of 2015, but had a sharp decline in the second half of 2015. In response to such market volatility, the PRC government has taken a number of monetary and regulatory measures to stabilise the market, including interest rate cuts, provision of more liquidity to the market and other measures. In addition, the sustained trade war between United States and China, the uncertainties in connection with United

Kingdom's plan to leave the European Union and the ongoing geopolitical tensions will continue to undermine the stability of the global financial market. Any severe or prolonged slowdown or instability in the global or PRC economy may materially and adversely affect the Group's business, financial condition and results of operations. If the PRC experiences any significant economic downturn and market volatility, the PRC leasing industry, as well as the Group's business, financial condition and results of operations, could be adversely affected. For additional information on the PRC leasing industry, please refer to the section with the heading "Industry Overview".

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

The sustainability of the Group'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 Group's non-performing assets to total assets ratio as at 31 December 2015, 2016 and 2017 and as at 30 June 2018 was 0.70 per cent., 0.79 per cent., 0.79 per cent., and 0.78 per cent., respectively. The Group 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 non-performing assets of the Group 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 Group'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 economy, a recurrence of a global credit crisis or other adverse macroeconomic trends, as well as a slowdown in aviation, shipping, rail and any industries in which the Group primarily engages which may cause operational, financial and liquidity problems for its clients thereby affecting their ability to make timely lease payments. If the level of its impaired lease receivables increases, the Group's business, financial condition and results of operations may be materially and adversely affected.

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

The Group primarily engages in aircraft leasing, ship leasing and equipment leasing, all of which typically require significant initial cash outlays and have long payback periods. Due to the capital intensive nature of its business operations, a substantial amount of capital as well as ongoing funding activities are required to support the growth of the Group's lease receivables portfolio, as well as to fund future expansion. In order to continue to meeting its cash requirements over the long term, the Group requires substantial liquidity and access to sources of funds. The Group primarily funds its operations and expansion through both domestic and foreign bank loans and cash flow from its operations. As at 30 June 2018, the aggregate amount of current and non-current borrowings of the Group were RMB102,752 million and RMB20,931 million, respectively. In addition, the Company also relies on capital injection by its parent, ICBC, for the expansion of its business. From September 2009, ICBC has completed three rounds of capital injection into the Company with the amount of RMB3 billion in 2009, RMB3 billion in 2012 and RMB3 billion in 2014, respectively, increasing its share capital to RMB 11 billion from RMB2 billion in 2007. As at 30 June 2018, the Company has further increased its equity capital, leading to a share capital of RMB18 billion. If there are changes in international and/or domestic macroeconomic conditions and policies, or if the Group fails to maintain its existing and future loan arrangements on commercially acceptable terms, there is no guarantee that the Group will be able to continue to obtain adequate funding in the future on reasonable commercial terms, or at all. If sufficient financing is not available to meet its needs, or cannot be obtained on commercially acceptable terms, the Group may not be able to refinance its existing portfolio, fund the operation and/or expansion of its business, introduce new services or compete effectively.

The Group's concentrated exposure to a few sectors makes it particularly susceptible to the downturns of such sectors.

The leasing business of the Group is organised around three major sectors: (i) aviation, (ii) shipping and, (iii) big-ticket equipment. By concentrating its operations and investments in these sectors, the Group is susceptible to downturns in such sectors, which may result in its income and business conditions being adversely affected. As a result, events or circumstances adversely affecting these industries could adversely affect the Group's business, financial condition and results of operations and ability to service the Notes.

The Group has completed an Asset Transfer pursuant to which ICBC Aviation Leasing received offshore aviation assets from ICBCIL.

In September 2018, the Group completed an Asset Transfer pursuant to which ICBC Aviation Leasing, a wholly-owned subsidiary established in Hong Kong, acquired the offshore aviation assets from ICBCIL. See 'Summary – Recent Development' for further details. There can be no assurance that the Group will not have difficulties in assimilating the operations, technologies and/or services upon integration, nor can there be any assurance that the Group will realise its expectations or goals regarding the Asset Transfer upon integration. In the event of any unfavourable developments, the Group's business, financial condition and results of operations may be materially and adversely affected. Furthermore, the consolidated financial statements, information and data of the Group as at and for the years ended 31 December 2015, 2016 and 2017 and as at and for the six months ended 30 June 2017 and 2018 contained in the Offering Circular (the "**Historical Financial Information**") do not reflect the impact of the Asset Transfer, nor can they be taken as an indication of the Group's future financial condition or performance after the Asset Transfer. Any financial statements, information or data of the Group after the Asset Transfer may be substantially different from the Historical Financial Information.

The Group has substantial indebtedness and may incur additional indebtedness. The Group is subject to refinancing risks associated with its existing indebtedness, which could affect its ability to satisfy its obligations under the Notes and other debt.

The Group's total borrowings as at 31 December 2015, 2016 and 2017 and as at 30 June 2018 were RMB148,267 million, RMB126,192 million, RMB114,427 million, and RMB123,683 million, respectively. The Group has, and will continue to have, after the offering of the Notes, a substantial amount of indebtedness.

The aforementioned indebtedness could have important consequences to investors. For example, it could:

- limit the Group's ability to satisfy its obligations under the Notes and other debt in the event that the Group is unable to refinance all or a portion of its debt upon or before maturity;
- increase the Group's vulnerability to adverse general economic and industry conditions;
- require the Group to dedicate a substantial portion of its cash flow from operations to servicing and repaying indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit the Group's flexibility in planning for or reacting to changes in its businesses and the industry;
- limit, along with the financial and other restrictive covenants of the Group's indebtedness, its ability to borrow additional funds; and
- increase the cost of additional financing.

The Group is subject to refinancing risks with respect to its existing indebtedness – in particular, the short-term borrowings due within one year. The Group's ability to refinance its short-term borrowings may be materially and adversely affected if, for example, its leasing income fails to grow as expected or the Group is unable to negotiate new bank loans on favourable terms or at all. If the Group is unable to refinance any of its existing debt, it could materially and adversely affect the ability to satisfy its obligations under the Notes and other debt. The Group can give no assurance that it will be able to refinance its existing indebtedness upon or before maturity on favourable terms or at all.

The Group may from time to time incur additional indebtedness and contingent liabilities, including by way of notes offerings and/or the offering of asset-backed securities. If the Group or its subsidiaries incurs additional debt, it could face additional risks.

In addition, certain of the Group's financing arrangements also impose operating and financial restrictions on its business. Such restrictions may impair its ability to react to changes in market conditions, take advantage of business opportunities, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in business. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under the Notes and other debt.

Save for the offshore aviation assets acquired pursuant to the Asset Transfer, the Group does not directly hold the other offshore leasing business of ICBC and is exposed to the contingent liabilities resulting from the extensive credit support it provides to ICBCIL and its subsidiaries but without any corresponding economic benefits therefrom.

Save for the offshore aviation assets that have been transferred to the Group pursuant to the Asset Transfer (see "Summary – Recent Development" for further details), the Group does not directly hold the other offshore leasing business of ICBC. The leasing operations of ICBC consist of both domestic and offshore leasing businesses. The domestic leasing operations in the PRC are owned and operated by the Group, whereas the offshore leasing platform save for the offshore aviation assets that have been transferred to the Group pursuant to the Asset Transfer is held indirectly by ICBC through its wholly-owned subsidiary, ICBCIL, and its subsidiaries, which do not form part of the Group. Currently ICBCIL and its subsidiaries are managed and operated by the Group through certain internal management arrangements, which if either ICBC or ICBCIL repudiates, would cause the Group to lose its management and operational control over the offshore leasing business of ICBC. See "Corporate Structure" for a structure diagram setting out the relationship between ICBC, the Company and ICBCIL. Operating and managing ICBCIL and its offshore leasing business may divert the attention of the Group's management and its other resources from the Group's business, while the revenues and profits derived from ICBCIL and its subsidiaries will not directly benefit the Group due to its lack of ownership interest in ICBCIL. The Company does not consolidate the results of ICBCIL and its subsidiaries into its financial statements included elsewhere in this Offering Circular.

As at 30 June 2018, ICBCIL and its subsidiaries had aggregate borrowings of approximately US$21.8 billion and aggregate value of net assets of US$154.4 billion. ICBCIL and its subsidiaries have grown rapidly in the past, and may continue to grow in the future. The Group provides credit support to ICBCIL and certain of its subsidiaries in the form of guarantee in respect of US$300 million indebtedness incurred. The Group also provides credit support to the Issuer by way of keepwell commitments in respect of US$9.64 billion indebtedness under the MTN programme. As a result, the keepwell commitments support the entire balance sheet of those entities and could place an additional financial burden on the Group. If the indebtedness of the entities in the ICBCIL Group who are supported by the Group's keepwell commitments further grows, or additional keepwell commitments are provided to other entities in the ICBCIL Group, the Group could face additional financial burdens. See "Description of the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking" for more information on the keepwell commitment in respect of the Notes. In the event that the credit status of

ICBCIL and its subsidiaries deteriorates, the Group will be obligated to assume the payment obligation (in the case of guarantees) of such indebtedness or procure sufficient funds for the payment obligation (in the case of keepwells and liquidity support) under such indebtedness and other liabilities, which will exert substantial financial burdens on the Group and may affect its ability to satisfy its obligations with respect to the Notes. In addition, in the event of a default by the Issuer or the Group, investors in the Notes will not have recourse to the assets owned by ICBCIL and its subsidiaries.

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 remains volatile 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 credit ratings of ICBC and the Company and 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 Group's ability to obtain debt financing and the cost of debt financing are dependent, in part, upon the internal financial strength ratings assigned to it by lenders and rating agencies, and a downgrade of these ratings could adversely impact its financial performance.

The Group's ability to obtain debt financing, and the cost of debt financing, are dependent, in part, on the financial strength ratings assigned to it by lenders and rating agencies. Maintaining these ratings depends in part on strong financial condition and results of operations and in part on other factors, including the outlook of lenders and rating agencies on the sectors in which the Group conducts its businesses and overall market conditions. A rating downgrade by lenders or by rating agencies may result in higher pricing or less favourable terms under debt financings. Rating downgrades may therefore make it more difficult for the Group to satisfy its funding requirements and may adversely impact its business and financial performance.

If ICBC ceases to maintain a controlling stake in the Group or otherwise withdraws its credit support, the Group's credit ratings and cost of funding could be adversely affected.

ICBC is the sole shareholder of the Group. The Group's corporate credit ratings of "A" by S&P, "A1" by Moody's and "A" by Fitch, while not guaranteed by ICBC, are partly dependent on the fact that the Group is wholly owned by ICBC and on the perception that credit support from ICBC will continue. If ICBC ceases to maintain a controlling stake in the Group or otherwise withdraws its credit support, the ratings for debt issued under its global medium term note programme, as well as its corporate credit ratings, may be adversely affected, which could have a material adverse effect on its business, financial condition and results of operations.

ICBC may have interests or goals that are inconsistent with those of the Group's, which could cause it to direct the Group's business in a manner that is not in the best interests of the Group.

ICBC, as the sole shareholder of the Group, is able to direct the Group's corporate policies and nominate directors and officers. ICBC may have economic or business interests or goals that are inconsistent with those of the Group's and could take actions that could adversely affect its business, financial condition and results of operations. The Group does not own ICBCIL's offshore business.

The Group's operations consist of only domestic leasing businesses. The domestic leasing operations in the PRC are owned and operated by the Group, whereas the offshore leasing platform of ICBC is held indirectly by ICBC through its wholly-owned subsidiary, ICBCIL, and its subsidiaries, which do not form part of the Group. The Group manages and operates ICBCIL's leasing business under internal management arrangement that may be changed by ICBC at any time. If either ICBC or ICBCIL repudiates such management and operation arrangement, the Group will have no control over the offshore business. Please see the section with the heading "Corporate Structure" for a structure diagram setting out the relationship between ICBC, the Company and ICBCIL. Consequently, revenues derived from ICBCIL's business and their assets and liabilities are not consolidated into the financial statements of the Group and financial and other information regarding the business of ICBCIL and its subsidiaries may be limited in this Offering Circular. Investors must rely on their own examination of the Group and the Issuer, and should not rely on any support or perceived support from ICBCIL or its subsidiaries when evaluating a potential investment in the Notes.

The Group is exposed to risks associated with entering into contracts with public organisations, and its performance may be significantly affected by changes in government policies.

The Group's clients, in particular in its equipment leasing businesses, include agencies and entities owned, controlled by or otherwise associated with local governments. The revenue contributed by these client accounts form a substantial part of the Group's total revenue. Government policies historically have and will continue to have a big impact on the Group's equipment leasing business. Any changes in the government's budget, environmental laws or other policy considerations may result in reduced demand for the Group's equipment leasing business, and to the extent that the Group's clients are funded or supported by the government, may lead to client defaults or contract termination, which would adversely affect the Group's business, financial condition and results of operations, which in turn may potentially affect the Group's ability to meet its financial obligations.

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

The Group's success depends on 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 is 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 Group's maintenance expenses or the costs of re-leasing the aircraft.

Moreover, in relation to the Group's aircraft, shipping and big-ticket equipment leasing business, it is primarily the responsibility of the lessees to maintain such aircraft, vessels and big-ticket equipment 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, vessels and big-ticket equipment 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 the required or recommended maintenance may also result in the aircraft being grounded or the vessels and equipment being rendered inoperative, which may result in the Group incurring substantial costs to restore the aircraft, vessels and equipment to an acceptable condition prior to the sale of the aircraft, vessels and equipment, and thus may have an adverse effect on the Group's business, financial condition and results of operations.

The Group is subject to risks related to the airline and shipping industries.

The Group is an operating lessor of aircraft, shipping and big-ticket equipment 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, shipping and big-ticket equipment. The Group 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 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 airline 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 ships for lease or purchase, the availability and cost of debt and equity capital to airlines or shipping companies. The Group'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 Group's lessees experience negative effects from these risk factors, the Group may experience:

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

(b) 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 ships;

(c) 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; or

(d) an inability to immediately place available aircraft or ships on commercially viable terms and possibly incurring additional storage, insurance and maintenance costs resulting from the idleness of such aircraft or ships and their preparation for re-lease.

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

The Group is subject to various PRC and overseas regulatory requirements and the Group's failure to comply with such requirements could materially and adversely affect its business, financial condition, results of operations and reputation.

PRC regulatory authorities such as the CBIRC and other overseas regulatory authorities oversee the Group's compliance with applicable regulatory requirements and guidelines. From time to time, weaknesses in certain areas of the Group's operations, such as risk management and internal controls, may be identified, which may result in sanctions, fines or penalties being imposed on the Group. There can be no assurance that the Group will be able to comply with all such requirements and guidelines at all times or that the Group 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 for its non-compliance, the Group's business, financial condition, results of operations and reputation may be materially and adversely affected.

Also, there can be no assurance that existing policies, laws and regulations governing the financial leasing industry will not change in the future or that any such changes will not materially and adversely affect the Group's business, financial condition and results of operations nor can there be any assurance that the Group will be able to adapt to all such changes on a timely basis.

In addition, the aviation, shipping, rail and other industries, in which many of the Group's clients operate, and the operation of aircraft, vessels and equipment are subject to domestic and international regulatory controls as well as additional controls that various national or federal civil aviation authorities may impose, including, for example, the airworthiness directives for aircraft operated by airlines within the jurisdiction of such authorities. The regulatory authorities can suspend or revoke the licence granted to the Group's clients to operate their businesses for failure to comply with these regulations, which may result in the grounding of aircraft or interruption of business. Airlines operating in certain countries may also be subject to sanctions. If the business activities of any of the Group's lessees are disrupted due to failure to meet regulatory requirements or sanctions, the ability of such lessees to meet their lease obligations towards the Group may be adversely affected.

Finally, regulatory requirements and approvals may affect the Group's ability to sell the aircraft, vessels and equipment. For example, regulatory approvals are required for the import, re-export, deregistration or registration of aircraft in various jurisdictions. Certain jurisdictions set maximum age limits for aircraft being imported or registered. Subsequent changes in applicable laws may modify such requirements, or approvals previously granted may be withdrawn. These changes may adversely affect the ability of the Group to sell these aircraft and may impair the values of these aircraft and thus have an adverse effect on the Group's financial performance and its ability to meet its financial obligations.

The Group is subject to risks related to tax law changes.

In 2011, the State Council approved "Pilot Proposals for the Change from Business Tax to Value-Added Tax" (the "**Proposals**"). The Proposals came into force on 1 January 2012, and were first carried out implementation in Shanghai in the transportation business and certain service businesses including tangible property leasing service businesses. Such Proposals were extended to another eight provinces and cities including Tianjin and Anhui provinces beginning 1 September 2012, and were further extended to cover the whole nation beginning 1 August 2013. Such Proposals may lead to an increase in the overall tax payable by leasing companies, which, among other things, is mainly caused by (i) an increase of the applicable tax rate from 5 per cent. to 17 per cent.; and (ii) a change in the method of calculating the taxable amount. From 1 January 2014, the Group, when servicing financing leases for corporeal movables, is subject to value-added tax instead of business tax. However, before 31 December 2015, the Group was refunded tax paid over the 3 per cent. tax rate. From 1 May 2016, such Proposals were extended to all the business tax payers engaged in the construction, real estate, financial and service industries which may result in an increase in the overall tax liability of the Group and would therefore adversely affect the Group's business, financial condition and results of operations.

Any deficiencies in the Group's risk management and internal control systems may materially and adversely affect the Group's business, financial condition and results of operations.

The Group has implemented a prudent risk management system to protect the long-term interests of its shareholders, clients and employees. However, the Group's risk management systems and internal control policies may not be effective in mitigating its exposure to all types of risk, including unidentified or unanticipated risks. Some risk management and control methods are based upon historical market behaviour and past events. As such, the Group may not be able to adequately identify or estimate future risk exposures, which could be significantly greater than indicated by measures based on historical data. Other risk management methods depend on evaluation of information regarding markets, clients or other relevant matters, which may be inaccurate, incomplete, obsolete or improperly evaluated. For instance, the information infrastructure in the PRC is still under development and there is no extensive and unified nationwide credit information system. Accordingly, the Group is only able to rely on publicly available resources and its internal resources to assess credit risks associated with a particular client. Such assessment may not be based on complete, accurate or reliable information. Furthermore, as the Group enters into new industry sectors, expands into new client segments or develops additional product and service offerings, it may not be in a position to adequately identify, predict and manage future risk exposures.

In addition, management of operational, legal or regulatory risks requires various sets of policies and procedures in order to accurately record and verify a large number of transactions and events. Such policies and procedures may not be fully effective. Any failure of the Group's risk management procedures or any failure to identify applicable risks may have a material adverse effect on its results of operations and financial condition.

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

Declines in the residual value of the aircraft, vessels or equipment financed by the Group may reduce the Group's earnings. The Group 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. The Group recognises the residual value of the leased aircraft, vessels and equipment (as the case may be), which is the estimated future market value of the leased asset at the maturity of the lease. If the estimated market value of the Group's leased assets declines significantly due to economic factors, obsolescence or other adverse circumstances, the Group may not realise the expected residual value of the leased assets, which could adversely affect the Group's business, financial condition and results of operations.

The Group has pledged certain lease receivables to secure its borrowings.

The Group has pledged certain of its lease receivables to secure some of its bank loans. If the Group defaults on such bank loans, 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 lease receivables was RMB97,939 million, of which RMB9,887 million was pledged to secure its bank loans. As at 31 December 2017, the carrying amount of the Group's lease receivables was RMB104,808 million, of which RMB38,174 million was pledged to secure its bank loans. As at 30 June 2018, the carrying amount of the Group's lease receivables was RMB97,862 million, of which RMB37,315 million was pledged to secure its bank loans.

The value of the collateral or guarantees securing the Group'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 2018, a considerable part of the Group's leases was secured by guarantees. To mitigate credit risk of its leases, the Group 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 Group 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 Group's guaranteed leases could significantly decrease any amount which the Group may be able to recover under such guarantees.

The Group'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 Group's leases proves to be inadequate to cover the related lease receivables, the Group may need to obtain additional security from its clients or other sources, but there can be no assurance that it will be able to do so. Any decline in the value of such collateral, guarantees or assets underlying the Group's leases or the Group's inability to obtain additional security may result in impairment losses and require the Group 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 Group 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 Group's rights to a guarantee or to repossess and dispose of the assets 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 Group's leases. Although the Group 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 Group's leases upon default, it is uncertain whether any judgement made by local courts would be enforceable due to the uncertainties of the PRC legal system governing such enforcement. In addition, under the PRC law, the Group'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 Group's rights to collateral, if not adequately provided for in liquidation proceedings. Therefore, upon any default of any lessee or any guarantor under the Group's lease, if the Group 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.

The Group's provisions for impairment losses on lease receivables may not be adequate to cover future credit losses, and may have a material adverse impact on the Group's business, financial condition and results of operations.

The Group makes provisions for impairment losses on lease receivables in accordance with PRC GAAP. As at 31 December 2015, 2016, 2017 and as at 30 June 2018, the Group's consolidated impairment provision on lease receivables was RMB2,236 million, RMB2,409 million, RMB2,461 million, and RMB3,049 million respectively, representing 2.03 per cent., 2.40 per cent. 2.34 per cent., and 3.12 per cent. of the Group's net lease receivables, respectively. This reflected both the growth of the Group's business operations and its approach to provisions in view of the macroeconomic environment. The amount of provisions for impairment losses on the 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 Group's clients and their creditworthiness, economic conditions and trends, write-off expenses, delinquencies and the value of underlying collateral and guarantees. As the Group's provisions require significant judgement and estimation, its allowance for impairment losses may not always be adequate to cover actual credit losses in its business operations. The Group's allowance may prove to be inadequate if unforeseen or adverse changes occur in the PRC economy or other economies in which the Group operates or if other events adversely affect specific clients, industries or markets. Under such circumstances, the 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 may not be able to sell or re-lease aircraft, vessels 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, vessel 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, vessel 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, vessels 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, vessels 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, vessels or equipment on similar terms in a timely manner. The Group's ability to lease aircraft, vessels and equipment and re-lease aircraft, vessels 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, vessels 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, vessels 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, vessels 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 attracting and retaining skilled employees.

The Group's financial leasing business is a highly specialised area which requires professional knowledge and know-how in business areas including, but not limited to, finance, accounting, international trade, insurance, aviation, shipping and other related industries and various areas of law. The Group's success depends, to a significant extent, on the abilities, expertise and dedication of its key senior management members, senior officers and skilled employees. There is significant competition for such talent. If such key personnel leave the Group to join other employers, including the Group's competitors, the Group may face difficulties employing and assimilating suitable replacement personnel in the short term. In addition, the Group's continued success also depends on its ability to attract and retain qualified personnel to manage its existing operations and future growth. Qualified individuals are in high demand and the Group may not be able to successfully attract, assimilate or retain all of the personnel it needs with the required industry expertise. The Group may also need to offer superior compensation and other benefits to attract and retain key personnel and therefore there is no assurance that the Group's compensation and benefits payments will not increase unpredictably or at a greater rate than its revenues. Failure to recruit, train, develop and retain personnel with the necessary qualifications may have a material adverse effect on the Group's business, financial condition and results of operations.

Malfunction or disruption to the Group's information technology systems may adversely affect the Group's business and operations.

The proper functioning of the Group's financial control, risk management, accounting, customer service and other data processing systems is important to its business. The Group has established its own internal back-up systems to carry on principal functions in the event of system failures. However, there can be no assurance that its operations will not be materially disrupted if any of the Group's systems fail due to, among other things, fire, natural disasters, power loss, software faults, computer virus attacks, conversion errors due to system upgrades or security breaches. The internal safety measures may not be effective in preventing any harm or damage resulting from risks threatening the Group's information technology systems. Any disruption to the Group's information technology systems could have an adverse effect on its business and 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 its 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.

The Group is subject to risks related to epidemics, acts of terrorism, wars or other natural or man-made calamities.

The Group, its suppliers and clients may experience shutdowns of their respective operations as a result of severe communicable disease, such as severe acute respiratory syndrome (SARS), avian influenza (bird flu), H7N9 flu and Ebola, which may have an adverse effect on the Group's business, financial condition and results of operations. 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. 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 financial and commodities markets. Terrorist attacks, pirate attacks, hijacking, war or armed conflicts, major accidents or the fear of such events could adversely affect the aviation and shipping industries and may have an adverse effect on the financial condition and liquidity of the Group's lessees, aircraft and vessel values and rental rates, and may lead to lease restructurings or repossessions, all of which could adversely affect the Group's business, financial condition and results of operations. In addition, many damages caused by acts of war, political unrest or similar events may not be covered by the Group's current insurance policies, causing adverse impact on the Group's results of operations.

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

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

(a) 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;

(b) 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

(c) 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, vessels 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 Group's business, financial condition and results of operations.

The Group may not have, and cannot ensure that its lessees will maintain, adequate insurance coverage to cover potential liabilities or losses.

The Group generally requires its lessees to obtain specified levels of insurance and indemnify for, and insure against, liabilities arising out of their use and operation of the aircraft. Some lessees may fail to maintain adequate insurance coverage during a lease term, which, although in contravention of the lease terms, would necessitate the Group taking some corrective action, such as terminating the lease or securing insurance for the aircraft, vessel or equipment, either of which could adversely affect the Group's results of operations. In addition, the Group will obtain insurance for the aircraft, vessels and equipment owned by itself when they are not under any lease terms, and such insurance coverage may not be adequate to cover losses should they arise.

Furthermore, the Group has obtained insurance coverage for its business operations in accordance with market practise and legal requirements, and in respect of assets which it deems material for its operations. The Group faces various risks in connection with its businesses and may lack adequate insurance coverage or may have no relevant insurance coverage. In addition, the Group does not maintain business interruption insurance. As a result, its insurance coverage may be inadequate to cover such losses should they arise. Any such uninsured losses may materially and adversely affect its business, financial condition and results of operations.

There might be claims asserted against the Group, which may adversely affect its operation, financial condition and reputation.

Although under its leases the Group does not control the operation of its leased assets such as aircraft, vessel and equipment, its ownership of the assets could give rise, in some jurisdictions, to strict liability for losses resulting from their operation.

Lessees of the Group are normally required under the leases to indemnify the Group for, and insure against, among other things, liabilities arising out of the use and operation of the assets, including third-party claims for death or injury to persons and damage to property for which the Group may be deemed liable. The lessees are also required to maintain public liability, property damage liability, and all risk and war risk insurance on the leased assets at agreed-upon levels.

There can be no assurance that the lessee's insurance, and any contingent insurance undertaken by the Group, will be adequate or sufficient to cover all types of claims that may be asserted against the Group. Any insurance coverage shortfall or default by lessees to fulfil their indemnification or insurance obligations, as well as the lack of available insurance, could reduce the proceeds upon an event of loss and could subject the Group to uninsured liabilities, any of which could have an adverse impact on the Group's financial performance and its ability to meet its financial obligations.

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

The Group 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 Group's business and operations. In addition, the regulatory and licencing requirements within the PRC financial leasing industry are constantly evolving and the Group 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 Group will be able to satisfy such regulatory requirements or that 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 Group's business operations and materially and adversely affect its results of operations and financial condition.

The Group derives a certain amount of business from international operations that are subject to foreign economic, legal and political uncertainties and security risks.

The Group manages the international business of ICBCIL and its subsidiaries and assets that the Group operates and/or manages are located in countries and territories that are subject to rapidly changing economic and political conditions. As a result, the Group is exposed to various risks associated with conducting business in foreign jurisdictions and territories, including, among others, risks associated with:

- politics, including risks of loss due to civil unrest, acts of terrorism, acts of war, regional and global political or military tensions, strikes and strained or altered foreign or community relations related to China or other relevant countries;

- economic, financial and market instability, and credit risks, including, for example, those relating to the potential deterioration of the credit markets and other economic conditions in the United States and other countries;

- changes in foreign government regulations or policies and compliance with foreign laws and regulations, including applicable anti-bribery, anti-money laundering, anti-terrorism financing laws and regulations;

- trade restrictions or embargoes;

- sanctions imposed by certain countries targeting other countries or entities, such as sanctions imposed by the Office of Foreign Assets Control of the U.S. Department of the Treasury and the European Union;

- expropriation and nationalisation of the assets operated and/or managed by the Group in foreign jurisdictions; and

- lack of a well-developed or independent legal system in the foreign jurisdictions in which the Group has overseas operations, which may create difficulties in the enforcement of contractual rights.

The Group does not currently engage in any business dealings with persons that are subject to or the target of, or are located in countries which are the targets of, sanctions imposed by the U.S. or other jurisdictions. However, some of the Group's counterparties may be affiliated with persons that are target of sanctions. For example, the Company leases commercial aircraft to Aeroflot Russian Airlines. While Aeroflot Russian Airlines is not itself the target of any sanctions, one of its subsidiaries, Dobrolet, is target of financial sanctions imposed by Her Majesty's Treasury. The Group has implemented internal control systems relating to business dealings to avoid conducting any business with sanctioned regimes, regions or organisations. However, the sanctions laws of the U.S. and other jurisdictions are evolving and change frequently, and there is no guarantee that the Group's internal control measures will be sufficient to track such changes in a timely manner. Any actual or perceived transaction with sanctioned persons or in sanctioned countries may damage the Group's reputation and materially and adversely affect the market price of the Notes.

Risks Relating to the Issuer

The proceeds from the Notes will be used for the offshore business of ICBCIL and its subsidiaries, which do not form part of the Group or provide any credit support for the Notes and whose activities are not restricted by the Terms and Conditions.

The proceeds from Notes will be used by ICBCIL to develop offshore business of ICBCIL and its subsidiaries, which do not have any obligation with respect to, and do not provide any credit support for, the Notes and are not restricted in conducting businesses under the Terms and Conditions of the Notes. ICBCIL and its subsidiaries also do not form part of the Group. Therefore, the investors in the Notes may not be able to benefit from the development of the ICBCIL Group's offshore business. In the event of a default by the Issuer, the ICBCIL and its other subsidiaries will not be obligated in any way to meet the Issuer's payment obligations and the investors may suffer a loss.

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

The Issuer was established in December 2013 specifically for the purpose of raising funds through the issue of securities or entering into loans, and will on-lend the net proceeds from issue of the Notes to companies within the ICBCIL Group. The Issuer does not and will not have any material assets, but it will receive repayments from companies within the ICBCIL Group in respect of loans made by the Issuer to those companies, which will be the only material sources of funds available to meet its payment obligations under the Notes. As a result, the Issuer is subject to all the risks to which the ICBCIL Group and companies within the ICBCIL Group that will receive proceeds from the Notes are subject, to the extent that such risks could limit their ability to satisfy in full and on a timely basis their respective obligations to the Issuer under any such loans.

Risks Relating to the Industry

The Group operates in a competitive market environment where highly specialised expertise is required for the efficient management of assets.

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, vessels 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 CBIRC, 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. In addition, the financial leasing business also requires specialised expertise and extensive experience. For example, in the aircraft financing business of the Group, there is a high percentage of operating leases. As the Group expands and grows in the past several years, its assets increase and the leases begin to expire, and it has become increasingly difficult to lease and manage older assets. Furthermore, with the growth of the business, the Group's asset portfolio has also become increasingly diversified into different types and industries, requiring highly specialised expertise and skilled employees to manage the different assets efficiently.

The industries in which the Group is engaged are cyclical.

A significant part of the Group's net lease receivables are related to the transportation industry. The transportation industry is highly cyclical with demand for and supply of vessels to be leased or sold affected by several factors, including global and regional economic and political conditions, changes in regulatory regimes, strikes or armed conflicts, extreme weather conditions and piracy. These factors are beyond the Group's control and the nature, timing and degree of changes in industry conditions are largely unpredictable. Any decrease in demand for the Group's services in the transportation industry due to cyclical downturns could result in extensive client defaults, decreased revenue and an inability to grow or maintain its business, and could materially and adversely affect its business, results of operations and financial condition.

Changes in interest rates and currency exchange rates could have an adverse effect on the Group's business, financial condition and results of operations.

Interest rate fluctuations may have a significant influence on the financial performance of the Group. Any changes in interest rates will impact the Group's borrowing costs. The Group may be susceptible to interest rate volatility if it is unable to match its floating rate liabilities with floating rate payments or secure appropriate hedges for the same. Any decision by the United States Federal Reserve to increase interest rates may also cause interest rates to rise generally which would negatively impact the Group's funding costs and its profitability. While the Group's exposure to interest rate volatility may be hedged through the use of interest rate swaps and interest caps, the magnitude of the final exposure depends on the effectiveness of the hedge.

In addition, the Group's financial leasing business may be adversely affected by a decrease in interest rate spreads resulting from the further marketisation of interest rates, causing adverse impact on its profitability and results of operations.

Changes in currency exchange rates may adversely impact the Group's financial condition and results of operations. The Group receives rental income and makes purchase payments in various currencies such as Renminbi and U.S. dollars, and fluctuations in exchange rates may reduce the Group's earnings and cash flow.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate significantly and is affected by, among other things, domestic and international economies, political conditions and supply and demand of currency. On 21 July 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy resulted in an appreciation in the value of the Renminbi against the U.S. dollar. On 11 August 2015, the People's

Bank of China (the "PBOC") adopted a more market-oriented approach and announced that the midpoint for the value of the Renminbi against the U.S. dollar would be quoted by the market makers with reference to the closing rate of the previous trading session. This resulted in a nearly 2 per cent. devaluation of the Renminbi against the U.S. dollar on the same day. Throughout 2016, the Renminbi experienced further depreciation against the U.S. dollar. It is possible that the PRC government could adopt a more flexible currency policy, which could result in further and more significant revaluations of the Renminbi against the U.S. dollar or any other foreign currency. As a portion of the Group's loans are denominated in currencies other than Renminbi, fluctuations of the Renminbi against any such currencies could have an adverse effect on the Group's business, financial condition and results of operations.

Disruptions or volatility in global and domestic financial markets could adversely impact the industries and markets in which the Group serves and operates.

The Group is a leasing company specialising in providing customised leasing services including aviation financing, shipping financing and big-ticket equipment financial leasing, and is largely dependent on the growth of the Group's target industries, including the aircraft, shipping and equipment industries. The demand for the Group's services is substantially influenced by general global and domestic economic conditions. Global and domestic economic conditions may cause volatility and disruptions in the capital and credit markets.

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy. Since then, the PRC and many other foreign economies have shown signs of recovery. In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these European nations to continue to service their sovereign debt obligations. On 6 August 2011, S&P downgraded the rating for long-term U.S. debt to "AA+" from "AAA" for the first time in 70 years. The downgrade of U.S. debt by S&P, coupled with the economic turmoil in Europe and other parts of the world, could lead to another global economic downturn and financial market crisis.

The outlook for the PRC and world economy and financial markets remains uncertain. In Europe, several countries continue to face difficulties in refinancing sovereign debt. In Asia and other emerging markets, political unrest has resulted in economic instability and uncertainty, and some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, Syria, Russia and Ukraine, conflict and political unrest have resulted in economic instability and uncertainty. The PRC's economic growth may slow down due to weakened exports. Macroeconomic events in 2011 such as the tightening of monetary policy by the PRC and other governments and the sovereign debt crisis in Europe may have an adverse effect on the global and PRC economies. In March 2016, Moody's Investors Service revised its outlook on China from stable to negative, and Standard & Poor's Ratings Services also changed its outlook on China from stable to negative. In addition, the financial markets of the PRC have been extremely volatile in 2015 with uncertain prospects for the future. If the crisis in global financial services and credit markets and the turmoil in financial markets were to persist, there is no certainty as to its impact on the global economy, especially the Chinese economy.

Should global or domestic economic conditions deteriorate or access to credit markets be reduced, the Group and its clients could experience reduced levels of liquidity and increased credit spreads. For example, during the recent financial crisis arising out of the European sovereign debt crisis and slow economic growth in developed economies, certain clients of the Group experienced reduced liquidity, credit and credit capacity, which resulted in reduced demand for the Group's services.

The extent of any impact on the Group's ability to meet funding or liquidity needs would depend on several factors, including its operating cash flows, the duration of any market disruptions, changes in counterparty credit risk, the impact of government intervention in financial markets including the effects of any programmes or legislation designed to increase or restrict liquidity in certain areas of the market, general credit conditions, the volatility of equity and debt markets, any credit ratings and the credit capacity of the Group and the costs of financing and other general economic and business conditions. Market disruption and volatility may also lead to a number of other risks, including, but not limited to:

- market developments that may affect client confidence, reduce the demand for financing services or cause increases in delinquencies and default rates, which could increase the Group's write-offs and provisions for credit losses;

- the process the Group uses to estimate losses from its credit exposure requires a high degree of management judgement regarding numerous subjective, qualitative factors, including forecasts of economic conditions and how economic predictors might impair the ability of its clients to perform their contractual obligations under the leases. Financial market disruption and volatility may reduce the accuracy of the Group's judgements;

- the Group's ability to engage in routine funding transactions or borrow from other financial institutions on acceptable terms, or at all, could be adversely affected by disruptions in the capital markets or other events, including actions by rating agencies and a deterioration in investor expectations; and

- the ability of the Group's funding counterparties to provide funding could be adversely affected by market volatility or disruptions in the equity and credit markets.

Therefore, any market disruption or volatility may materially and adversely affect the Group's business, financial condition and results of operations.

The Group and the ICBCIL Group are exposed to a number of political, social and macroeconomic risks relating to the United Kingdom's potential exit from the European Union.

On 23 June 2016, the United Kingdom voted in a national referendum to withdraw from the European Union. In November 2016, Britain's Supreme Court has ruled that the United Kingdom government must hold a vote in parliament before beginning the process of leaving European Union, and the UK government agreed to abide by such decision. Although the UK government publicly announced a schedule to trigger Article 50 of the Lisbon Treaty to begin the process of leaving the European Union in late March 2017, it remains unclear when the United Kingdom will formally serve notice to the European Council of its desire to withdraw, a process that is unprecedented in European Union history and one that could involve months or years of negotiation to draught and approve a withdrawal agreement in accordance with Article 50 of the Treaty on European Union.

The possible exit of the United Kingdom (or any other country) from the European Union, the potential withdrawal of Scotland, Wales or Northern Ireland from the United Kingdom, or prolonged periods of uncertainty relating to any of these possibilities, could result in significant macroeconomic deterioration, including, but not limited to, further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies), decreased GDP in the United Kingdom and/or European Union and a downgrade of the United Kingdom's sovereign credit rating. In addition, there are increasing concerns that these events could push the United Kingdom, Eurozone and/or United States into an economic recession, any of which, were they to occur, would further destabilise the global financial markets and could have a material adverse effect on the Group's and the ICBCIL Group's business, prospects, financial condition and results of operations.

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 and the 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, the Group, the Joint Lead Managers, the Trustee, the Agents or their respective advisers and therefore none of the Issuer, the Group, the Joint Lead Managers, 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 and the 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 practise 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 PRC

Changes in the economic, political and social conditions in the PRC may have a material adverse effect on the 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 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 Group's present and future business operations.

The slowdown of the PRC's economy, caused in part by the recent challenging global economic conditions, may adversely affect the target industries in which the Group operates and result in a material adverse effect on the Group's business, results of operations and financial condition.

Most of the Group's revenue is derived from the provision of financial leasing services and extended value-added services. The Group relies primarily on domestic demand to achieve growth in its revenue. Such demand is materially affected by industrial development and the overall economic growth in the PRC as well as policy support for its target industries and for its financial services. Any deterioration of these industries in the PRC resulting from a global economic downturn or the PRC government's macroeconomic measures affecting these industries may have a material adverse impact on its financial performance. Furthermore, any deterioration in the financial condition of its clients in these industries or any industry-specific difficulties encountered by these clients could affect its business (such as the deterioration of the quality of its existing lease receivables and its ability to generate new leases), thereby materially and adversely affecting its business, financial condition and results of operations.

Furthermore, the global crisis in financial services and credit markets since 2008 caused a slowdown in the growth of the global economy, with a corresponding impact on the PRC economy. Although the global and PRC economies have largely recovered, there can be no assurance that any such recovery is sustainable. In addition, macroeconomic events in 2011 such as the tightening of monetary policy by the PRC and other governments and the sovereign debt crisis in Europe may have an adverse effect on the global and PRC economies, which has been slowing down in recent years. According to IMF World Economic Outlook, the real GDP growth of the PRC was 6.9 per cent., 6.7 per cent. and 6.8 per cent. in 2015, 2016 and 2017, respectively, and the estimated GDP growth of the PRC in 2018 and 2019 is 6.6 per cent. and 6.4 per cent., respectively. If the crisis in global financial services and credit markets were to persist, there would be no certainty as to its impact on the global economy, especially the PRC economy. As a result of global economic cycles, there can be no assurance that the PRC economy will grow in a sustained or steady manner. Any slowdown or recession in the PRC economy may affect the Group's ability to secure new leases and contracts and its ability to obtain sufficient financing, which may in turn have a material adverse effect on its business, results of operations and financial condition.

Under the Enterprise Income Tax law of the PRC (the "New EIT Law"), the Issuer (or any other overseas entity of the Group) may be treated as a PRC resident enterprise for PRC tax purposes, which will result in it being subject to PRC enterprise income tax on its worldwide income and Noteholders being subject to PRC taxes (including PRC withholding tax).

Under the PRC Enterprise Income Tax Law and its Implementing Regulation, which became effective on 1 January 2008, 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 are therefore subject to PRC enterprise income tax at the rate of 25 per cent. on their worldwide taxable 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 would 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 decisions 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' meetings 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 a circular, which became effective on 1 September 2011, and which provides that a foreign enterprise controlled by a PRC company or a PRC company group shall be deemed a "resident enterprise" by the final decision of the State Administration of Taxation through the application of the foreign enterprise or the investigation of the relevant tax authorities.

The 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 Group will not be treated as "resident enterprises" under the New EIT Law, any aforesaid circulars or any amended regulations in the future. If the Issuer is treated as a PRC resident enterprise for PRC enterprise income tax purposes, among other things, it would be subject to the PRC enterprise income tax at the rate of 25 per cent. on its worldwide taxable income. Furthermore, if the Issuer were treated as a PRC resident enterprise, payments of interest by the Issuer 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 investors. In the case of non-PRC resident individual investors, 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 investors 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. The PRC tax on interest or gains may be reduced under applicable tax treaties. For example, according to an arrangement between Mainland China and Hong Kong for the avoidance of double taxation, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, may be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes.

If the Issuer is required to withhold PRC tax from interest payments on the Notes, the Issuer will 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.

Due to uncertainties in the interpretation of certain provisions of the new value-added tax ("VAT") regime in the PRC, the issuance of the Notes may be treated as provision of loans within the PRC that is subject to VAT, the Issuer may be required to withhold VAT and local levies from the payment of interest income to holders of Notes located outside of the PRC, and there is uncertainty as to the applicability of VAT in respect of a sale or exchange of the Notes.

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation issued the Circular of Full Implementation of Business Tax to VAT Reform (《關於全面推開營業稅改徵增值稅試點的通知》) (Caishui [2016] No. 36, "**Circular 36**") confirming that business tax will be completely replaced by VAT from 1 May 2016. With effect from 1 May 2016, income derived from the provision of financial services, which previously was subject to business tax, is subject to VAT.

According to Circular 36, entities and individuals providing services within the PRC will be subject to VAT. Services are generally treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. Services subject to VAT include financial services, such as the provision of loans. It is further clarified under Circular 36 that "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon.

It is not clear whether Circular 36 would be interpreted to deem the issuance of Notes by the Issuer as the provision of loans, and therefore services, provided within the PRC, which therefore could be subject to VAT. In particular, there can be no assurance that the Issuer would not be treated as a "resident enterprise" under the New Enterprise Income Tax Law or otherwise as located in the PRC for VAT purposes in which case the PRC tax authorities could take the view that holders of Notes are providing loans within the PRC because the Issuer is treated as a PRC tax resident. In such an interpretation, the issuance of the Notes could be regarded as the provision of financial services within the PRC that is subject to VAT.

If the PRC tax authorities take the view that holders of Notes are providing loans within the PRC for VAT purposes, then holders of Notes could become subject to VAT at the rate of 6 per cent. on interest payments under the Notes. In addition, under such an interpretation holders of Notes could become subject to local levies equal to approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies payable on interest due to holders of Notes could be up to 6.72 per cent. Since Noteholders are located outside of the PRC, the Issuer, acting as the withholding agent in accordance with applicable law, may be required in such instance to withhold VAT and local levies from the payment of interest income to Noteholders.

Where a holder located outside of the PRC resells Notes to a buyer also located outside of the PRC, since neither buyer not seller is located in the PRC, Circular 36 should not apply and the Issuer shall not have the obligation to withhold VAT or local levies. However, there is uncertainty as to the applicability of VAT if either a seller or buyer of Notes is located within the PRC.

Circular 36 has been issued recently and remains subject to the issuance of further clarification rules and/ or different interpretations by the competent tax authority. There is uncertainty as to the application of Circular 36 in the context of the issuance of the Notes, payments thereunder, and their sale and transfer.

The 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 Group will not be treated as resident enterprises or otherwise as located in the PRC for VAT purposes in the future and as a result be required to withhold VAT from the payments of interest in respect of the Notes for any Noteholders located outside of the PRC.

If the Issuer is required to withhold PRC tax from interest payments on the Notes, the Issuer will 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 uncertainties of the PRC legal system and its laws and regulations may have a negative impact on the Group's operations.

The 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 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 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 Group's subsidiaries and entities which it manages and operates 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.

Holders of Notes may experience difficulties in effecting service of legal process and enforcing judgements against the Issuer, the Group, their respective directors or senior management.

The Issuer is incorporated in Hong Kong and the Group is a company incorporated under the laws of the PRC and most of its assets and subsidiaries are located in the PRC. All of the Group's directors and senior management reside within the PRC. The assets of these directors and senior management also may be located within the PRC. As a result, it may not be possible to effect service of process upon most of the Group's directors and senior management outside the PRC. Moreover, the PRC does not have treaties providing for reciprocal recognition and enforcement of court judgements in the United States, the United Kingdom or most other countries. As a result, in the PRC, recognition and enforcement of court judgements from the jurisdictions mentioned above may be difficult or impossible in relation to any matter that is not subject to a binding arbitration provision.

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 Deed and the Deed of Asset Purchase Undertaking 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, 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 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 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 that 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 Judgements 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.

Although the Company has stated its intention to waive sovereign immunity in the relevant transaction documents, the Company, as a state-owned enterprise, may be entitled to immunity if it can demonstrate to the Hong Kong courts that it was acting under the control of the state at the time that it entered into the

Terms and Conditions of the Notes and the transaction documents. This will be a fact-sensitive analysis on a case-by-case basis. The Trustee's ability to bring enforcement action against the Company in Hong Kong may be limited if the Company can demonstrate its entitlement to crown immunity and does not waive such immunity at the time of proceedings in the Hong Kong courts.

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 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, Middle East 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 GDP growth of the PRC. The 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 Group's business, financial condition and results of operations. In addition, if any of the 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 Group's business, financial condition and results of operations, which may also involve a closure of the 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 Group's clients and suppliers, which could materially and adversely affect the Group's business, financial condition and results of operations.

Risks Relating to the Notes

The Notes are unsecured obligations of the Issuer.

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 will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer's existing and future subsidiaries.

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. 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 therefore, whether by dividends, loans or other payments. The Issuer's right to receive assets of any of the Issuer's subsidiaries 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 is a creditor 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 and any subsidiaries that the Issuer may in the future acquire or establish.

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

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments 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:

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

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

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant 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;

- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- 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.

Additionally, 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) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

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 of the relevant series, including Noteholders of the relevant series who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority of the Noteholders of the relevant series. There is a risk that the decision of the majority of holders of the Notes of the relevant series may be adverse to the interests of individual Noteholders of the relevant series.

The Terms and Conditions of the Notes provide that the Trustee may, without the consent of Noteholders of the relevant series agree to any modification of any of the Conditions or any of the provisions of the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking or the Agency Agreement (other than in respect of Reserved Matters as defined in the Terms and Conditions of the Notes), which in the opinion of the Trustee will not be materially prejudicial to the interests of the Noteholders of the relevant series. 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 Deed, the Deed of Asset 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 of the relevant series will not be materially prejudiced thereby.

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

The Terms and Conditions of the Notes are governed by English law in effect as at the date of issue of the relevant Notes. 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 relevant Notes.

Each series of the Notes will initially be represented by Global Certificates and holders of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing systems.

Each series of the Notes will initially be represented by one or more Global Certificates. Such Global Certificates will be deposited with the Custodian and registered in the name of Cede & Co. as nominee for the DTC. Except in the circumstances described in the relevant Global Certificate, investors will not be entitled to receive Definitive Notes. Relevant clearing systems will maintain records of the beneficial interests in the Global Certificates. While any series of the Notes are represented by one or more Global Certificates, investors will be able to trade their beneficial interests only through the relevant clearing systems and the Issuer will discharge its payment obligations under the relevant series of the Notes by making payments to the order of DTC's nominee for distribution to their account holders. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system to receive payments under the relevant series of the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificates. Holders of beneficial interests in the Global Certificates will not have a direct right to vote in respect of the relevant series of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Certificates will not have a direct right under the respective Global Certificates to take enforcement actions against the Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under the Trust Deed.

Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade.

Notes may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Notes may provide that, for so long as the Notes are represented by a Global Note or Global Certificate and the relevant Clearing System(s) so permit, the Notes will be tradable in nominal amounts (i) equal to, or in integral multiples of, the minimum denomination and (ii) the minimum denomination plus integral multiples of an amount lower than the minimum denomination. Definitive Notes will only be issued in certain circumstances such as if the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announce(s) an intention to permanently cease business or does in fact do so. The Pricing Supplement may provide that, if Definitive Notes are issued, such Notes will be issued in respect of all holdings of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that Definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and any Notes issued for lower amounts will be cancelled and holders will have no rights against the Issuer (including rights to receive principal or interest or to vote) in respect of such Notes.

The Issuer may be unable to redeem the Notes.

On certain dates, including but not limited to the occurrence of a Change of Control and at maturity of the relevant series of the Notes, the Issuer may, and at maturity will, be required to redeem all of the Notes of the relevant series. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes of the relevant series in time, or on acceptable terms, or at all. The ability to redeem the Notes of the relevant series in such event may also be limited by the terms of other debt instruments. Failure to redeem the Notes by the Issuer, in such circumstances, would constitute an Event of Default under the Notes of the relevant series, which may also constitute a default under the terms of other indebtedness of the Issuer, the Company or their subsidiaries.

The insolvency laws of Hong Kong and the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar.

As the Issuer and the Company are incorporated under the laws of Hong Kong and the PRC, respectively, any insolvency proceedings relating to the Issuer or the Company, even if brought in other jurisdictions, would likely involve Hong Kong or 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 holders of the Notes are familiar.

If the Issuer or the Company is 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 or the Company is 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 or 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 may 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 occurs, there is no assurance 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.

There may be less publicly available information about the Issuer, the Company and the Group than is available for companies in certain other jurisdictions.

Neither the Issuer nor the Company is a listed company and they are not required under the applicable laws and regulations to publish their financial statements or make periodic public announcements.

Therefore, there is limited publicly available information about the Issuer, the Company and the Group. In making an investment decision, investors must rely upon their own examination of the Issuer, the Company, the Group and the terms of the offering.

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

Where the Trustee is, under the provisions of the Trust Deed, bound to act at the request or direction of the Noteholders, the Trustee shall nevertheless not be so bound unless first indemnified and/or provided with security and/or pre-funding to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing. 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 or security, 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.

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 applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or the PRC or any subdivision or authority therein or thereof having power to tax. Although pursuant to the Terms and Conditions of the Notes, the Issuer is required to gross up payments on account of any such withholding taxes or deductions (whether on account of enterprise income tax, VAT or otherwise), subject to certain exceptions, the Issuer also has the right to redeem the Notes at any time in the event (i) it has or will become obliged to pay additional amounts for or on account of any withholding or deduction at taxes imposed in excess of certain rates, as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the PRC or any political subdivision or any authority therein or thereof 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 an agreement is reached to issue the first tranche of the Notes of the relevant series, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, as set out in the Terms and Conditions of the Notes.

The Issuer may issue additional Notes in the future.

The Issuer may, from time to time, and without prior consultation of the Noteholders, create and issue further Notes. See "Terms and Conditions of the Notes – Further Issues". In addition, the Issuer may otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital-raising activity will not adversely affect the market price of the Notes.

Neither the Keepwell and Liquidity Support Deed nor the Deed of Asset Purchase Undertaking is a guarantee of the payment obligations under the Notes, and the Trustee's claims thereunder may be subordinated to other obligations of the Company and its subsidiaries.

The Company has entered into a Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking in relation to the Notes, as further discussed in the section with the heading "Description of the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking". Pursuant to the terms of the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, the Trustee may take action against the Company to enforce the provisions of the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking. However, neither the Keepwell and Liquidity Support Deed, nor the Deed of Asset Purchase Undertaking, nor any actions taken thereunder can be deemed as a guarantee by the Company of the payment obligation of the Issuer under the Notes and thus the Trustee's claims hereunder are effectively subordinated to the outstanding guaranteed obligations of the Company. Under the Terms and Conditions of the Notes, the Issuer is free to incur future indebtedness guaranteed by the Company similar to such term loans, the creditors of which will have priority to the assets of the Company over the Trustee under the Notes. In addition, under the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, the Company will only be obliged to cause the Issuer to obtain, before the due date of the relevant payment obligations, funds sufficient by means as permitted by applicable laws and regulations so as to enable the Issuer to pay such payment obligations in full as they fall due, rather than assume the payment obligation as in the case of a guarantee. Furthermore, ICBCIL has provided credit support to the Issuer's notes issued in March 2015 and June 2015 through keepwell and asset purchase undertakings, yet it does not provide similar credit support for the Notes, thus ICBCIL is not obliged in any way to assume the Issuer's obligations hereunder in an event of default and the Trustee's claims hereunder are effectively subordinated to ICBCIL's obligations under the previously issued notes.

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. The Trustee's claim against the 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 it is the Issuer. Where a Relevant Transferor is not the Issuer, the Trustee will not have a direct claim against the sale proceeds received by such Relevant Transferor. In addition, in the event of an insolvency of a Relevant Transferor, any transaction deemed to be undervalued may be set aside in insolvency proceedings.

In addition, under the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, the Company will undertake, among other things, to cause the Issuer to have sufficient liquidity to ensure timely payment of any amounts payable in respect of the Notes. However, any claim by the Issuer, the Trustee and/or Noteholders against the Company in relation to the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking will be effectively subordinated to all existing and future obligations of the Company's subsidiaries (which do not guarantee the Notes), particularly the onshore operating subsidiaries of the Company, and all claims by creditors of such subsidiaries (which do not guarantee the Notes) will have priority to the assets of such entities over the claims of the Issuer, the Trustee and/or Noteholders under the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking.

Performance by the Company of its obligations under the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking is subject to the approvals of the PRC authorities.

Even if the Company intends to perform its obligations under the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, depending on the manner in which the Company performs its obligations under the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking in causing the Issuer to obtain, before the due date of the relevant payment obligations, funds sufficient to meet its obligations under the Notes, such performance may be subject to obtaining prior consent, approvals, registration and/or filings from the relevant PRC governmental authorities, including the National Development and Reform Commission ("**NDRC**"), the Ministry of Commerce of the People's Republic of China ("**MOFCOM**") and the State Administration of Foreign Exchange of the PRC (國家外匯管理局) ("**SAFE**"). PRC counsel to the Issuer have confirmed that (i) if the assets to be purchased under the Deed of Asset Purchase Undertaking would be imported into the PRC, the relevant PRC governmental approvals or permits from PRC approval authorities, including, but not limited to, NDRC, Civil Aviation Administration of China, MOFCOM and the General Administration of Customs of the PRC (中華人民共和國海關總署), are required and (ii) if the purchased assets under the Deed of Asset Purchase Undertaking would not be imported into the PRC, and those assets would be leased by the Company after the purchase (falling within the ambit of the finance leasing laws in the PRC), the Company should register such lease at the local foreign exchange authority within 15 working days upon an external claim and there are no other Regulatory Approvals (as defined the Deed of Asset Purchase Undertaking) required under the PRC laws. Although the Company is required to use all reasonable efforts to obtain any required consents and approvals in order to fulfil its obligations under the Deed of Asset Purchase Undertaking, there is no assurance that such consents or approvals will be obtained in a timely manner, or at all. In the event that the Company fails to obtain the requisite consents or approvals, the Issuer may not have sufficient funds to discharge their outstanding payment obligations to the holders of the Notes.

Performance by the Company of its undertaking under the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking may be subject to consent from third-party creditors and shareholders, and may also be restricted if any of the assets are secured in favour of third-party creditors.

The ability of the Company to purchase or procure a subsidiary of the Company to purchase certain assets from one or more Relevant Transferors pursuant to the terms of the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking may be affected by any present or future financing agreements, lease agreements or other agreements of the Company and its subsidiaries:

- in the event that such financing agreements, lease agreements or other agreements contain non-disposal or other restrictive covenants that would prevent the sale of any asset by a Relevant Transferor, the Company and its subsidiaries would need to obtain the consent from the third-party creditor or counterparty, as the case may be, before the Relevant Transferor is able to proceed with the sale of such assets;

- in the event that such financing agreements, lease agreements or other agreements contain restrictive covenants that restrict the terms of any asset sale or purchase, such covenants would need to be complied with, or waivers therefrom would need to be obtained, in connection with any sale and purchase of assets; and

- in the event that certain assets 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 assets.

Under the Terms and Conditions of the Notes, the Trust Deed, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, there are no restrictions on ICBCIL, the Issuer or their subsidiaries entering into financing agreements, lease agreements or other agreements with such non-disposal or other restrictive covenants or securing the assets of any of ICBCIL and its subsidiaries in favour of its creditors. In the event the obligation to purchase assets under the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking becomes effective, there is no assurance that ICBCIL, the Issuer or their relevant subsidiary 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 assets to proceed.

If such consents or releases cannot be obtained, ICBCIL, the Issuer or their relevant subsidiary may need to repay the indebtedness owed to its third-party creditors in order to be able to sell the relevant assets to the Company, failing which, the Issuer may have insufficient funds to discharge their respective payment obligations to the holders of the Notes.

The proceeds realisable from the asset sale pursuant to the Deed of Asset Purchase Undertaking may not be sufficient to satisfy the Issuer's obligations under the Notes.

Under the Terms and Conditions of the Notes, the Trust Deed, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, there are no restrictions on ICBCIL, the Issuer or their subsidiaries to dispose of any of their assets or any requirement to maintain a certain minimum value in respect of their assets. The holders of the Notes also have no security interest in any of such assets held by ICBCIL, the Issuer or their subsidiaries. Such assets may be sold and transferred to third parties outside the Group or depreciate in value over a period of time. Assets of ICBCIL and its subsidiaries may also be secured in favour of third-party creditors. There can be no assurance that upon the occurrence of a Triggering Event, there are sufficient assets held by ICBCIL, the Issuer or their subsidiaries available for sale to the Company or the designated purchasers, as the case may be.

Furthermore, the purchase price determined in respect of the assets to be purchased in the event of an asset sale pursuant to the Deed of Asset Purchase Undertaking will depend upon market and economic conditions and other similar factors and applicable laws. No independent appraisals of any assets held by ICBCIL, the Issuer or their subsidiaries have been prepared by or on behalf of the Company, ICBCIL or the Issuer in connection with the Programme or the offering of the Notes. Accordingly, there can be no assurance that the proceeds of any asset sale pursuant to the Deed of Asset Purchase Undertaking following a Triggering Event would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the Notes.

ICBCIL is not obliged to provide liquidity support to the Issuer under the Keepwell and Liquidity Support Deed, or to transfer proceeds realised from the asset sale to the Issuer under the Deed of Asset Purchase Undertaking.

Under the Terms and Conditions of the Notes and the Keepwell and Liquidity Support Deed, ICBCIL does not have any obligation to provide any liquidity support to the Issuer. Under the Terms and Conditions of the Notes and the Deed of Asset Purchase Undertaking, ICBCIL may, but is not obliged to, transfer proceeds realised from the asset sale to the Issuer. Accordingly, there can be no assurance that ICBCIL will provide liquidity support to the Issuer, or that the proceeds of any asset sale by ICBCIL or its subsidiaries, if applicable, pursuant to the Deed of Asset Purchase Undertaking following a Triggering Event would be transferred to the Issuer to satisfy amounts due and payable on the Notes. In addition, investors should not place undue reliance on the obligations of the Company to provide liquidity support to ICBCIL under the Keepwell and Liquidity Support Deed and the obligations of the Company to purchase any assets from ICBCIL under the Deed of Asset Purchase Undertaking.

The Company may issue notes or provide guarantees for notes of the Issuer or other subsidiaries of the Company 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 has entered into the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking in connection with the issuance of the Notes, which do not constitute a direct or indirect guarantee of the Notes by the Company. See the section with the heading "Description of the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking". The Terms and Conditions of the Notes issued under the Programme do not prohibit the Company from issuing notes or provide guarantees for notes of the Issuer or other subsidiaries of the Company in the future. As a result, the Company may, without consent from any holder of the Notes, issue notes or guarantee notes issued by the

Issuer or subsidiaries of the Company 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 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 will have a direct claim against the Company, 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.

An optional redemption feature is 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 such 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.

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 have features from non-index linked 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**"). Potential investors should be aware that:

- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

- 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

- 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.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any index linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any index linked Notes and the suitability of such Notes in light of its particular circumstances.

Failure by an investor to pay a subsequent instalment of partly paid Notes may result in an investor losing all of its investment.

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.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile.

Notes with variable interest rates can be volatile securities. 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.

The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be or used as "benchmarks", are the subject of recent national, international regulatory and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Note linked to or referencing such a benchmark.

More broadly, any of the international, national, or other proposals, for reforms or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. For example, the sustainability of the London interbank offered rate ("**LIBOR**") has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Conditions. or result in other consequences, in respect of any Notes linked to such benchmark. Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any international reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

The value of, and return on, Floating Rate Notes linked to or referencing LIBOR may be adversely affected in the event of a permanent discontinuation of LIBOR

Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, and LIBOR has been selected as the Reference Rate, the Conditions provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where LIBOR is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available.

Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Conditions provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent. Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of LIBOR), the Rate of Interest may revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before LIBOR was discontinued, and if LIBOR is discontinued permanently, the same Rate of Interest will continue to be the Rate of Interest for each successive Interest Period until the maturity of the Floating Rate Notes, so that the Floating Rate Notes will, in effect, become fixed rate notes utilising the last available LIBOR rate. Uncertainty as to the continuation of LIBOR, the availability of quotes from reference banks, and the rate that would be applicable if LIBOR is discontinued may adversely affect the value of, and return on, the Floating Rate Notes.

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Conditions provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. Where the Floating Rate Option specified is a "LIBOR" Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If LIBOR is permanently discontinued and the relevant screen rate or, failing that, quotations from banks are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the Floating Rate Notes.

Inverse floating rate Notes are typically more volatile than conventional floating rate debt.

Inverse floating rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the 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.

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice versa, may have lower market values than other Notes.

Fixed or 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 or floating rate Notes may be less favourable than the 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 the then-prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Investors may lose part or all of their investment in any index linked Notes issued.

If, in the case of a particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are index linked Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment, or part of it.

Credit ratings may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market and additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Potential FATCA withholding after 2018.

Pursuant to certain provisions of U.S. law, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including Hong Kong and the PRC) 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 these rules to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, 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 that have a fixed term and not treated as equity for U.S. federal income tax purposes, that are issued on or before the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register 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 would be 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.

Risks Relating to the Market Generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

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

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. 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. Such investors may include the Issuer and entities affiliated with the Issuer. 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 to 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 the Issuer has made an application for the Notes to be admitted to listing on the Hong Kong Stock Exchange, there is no assurance that such application will be accepted, that the 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. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for the 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 that 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.

Changes in market interest rates may adversely affect the value of the Notes.

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the 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 the 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

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

As a result of the restrictions imposed by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited. Since February 2004, in accordance with arrangements between the PRC government and the Hong Kong government, licenced banks in Hong Kong may offer limited Renminbi-denominated banking services to Hong Kong residents and specified business customers. The PBOC, the central bank of the PRC, has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On 19 July 2010, further amendments were made to the Settlement Agreement on the Clearing of RMB Business (the "**Settlement Agreement**") between the PBOC and Bank of China (Hong Kong) Limited (the "**RMB Clearing Bank**") to further expand the scope of RMB business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open RMB accounts in Hong Kong; there is no longer any limit (other than as provided in the following paragraphs) on the ability of corporations to convert RMB; and there will no longer be any restriction on the transfer of RMB funds between different accounts in Hong Kong.

The current size of Renminbi-denominated financial assets outside the PRC is limited. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The RMB Clearing Bank only has access to onshore liquidity support from the PBOC to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement. The RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services, and the participating banks will need to source Renminbi from the offshore market to square such open positions.

On 15 January 2013, the HKMA further enhanced the facility by reducing the notice period required for authorised institutions participating in Renminbi business ("**Participating AIs**") to request for Renminbi from two business days to one business day. Additional enhancements were announced on 25 July 2013 by the provision of one-day funds, available on the next day, which will continue to make use of the currency swap arrangement between the PBOC and the HKMA; and overnight funds, available on the same day, which will make use of the HKMA's own source of Renminbi funds in the offshore market.

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 Agreement will not be terminated or amended in the future, which will have the effect of restricting the availability of Renminbi offshore. The limited availability of Renminbi outside of the PRC may affect the liquidity of the Notes. To the extent the Group is required to source Renminbi in the offshore market to service the Notes, there is no assurance that it will be able to source such Renminbi on satisfactory terms, if at all.

The Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC.

The Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between the Renminbi and foreign currencies despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Participating banks in Hong Kong have been permitted to engage in the settlement of Renminbi trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in August 2011 to cover the whole nation and to make Renminbi trade and other current account item settlement available in all countries worldwide. While the pilot scheme allows enterprises to settle the import trade in goods, cross-border service trade and other current account activities in Renminbi, only a limited number of enterprises could settle their export trade in goods in Renminbi under the pilot scheme. On 3 February 2012, PBOC, MOFCOM, the Ministry of Finance, the General Administration of Customs, the State Administration of Tax and the then CBRC jointly issued the Circular on Issues Concerning Administration over Enterprises Engaging in Renminbi Settlement of Export Trade in Goods (關於出口貨物貿易人民幣估算企業管理有關問題的通知), extending the Renminbi settlement to cover all duly qualified export enterprises trading in goods.

On 7 April 2011, SAFE promulgated the Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi (國家外匯管理局綜合司關於規範跨境人民幣資本項目業務操作有關問題的通知) (the "**SAFE RMB Circular**"), which became effective on 1 May 2011. According to the SAFE RMB Circular, in the event that foreign investors intend to use cross-border Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of non-PRC residents) to make contributions to an onshore enterprise or make payment for the transfer of an equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the prior written consent of the competent commerce authority to the relevant local branches of SAFE of such onshore enterprise and register for a foreign-invested enterprise status. Further, the SAFE RMB Circular clarifies that the foreign debts borrowed, and the external guarantee provided, by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and external guarantee regime.

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 RMB FDI Circular**") which became effective on 1 January 2014. Pursuant to the MOFCOM RMB FDI Circular, the proceeds of foreign direct investment in RMB may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in PRC domestic listed companies under the PRC strategic investment regime with the approval of MOFCOM pursuant to the Administrative Measures for Strategic Investment by Foreign Investors in Listed Companies (外國投資者對上市公司戰略投資管理辦法).

On 13 October 2011, the PBOC issued the Measures on Administration of the RMB Settlement in relation to Foreign Direct Investment (外商直接投資人民幣結算業務管理辦法) (the "**PBOC RMB FDI Measures**"), to roll out the PBOC's detailed RMB FDI administration system, which covers almost all aspects of RMB FDI, including capital injection, payment of purchase price in the acquisition of PRC domestic enterprises, repatriation of dividends and distribution, as well as RMB denominated cross-border loans. Under the PBOC RMB FDI Measures, special approval for RMB FDI and shareholder loans from the PBOC which was previously required is no longer mandatory. On 14 June 2012, the PBOC further issued the implementing rules for the PBOC RMB FDI Measures.

On 5 July 2013, the PBOC promulgated the Notice on Simplifying the Procedures of Cross-border Renminbi Business and Improving Relevant Policies (關於簡化跨境人民幣業務流程和完善有關政策的通知) (the "**Notice**"), which simplifies the operating procedures on current account cross-border Renminbi settlement, provision of Renminbi outbound loans and Renminbi cross-border security in favour of offshore entities by onshore non-financial institutions, and further publishes policies with respect to bank card related cross-border Renminbi clearing and issuance of offshore Renminbi bonds by onshore non-financial institutions. The Notice intends to improve the efficiency of cross-border Renminbi settlement and facilitate the use of cross-border Renminbi settlement by banks and enterprises.

There is no assurance that the PRC government will continue to gradually liberalise control over cross-border Renminbi remittances in the future, that the pilot scheme introduced in July 2009 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 funds cannot be repatriated outside the PRC in Renminbi, the Group will need to source Renminbi offshore to finance its obligations under the Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

Payments for the Notes denominated in Renminbi will only be made to investors in the manner specified in the Notes.

All payments to investors in respect of Notes denominated in Renminbi will be made solely (i) for so long as such Notes are represented by Global Notes or Global Certificates, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and procedures of the relevant clearing system or (ii) for so long as such Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with the prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any currency or by transfer to a bank account in the PRC).

USE OF PROCEEDS

The net proceeds of the Notes will be used primarily offshore for the purposes of funding the acquisition of assets in the ordinary course of trading and other general corporate purposes. With respect to each Tranche of the Notes, the specific use of proceeds will be set forth in the applicable Pricing Supplement relating to such Tranche of Notes.

EXCHANGE RATE INFORMATION

This Offering Circular contains translations of certain RMB amounts into U.S. dollar amounts at specified rates. Unless otherwise stated, the translations of RMB into U.S. dollars have been made at the rate of US$1.00 to RMB6.6171, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 29 June 2018. The Issuer and the Company make no representation that the RMB or U.S. dollar amounts referred to in this Offering Circular could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, the rates stated below, or at all. See "Risk Factors – Risks Relating to the PRC – Changes in interest rates and currency exchange rates could have an adverse effect on the Group's business, financial condition and results of operations."

The PBOC sets and publishes daily a central parity exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital account items, such as foreign direct investment, loans or securities, requires the approval of the State Administration for Foreign Exchange and other relevant authorities. On 21 July 2005, the PRC government changed its decade-old policy of pegging the value of Renminbi to that of the U.S. dollar. Under the policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies determined by PBOC. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, and makes it the central parity rate for the trading against the Renminbi on the following business day. On 18 May 2007, PBOC announced that the floating band of Renminbi trading prices against the U.S. dollar in the interbank spot foreign currency exchange market would be increased from 0.3 per cent. to 0.5 per cent. from 21 May 2007. This allowed the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by PBOC. On 19 June 2010, PBOC announced that it intends to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate. According to this announcement, PBOC will place more emphasis on reflecting market supply and demand with reference to a basket of currencies and continue dynamic management and adjustment of exchange rate floating practise according to published exchange rate floating bands in foreign exchange markets. The floating band was further widened to 1.0 per cent. on 16 April 2012.

On 15 March 2014, PBOC announced that since 17 March 2014, the floating band of inter-bank spot foreign exchange market trading price of RMB against U.S. dollar was further widened from 1 per cent. to 2 per cent. On each business day, the spread between the Renminbi and U.S. dollars buying and selling prices offered by the designated foreign exchange banks to their clients shall be within 3 per cent. of published central parity of U.S. dollar on that day, instead of 2 per cent. PBOC may continue to promote the market-based Renminbi exchange rate regime, enhance the flexibility of Renminbi exchange rate in both directions, and keep the Renminbi exchange rate basically stable at an adaptive and equilibrium level. On 11 August 2015, PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. In 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth the noon buying rates in Renminbi per U.S. dollar, as set forth in the H.10 statistical release of the Federal Reserve Bank of New York for the periods indicated:

	Noon Buying Rate			
	Low	Average(1)	High	Period End
	(RMB per US$1.00)			
2013	6.0537	6.1412	6.2438	6.0537
2014	6.0402	6.1704	6.2591	6.2046
2015	6.1870	6.2869	6.4896	6.4778
2016	6.4480	6.6400	6.9580	6.9430
2017	6.4774	6.7569	6.9575	6.5063
2018	6.2649	6.6090	6.9737	6.8755
2019				
January	6.6958	6.7863	6.8708	6.6958
February (through to 15 February 2019)	6.7426	6.7562	6.7907	6.7680

Note:

(1) Averages are calculated by averaging the rates on the last business day of each month during the relevant year. Monthly averages are calculated by averaging the daily rates during the relevant monthly period.

CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following table sets forth the total borrowings and owner's equity of the Group as at 30 June 2018:

	As at 30 June 2018	
	Actual	
	(thousands of RMB)	(thousands of U.S. dollars)
Borrowings		
Short-term	102,751,615	15,528,194.38
Long-term	20,930,903	3,163,153.50
Total Borrowings	123,682,518	18,691,347.87
Owner's Equity		
Paid-in capital	18,000,000	2,720,224.87
Surplus reserve	1,427,329	215,703.10
General reserve	2,750,042	415,596.26
Retained earnings	2,892,008	437,050.67
Other comprehensive income	(118,158)	(17,856.46)
Total Equity	24,951,221	3,770,718.44
Total Borrowings and Equity	181,687,012	27,457,196.05

Subsequent to 30 June 2018, the Group has completed an Asset Transfer whereby ICBCIL transferred its aviation assets to ICBC Aviation Leasing in September 2018. See "Summary – Recent Development" for further details. The relevant risk factors can be found under "Risk factors – The Group has completed an Asset Transfer pursuant to which ICBC Aviation Leasing received offshore aviation assets from ICBCIL" and "Risk factors – Save for the offshore aviation assets acquired pursuant to the Asset Transfer, the Group does not directly hold the other offshore leasing business of ICBC and is exposed to the contingent liabilities resulting from the extensive credit support it provides to ICBCIL and its subsidiaries but without any corresponding economic benefit therefrom."

As at 30 November 2018, the Group's long-term borrowings amounted to approximately RMB41.66 billion and the Group's short-term borrowings amounted to approximately RMB119.11 billion.

Subsequent to 30 November 2018, the Group has incurred approximately RMB8.3 billion and approximately USD150.0 million in long-term borrowings.

Except as disclosed above, there has been no material change in the total borrowings and owner's equity of the Group since 30 June 2018.

CAPITALISATION AND INDEBTEDNESS OF THE ISSUER

The following table sets forth the total borrowings and equity of the Issuer as at 30 June 2018:

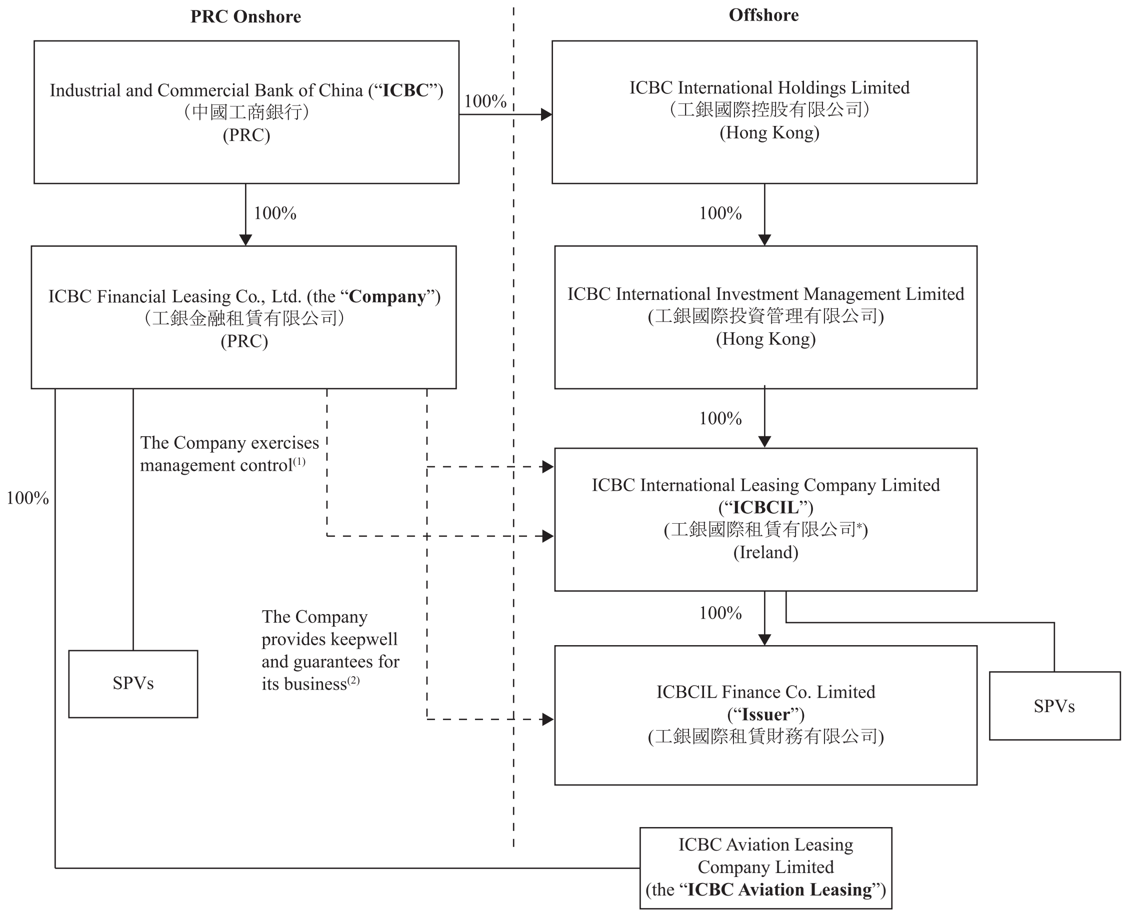
	As at 30 June 2018
	Actual
	(U.S. dollars)
Borrowings	
Bank Loans	4,255,283,073
Interest Payable	87,007,069
Bond Payable	9,605,430,679
Total Borrowings	13,947,720,821
Equity	
Share Capital	50,000
Reserves	282,704,479
Total Equity	282,754,479
Total Borrowings and Equity	14,230,475,300

Subsequent to 30 June 2018, the Issuer has incurred approximately USD320.0 million in long-term borrowings.

Except as otherwise disclosed above, there has been no material change in the Issuer's capitalisation since 30 June 2018.

CORPORATE STRUCTURE

The diagram below illustrates the organisational relationship between ICBC's onshore and offshore leasing businesses:



Notes:

* For identification purpose only

(1) ICBCIL and its subsidiaries are managed and operated by the Company pursuant to a service agreement dated 15 December 2010 entered into between the Company, ICBCIL and ICBC International Investment Management Limited, under which the Company advises the ICBCIL Group on day-to-day management and all operational, administrative and other matters. Pursuant to the internal policy of the ICBC Group, the Company is responsible for the management of the business of ICBCIL, and all material decisions in the operation of ICBCIL must be reported to, and authorised by the Company. Please see "Risk Factors – Save for the offshore aviation assets acquired pursuant to the Asset Transfer, the Group does not directly hold the other offshore leasing business of ICBC and is exposed to the contingent liabilities resulting from the extensive credit support it provides to ICBCIL and its subsidiaries but without any corresponding economic benefits therefrom."

(2) Please see "Risk Factors – Save for the offshore aviation assets acquired pursuant to the Asset Transfer, the Group does not directly hold the other offshore leasing business of ICBC and is exposed to the contingent liabilities resulting from the extensive credit support it provides to ICBCIL and its subsidiaries but without any corresponding economic benefits therefrom."

(3) This diagram does not include all the subsidiaries companies within the ICBC Group.

Recent Developments in the Global Leasing Industry

Recovering from the global financial crisis in 2008 and 2009, the leasing industry has enjoyed gradual growth with increased business volumes and decreased level of bad debt. According to the White Clarke Global Leasing Reports conducted by the White Clarke Group, there was a significant rebound in the industry in 2011 where new business volumes increased by 34.0 per cent; in 2012, the industry also grew by a respectable 8.9 per cent. The industry, however, experienced considerably slower growth in 2013 than in previous years at 1.8 per cent. Globally, it has seen growth recovery in 2014, 2015 and 2016 with 6.8 per cent., 6.5 per cent. and 9.4 per cent. growth, respectively. Three regions, namely North America, Europe and Asia, represent more than 95.0 per cent. of the world leasing market volume, with Asia representing US$290 billion, or 26.4 per cent. of the global market volume in 2016. Despite GDP growth rate continued to slow to 6.7 per cent. per annum in 2016 according to the National Bureau of Statistics of the PRC, the leasing sector grew 62.0 per cent. between 2015 and 2016 which was slightly higher than the growth of 25.6 per cent. between 2014 and 2015. Given the low market penetration of 6.0 per cent. in the PRC comparing to the developed markets, there remains significant growth potential. The table below shows the top 10 countries ranked according to annual lease volume, equipment leasing market penetration rate and growth rate as at the end of 2016.

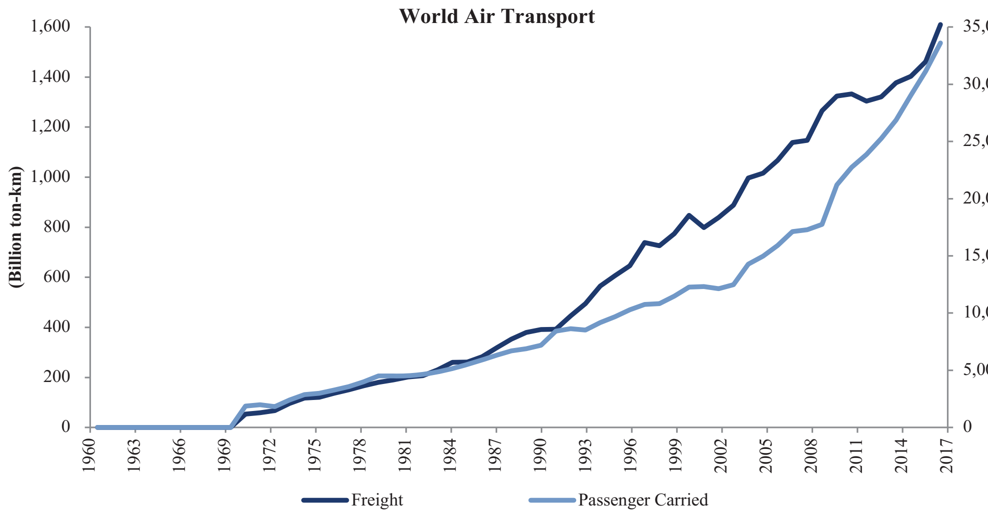
Ranking	Country	Volume	Penetration	Growth 2015-2016	Growth 2014-2015
		(US$ bn)	(%)	(%)	(%)
1 .	US	383.87	21.50	2.54	11.10
2 .	China	206.70	6.00	61.96	25.55
3 .	UK	81.77	33.70	8.98	14.01
4 .	Germany	64.26	17.00	3.42	8.42
5 .	Japan	59.42	8.40	-1.30	8.94
6 .	France	38.94	15.30	11.23	0.01
7 .	Australia	28.44	40.00	0.80	9.93
8 .	Canada	25.86	32.00	-8.47	3.4
9 .	Italy	25.28	14.10	17.02	12.52
10	Sweden	20.09	26.00	15.23	12.05

Source: White Clarke Global Leasing Report, 2017 and 2018

Global Aircraft Leasing

The aircraft sector has seen growth in terms of both freight volume and number of aircraft passengers since 1970, as illustrated by the below chart. According to "Global Market Forecast (2016)" published by Airbus S.A.S., dedicate freighter's freighter tonne kilometres ("**FTKs**") is expected to reach a CAGR of 2.6 per cent. and belly traffic is expected to reach a CAGR of 4.6 per cent. from 2017 to 2036. Meanwhile, belly traffic will increase from 52 per cent. of the total traffic in 2016 to 61 per cent. of total traffic in 2036. According to the "Commercial Market Outlook 2018-2037" published by Boeing, the global revenue passenger kilometres ("**RPK**") will grow at a CAGR of 4.7 per cent. between 2017 and 2037, jumping from $7,635 billion in 2017 to $18,972 billion in 2037. In particular, according to "IATA Economics Report on 12 January 2018", in 2018, Africa, Latin America and Asia-Pacific will experience the highest growth of 8.0 per cent., 8.0 per cent. and 7.0 per cent., respectively; while Middle East, Europe and North America will experience a growth of 7.0 per cent., 6.0 per cent. and 3.5 per cent., respectively. Almost 1.6 billion passengers are expected to travel within China in 2036, almost four times the number of passengers that travelled by air in 2016.

As a result, aircraft manufacturers are forecasting strong growth in demand for aviation assets. According to "Airbus Global Market Forecast 2017—2036" and "Boeing Current Market Outlook (2017—2036)", benefiting from strong and resilient passenger traffic growth, air traffic (measured by RPK) would double every 15 years. Airbus forecasted a scheduled delivery of 34,900 new passenger and freight aircraft between 2017 and 2036, valued at US$5.3 trillion and of which approximately 40.0 per cent. will replace older and less efficient airplanes and approximately 60.0 per cent. will be new deliveries, reflecting the growth in emerging markets and evolving business models. Number of aircrafts in Asia-Pacific will increase from 6,139 at the beginning of 2017 to 16,977 in 2036, which accounts for 41.0 per cent. of the total international delivery in 2036.



Source: World Bank

The growth of the global aircraft leasing industry largely depends on the development of the commercial aviation industry and the global economy, the growth of which further depends on various factors, including passenger demand, technological development, industry regulation, aircraft manufacturer supply and fuel costs. While these factors intertwine with each other, we face both the opportunities and challenges in the aircraft leasing industry. Looking ahead, the global market demand for air transportation is expected to continue its rapid growth rate. Moreover, the expected relatively lower fuel price could help reduce the operating costs of airlines, increase consumer spending on air travel brought about by lower air fares, and further stimulate global market demand for commercial aircraft. Meanwhile, new aircraft technologies can generate operational and cost efficiencies, which are passed to passengers, hence driving air travel growth. These favourable factors may generate great aircraft leasing opportunities for our business. Nevertheless, there are potential factors that may adversely affect the commercial aviation industry in the future. The surge or fluctuations of fuel prices may affect the profitability of airlines customers and their decision to lease aircraft. Unfavourable global economic and market conditions as well as other factors beyond our control may discourage the use of air travel, such as the outbreak of epidemic diseases and severe weather conditions.

There are entry barriers of the aircraft leasing market. The crucial factors for an aircraft leasing company to stay competitive in the market mainly include: a diversified aircraft portfolio that is in constant revenue service, a broad geographical spread of airline lessees in major traffic generating regions, a strong relationship with the financing community (allowing the aircraft leasing company access to adequate capital at low financing cost with diversified and effective means through the demand cycle), strong negotiation power against aircraft manufacturers, suppliers and airlines to secure favourable pricing or costs, and an extensive customer base to maximise trading opportunities and returns. In addition, a competitive aircraft leasing company should also adopt an active aircraft portfolio management strategy to maximise residual value and minimise the risks through the use of diversified mitigating measures, such as maintenance reserves, robust return conditions or security deposits. In order to secure lease contracts with airlines, an aircraft leasing company should also monitor aircraft orders and fleet expansion plans in the market, and have expertise in aircraft asset management and the aircraft marketing and remarketing.

Global Ship Leasing

Historically, the international ship financing market was dominated by traditional ship financing banks in the United States and Europe. In recent years, however, such banks have scaled back their ship financing businesses due primarily to financial difficulties and changes of business strategy. Under such circumstances, ship leasing has become the preferred choice for shipping companies. However, despite rapid development in recent years, the penetration rate of the global ship leasing industry (which refers to the proportion of the total number of vessels under leases in the total number of vessels in service), was still low. Therefore, the global ship leasing industry still has considerable growth potential.

In the shipping industry, the global container trade's growth rate was 2.1 per cent. in 2015, but global container trade has shown some signs of improvement in 2016 and 2017 with an accelerated growth rate of 4.3 per cent. and 5.6 per cent., respectively. According to Clarksons Research First Quarter 2019, global seaborne container trade is estimated to have grown by 4.3 per cent. in the full year of 2018 to total 201m TEU, a still relatively healthy pace following expansion of 5.6 per cent. in 2017. Global container trade growth is projected to remain steady at 4.1 per cent. in 2019 and 4.0 per cent. in 2020, respectively.

There are entry barriers of the ship, commercial vehicle and construction leasing market. In the ship leasing market, a leasing company needs adequate capital to finance its businesses. Meanwhile, a leasing company should also establish stable, high-quality overseas client bases and service networks to support its international development. Furthermore, a leasing company needs expertise in macroeconomics, international finance, international law and shipping asset management to keep its competitiveness in the international market.

In developing countries, the leasing industry is generally regarded as a "sunrise industry". Alongside bank credit and capital markets, leasing is one of the three key financial instruments that play an important role in a country's economic development. In China, a number of factors might have affected the leasing industry in a positive manner such as relaxation of regulatory rules for financial institutions and decentralisation of approval procedure for foreign-invested lessors. Due to its flexibility, financial leasing has been growing in popularity as a method of financing in the shipping industry.

PRC Infrastructure Leasing

Infrastructure investment is a major driver of the PRC's economic growth. In the past three decades, sustained and increasing spending on infrastructure construction by the PRC government has produced significant infrastructure assets. In addition, the PRC government continues to consider infrastructure construction as a top priority during China's 13th five-year plan (2016-2020). Existing and increasing infrastructure assets have greatly promoted the development of the PRC infrastructure leasing industry. For example, the total length of national subway is projected to reach 6,000 kilometres by 2020, and the total investment in national subway is projected to reach RMB 4 trillion by 2020.

Currently, the PRC infrastructure leasing industry mainly focused on completed and revenue-generating infrastructure assets such as toll roads, urban rail transit systems, power equipment, and urban water supply systems. In recent years, infrastructure leasing increased rapidly among PRC local governments and state-owned infrastructure construction companies, primarily because infrastructure leasing was more flexible in lease terms, interest rates and the use of proceeds compared with other means of financing. Such comparative advantages have provided PRC local governments and infrastructure construction companies with more options to better manage their infrastructure asset portfolios.

There are entry barriers of infrastructure leasing market. Infrastructure construction generally requires large-scale investment and a long construction period, and investors are mostly large state-owned enterprises or other companies affiliated with local governments. As a result, the entry threshold for the infrastructure leasing business is generally higher than that of other leasing businesses. Crucial factors for a leasing company to stay competitive and increase its market share mainly include, among others, adequate capital, low financing cost and stable sources of financing. Well-managed relationships with the PRC local governments and large state-owned enterprises are also essential to leasing companies to secure their leasing contracts. Meanwhile, infrastructure leasing companies also need expertise in infrastructure asset management in order to diversify their revenue sources.

Growth in the PRC Market

According to the China Financial Leasing Annual Report, the leasing industry in the PRC started in the early 1980s, but the industry grew at a relatively slow pace before 2007. Since 2007, due to the significant demand driven by the economic development of the PRC, and the promulgation of new laws, regulations and favourable policies such as accounting standards and taxation, the leasing industry in the PRC has entered a stage of rapid development. Especially in the recent two years, the social recognition of leasing has increased, and the role of leasing in the economic development of the PRC has been fully recognised and supported by the PRC government. Together with the relaxation of market access, the entry of new capital and the growth of market size, the industry has entered a new growth phase.

The PRC's financial leasing industry has experienced rapid development in recent years with the total balance of lease contracts increasing from approximately RMB24 billion in 2007 to approximately RMB6,060 billion in 2017, representing a CAGR of 74.0 per cent according to China Rental Union. The PRC's economic growth, consumer demand for leasing products, and more recently a series of policy reforms have been key drivers for growth in the PRC financial leasing industry.

Despite being the world's second largest leasing market in 2017 in terms of total balance, the leasing penetration rate in the PRC remains relatively low. In 2017, among the top ten leasing markets in terms of total leased assets, the penetration rate of the PRC leasing industry was 6.0 per cent., compared with 21.5 per cent. in the United States, 33.7 per cent. in the United Kingdom and 17.0 per cent. in Germany, showing that PRC remains significantly lower than that of many developed nations. Whilst awareness of leasing is relatively high, uptake of leasing as a financing option is low, as ownership remains a powerful status symbol, indicating significant room for growth in the PRC in the near future.

In recent years, the rapid development of leasing companies, supported by the financial strength of shareholders, increased customer awareness of leasing products, and a more developed regulatory environment, played important roles in helping increase the penetration rate of the PRC leasing industry. The aforementioned factors may continue to drive the increase of penetration rate of the PRC leasing industry going forward

The leasing industry is also expected to benefit from the growth and development of the PRC economy. As urbanisation and industrialisation continue, improvements in infrastructure and investment in airports, railroad and other transportation-related projects are expected to present significant growth potential for the leasing industry going forward. The 13th Five-Year Plan (中華人民共和國國民經濟和社會發展第十三個五年) published by the National People's Congress in 2015 showed the government's general attitude in encouraging different types of domestic companies to "go abroad", by engaging in the relaxation of offshore investment rules and regulations, proactively negotiating investment protection and tax bilateral treaties, and providing more convenience for overseas investments. Furthermore, the State Council of the PRC, the State General Administration of Customs, State Administration of Taxation (the "**SAT**"), CBIRC, SAFE, PBOC, Ministry of Finance of PRC and MOFCOM have all promulgated new regulations aimed at overcoming regulatory impediments that have traditionally hindered the development of the PRC leasing industry. These reforms and further liberalisation of the PRC leasing industry have given the industry a basis for further growth.

A State Council executive meeting presided by Premier Li Keqiang on 26 August 2015 approved support measures for the growth of the financial leasing industry. The meeting pointed out that increasing the pace of the development of financial leasing, part of the PRC government efforts to deepen financial reform, will help ease funding difficulties, raise enterprises investment and promote industrial upgrades.

In September 2015, the PRC State Council promulgated opinions to encourage financial leasing services to play a more important role in the development of real economy, industry upgrades and transformation, as well as industry capacity reallocation in the PRC. The PRC State Council also encouraged financial leasing companies to raise capital through various means, such as debt and equity financing, asset securitization and cross-border RMB financing, providing significant opportunities for the development of the PRC leasing industry.

Competition Landscape in the PRC Leasing Industry

Before MOFCOM announced "The Notice of Transferring Regulation Authorities for Financial Leasing Companies, Commercial Factoring Companies and Pawnshop Businesses (Circular No.165 [2018])" in May 2018, leasing companies in the PRC could be generally classified into two categories based on their regulatory regime: (i) CBIRC-regulated leasing companies. The CBIRC-regulated leasing companies are usually established by banks, non-bank financial institutions or local governments in the PRC. The CBIRC-regulated leasing companies are the major players in the PRC leasing industry, and generally have stronger shareholder backgrounds, higher licencing requirements, better financial and liquidity performance, and lower financing cost through stable financing channels provided by its parent companies. The key players in this category mainly include, among others, ICBC Financial Leasing Co., Ltd., China Development Bank Leasing, and Bank of Communication Financial Leasing Co., Ltd. (ii) MOFCOM-regulated leasing companies. MOFCOM-regulated leasing companies can be divided into Chinese-funded MOFCOM-regulated leasing companies, and foreign-funded MOFCOM-regulated leasing companies based on the differences in their shareholder structures. The Chinese-funded MOFCOM-regulated leasing companies are established by PRC equipment manufacturers or independent parties, whereas the foreign-funded MOFCOM-regulated leasing companies are generally established by foreign equipment manufacturers or independent parties.

The regulatory requirements for the CBIRC-regulated leasing companies and the MOFCOM-regulated leasing companies are mainly different in terms of sources of funding and capital adequacy requirements, leverage ratio and minimum registered capital. In particular, compared with MOFCOM-regulated leasing companies, CBIRC-regulated leasing companies can finance their businesses in the interbank lending market at a lower financing cost and with diverse sources of funding, while MOFCOM-regulated leasing companies are not allowed to finance their businesses by interbank lending. Meanwhile, CBIRC-regulated leasing companies are regulated under more stringent CBIRC regulations, and generally have greater capacities in financing availability and operation stability.

In May 2018, MOFCOM published "The Notice of Transferring Regulation Authorities on Financial Leasing Companies, Commercial Factoring Companies and Pawnshop Business (Circular No.165

[2018])" to transfer the regulatory authorities on finance leasing companies approved by MOFCOM to CBIRC, which was established on 8 April 2018 through the merger of functions between CBRC and the China Insurance Regulatory Commission). According to the "Circular No.165 [2018]", MOFCOM has transferred the regulatory authorities to develop rules on the business operations and regulations for financial leasing companies, commercial factoring companies and pawnshop business from CBRC to CBIRC and the relevant duties shall be performed by the CBIRC from 20 April 2018 onwards. On 7 June 2018, CBIRC announced that CBIRC had issued letters to the People's Governments of all provinces, autonomous regions, municipalities directly under the Central Government and cities under separate state planning to prompt related department in local authorities and regulators to take related regulatory responsibilities on financial leasing companies, commercial factoring companies and pawnshop business. The recent regulation authorities development signified the initiation of the integration between varied regulatory systems for the leasing industry in PRC.

The opening up of the financial leasing industry in the PRC has resulted in increased competition. In 2017, benefiting from supportive policies and the promotion by local government, the financial leasing industry maintained a rapid development trend. As of the end of 2017, there were a total of 9,090 companies engaging in three types of financial leasing (69 financial leasing firms, 276 domestic leasing firms and 8,745 foreign leasing), representing an increase of 1,954 enterprises or 27.4 per cent. as compared to the end of 2016. The balance of financial leasing contracts amounted to RMB6 trillion as of the end of 2017 (RMB2,280 billion for financial leasing firms, RMB1,880 billion for domestic leasing firms and RMB1,900 billion for foreign leasing), representing an increase of RMB 730.0 billion or 13.7 per cent. as compared to the end of 2016.

Evaluating the competitive landscape, among financial leasing companies that are bank-affiliated have market-leading positions with strong competitive advantages, especially in the area of financing costs and client networks. Bank-affiliated financial leasing companies typically focus on big-ticket leasing and have a client base largely built on the banks' network. The major bank-affiliated financial leasing companies in the PRC include the leasing businesses of ICBC, China Development Bank, Bank of China, China Construction Bank, Bank of Communications, China Merchants Bank, China Minsheng Bank and China Everbright Bank.

In particular, for PRC aircraft leasing market, the competition is also intense. Historically, the PRC aircraft leasing market was dominated by foreign aircraft leasing companies. In recent years, however, the market share of Chinese aircraft leasing companies has increased rapidly and is expected to maintain its fast growth rate in coming years. Meanwhile, Chinese airlines are exempted from paying withholding tax when leasing aircraft from Chinese aircraft leasing companies, which strengthens the competitiveness of the Chinese aircraft leasing companies in the PRC aircraft leasing market.

Overview

The Company was incorporated on 28 November 2007 in Tianjin, PRC as a wholly-owned subsidiary of ICBC with initial registered capital of RMB2.0 billion. ICBC was established on 1 January 1984.

The Company was the first bank-affiliated financial leasing company in the PRC approved by the then CBRC (See "Certain Definitions and Conventions"). It was established as a key platform in implementing ICBC's comprehensive operating strategy and products offering, and the ICBC Group has provided the Company with full support in its business development. After over ten years of steady business development, the Company has grown into one of the largest financial leasing companies in the PRC, with one of the largest market share among financial leasing companies in PRC in terms of total consolidated assets, net capital and net profit which were 12.31 per cent., 8.94 per cent. and 9.82 per cent., respectively, according to statistics from the CBA Financial Leasing Committee as at 30 June 2018. As at 30 June 2018, the equipment assets, airline assets and shipping assets owned and managed by the Group (through the ICBCIL Group) accounted for 29.36 per cent., 38.28 per cent., and 22.43 per cent., respectively for the Group's asset placement by industry, and 32.6 per cent., 42.5 per cent. and 24.9 per cent., respectively for the Group's total leasing assets.

ICBC's leasing operations consist of both domestic and offshore leasing businesses. ICBC's domestic leasing operations in the PRC are owned and operated by the Group, whereas the offshore leasing platform of ICBC is held by ICBC's wholly-owned subsidiary, ICBCIL, and its subsidiaries. Since the Group does not have any ownership interest in the ICBCIL Group and financial consolidation is not otherwise required or provided by applicable laws or regulations, the financial statements of the ICBCIL Group are not consolidated into the Group's consolidated financial statements. The offshore leasing business, however, is managed and operated by the Company, though the assets of the offshore leasing platform are owned by the ICBCIL Group. The Company manages the ICBCIL Group by providing management and sharing resources. See the section with the heading "Corporate Structure". References in this Offering Circular to the assets, liabilities, number of leasing contract, contract value, number of clients or other operation data of the Company or the Group refer only to the domestic leasing businesses unless specifically indicated otherwise. See the section with the heading "– Business Description of the ICBCIL Group".

The Company's leasing business is organised around three major sectors: (i) aviation, (ii) shipping and (iii) big-ticket equipment. The total consolidated assets of the Group decreased from RMB184.38 billion as at 31 December 2015 to RMB181.69 billion as at 30 June 2018. With a focus on "large markets, large clients and big-ticket leasing transactions", as at 30 June 2018, the Group owned 154 large aircraft which have been delivered for operation, 125 ships and maritime assets, and over 44,000 pieces of large equipment. As the Company is the ICBC Group's primary leasing platform, the ICBC Group also provides liquidity support to the Company. Moreover, the Group benefits from ICBC's extensive client base, brand recognition, widespread marketing, business network and rigorous risk management system.

On 13 January 2014, ICBC injected an additional RMB3.0 billion of equity capital into the Company, which increased the Company's share capital to RMB11.0 billion. This equity injection was one of several rounds made by ICBC. After this injection, the Company became the best capitalised financial leasing company in the PRC according to the most recent statistics from CBA Financial Leasing Committee. In the early 2018, the Company has further increased its equity capital, leading to a share capital of RMB18 billion as at 30 June 2018.

In the aviation sector, as at 30 June 2018, in terms of total aviation assets (including the assets owned by the ICBCIL Group), the Company was ranked 10th aviation leasing business company in the world in terms of fleet value and eighth in terms of fleet size, according to Air Finance Journal. According to the report by Flightglobal aviation website, as at 31 December 2016 and 2017, the Company was one of the top 10 aviation leasing business companies in the world by fleet value. The Company and ICBCIL have developed co-operative relationships with leading international airline companies, including American Airlines, Delta Airlines, AirAsia, British Airways, China Airlines, Air China, China Southern Airlines, China Eastern, Emirates, Korean Air and LATAM. The Company has also entered into strategic co-operation agreements with various international aviation manufacturers including Airbus, Boeing, Bombardier, Embraer and Commercial Aircraft Corporation of China ("**COMAC**"). In 2016, the Company and Commercial Aircraft Corporation of China announced the "Three-Year Plan: Aviation Financing to Support China-made Large Aircraft", which will strengthen the strategic co-operative relationship between the Company and Commercial Aircraft Corporation of China and accelerate the industrialisation and commercialisation of China-made commercial aircraft. The Company also arranged a sale-leaseback of six Boeing B787-8 aircraft for Qatar Airways. As at 30 June 2018, the Group strategically expanded its operating lease business in the aviation business to meet market demand, as demonstrated by its delivery of 332 aircraft (including those delivered by the ICBCIL Group) all over the world, most of which were signed under operating leases. As at the same period, the Company's customer base includes 65 airlines across 32 countries and regions, including 18 Chinese customers and 47 international customers.

In the shipping sector, the Company entered into a US$1.5 billion operating leasing agreement for 46 offshore support vessels in 2013, which was the single largest leasing transaction in terms of vessel quantity of that year globally; in the same year, the Company entered into a leasing agreement with a major container ship operator in the world, for seven large container ships with total value of US$574 million; in 2014, the Company entered into a sale and lease back transaction worth US$800 million for four large LNG carriers with a global leading LNG operator; in 2015, the Company entered into 18 tanker carrier lease agreements with a total value of approximately US$900 million with a large British multinational oil and gas company and in March 2016, as part of the cooperation between ICBC, the largest financial institution in China, and a Brazilian multinational oil corporation, to develop and strengthen the long-term, reciprocal strategic partnership between the two companies, the Company concluded a finance leasing transaction for one FPSO unit for US$1 billion with a Brazilian multinational oil corporation, which was the first transaction of this kind worldwide of a key offshore production asset under a leasing arrangement. In March 2016, the Company worked with Viking Cruise in a finance leasing transaction for one high-end cruise; in April 2016, the Company reached a package transportation contract with Vale S.A. of Brazil, which the Company would provide Vale S.A. of Brazil with iron ore transportation service with the term of 25 years; in May 2016, the Company worked with Pacific International Lines of Singapore in a finance leasing transaction for four new large container ships; in August 2016, the Company with Seatrade Group of Belgium completed a finance leasing transaction for four new cold container ships including "Seatrade Blue", a 2200-freezer full container ship; in December 2016, the Company completed a finance leasing transaction for two new LNG carriers with a large British multinational oil and gas company. In 2016, the Company, jointly with China Merchants Group, entered into an agreement with the amount of US$1.4 billion for the purpose of building and transporting 14 VLOC with Vale S.A., Brazil. The Company also delivered "SC Neptune", a 33,000 tonne chemical tanker to Dorval SC Tankers Inc. In September 2017, the Company reached an agreement with the amount of US$0.28 billion for the purpose of building and transporting another three VLOC with Vale S.A., Brazil, which meant that the number of VLOC built and transported by the Company reaches 17. From 2016 to 2017, the Company worked with Teekay of Canada to complete finance leasing transactions for six new LNG carriers. In August 2017, the Company entered into an agreement with the amount of US$0.3 billion for the purpose of building seven chemical bulks with ODFJELL in Norway and in September 2017, the Company entered into an agreement with Hapag-Lloyd in German aiming to build container ship in the amount of US$0.13 billion. These transactions demonstrate the Company's ability in providing leasing products for the top class shipping clients in the world, including

Mediterranean Shipping Company. The Company also cooperates with top class shipyards all over the world.

In the equipment leasing sector, the well-maintained relationships with both ICBC and major equipment manufacturers in the PRC allow the Company to draw upon a deep reservoir of industry knowledge and successful experience that supports its equipment leasing business. The Company has close relationships with a host of large clients across the PRC, including China National Nuclear Corporation, China Railway Construction Corporation Limited, China Railway, Datang International Power Generation, Laigang, Sichuan Telecom and Yunnan Highway Development & Investment. The Company has assisted these firms in implementing a variety of large leasing projects, such as rail vehicles, energy equipment, engineering machinery and production equipment. The Company has also benefited from the client base of ICBC's branches by providing financial leasing services to these clients. In addition, the Company enjoys the closest collaborations with leading domestic airlines among the domestic financial leasing companies.

The Company also benefits from the offshore leasing platform of ICBC owned by the ICBCIL Group but managed and operated by the Company. Although the Group does not retain any equity interest in the offshore leasing business, the development of such business facilitates the internationalisation of ICBC's leasing brand, builds an integrated global leasing platform for the ICBC Group, broadens the client base and leads to more innovative leasing products and services, thus creating synergy and benefiting the development of the Company's domestic leasing business in the long term. For example, in the shipping sector, the ICBCIL Group, under the management of the Company, is a pioneer in the financial leasing of offshore vessels provided by a PRC leasing entity, demonstrated by the US$1.5 billion agreement with the Export-Import Bank of China for 46 offshore support vessels designed and constructed by the Sinopacific Shipbuilding Group and the delivery of "South China Sea No. 7", a semi-submersible drilling platform to a leading integrated oilfield service provider in Asia. In 2015, the ICBCIL Group entered into a US$900 million leasing agreement with a large British multinational oil and gas company for 18 tanker vessels and a US$800 million leasing agreement with a global leading LNG operator for four large LNG vessels. Also in 2015, the ICBCIL Group entered into a series of transactions on the COA basis for four VLOCs of US$423 million with a Brazilian multinational corporation. Since the beginning of 2016 and as at the date of this Offering Circular, the ICBCIL Group entered into several significant leasing transactions for various types of leasing assets, including one large LNG carrier of US$180 million with one of the world's largest marine energy transportation, storage & production companies, two container vessels of US$240 million with a major container ship operator in the world, one luxury cruise ship with a river and ocean cruises provider for US$220 million, a series of transactions on the COA basis for ten new-built VLOCs with a Brazilian multinational corporation, and a transaction for 4 container ships of US$360 million with a large shipping company. These transactions demonstrated the ICBCIL Group's ability to win business from some of the leading shipping clients. In 2018, the ICBCIL Group also entered into leasing contracts with Angelicoussis Shipping Group Limited for two LNG carriers of US$360 million and with Silversea Cruises Ltd. for two new ferries of US$600 million. As at 30 June 2018, the ICBCIL Group owned 192 ships and maritime assets. As such, the Group owned and managed (through the ICBCIL Group) 314 maritime assets. In the aviation sector, as at 30 June 2018, the ICBCIL Group owned 178 large aircraft. As such, as at 30 June 2018, the Group owned and managed (through the ICBCIL Group) 332 aircraft. As at 30 June 2018, based on the internal data of the Company and ICBCIL, which have not been audited or reviewed, U.S. dollar denominated assets for leasing of both the Group and the ICBCIL Group accounted for 62.3 per cent. of the total assets for leasing of the Group and the ICBCIL Group, in which those physically located offshore accounted for 47.4 per cent. of such total assets for leasing.

The Company believes that its strategy, product innovation, and customisation of business, and support from and synergies with ICBC have led to numerous achievements, including many achievements that the

Company believes to be the first in its field: the first financial lease based on a tax efficient Chinese special purpose vehicle structure with China Southern Airlines; purchase of 42 A320 aircraft from Airbus witnessed by the then Chinese Premier Wen Jiabao and German Chancellor Angela Merkel, the first direct overseas purchase of aircraft by a Chinese leasing company and the first time a Chinese leasing company was involved in a government programme; export of two A320 aircraft and lease of the same to AirAsia of Malaysia, the first export of large aircraft assembled in PRC, indicating that domestically assembled large commercial aircraft have won recognition in the international market; joint lease agreement of aircraft to Shenzhen Airlines with another bank-affiliated Chinese leasing company through two special-purpose-vehicle companies, the first joint lease arrangement in PRC; lease arrangement of 11 aircraft to Garuda Indonesia with support from the U.S. Export-Import Bank, the first lease financing of a Chinese leasing company guaranteed by the U.S. Export-Import Bank and the first bond issuance by a Chinese leasing company guaranteed by the U.S. Export-Import Bank in the international capital markets; leasing arrangement of eight A320 aircraft with Wizz Air Hungary Airlines, the first pre-delivery financing in PRC and the biggest finance deal between China and Hungary; as well as transfer of ownership of a special-purpose-vehicle project company to another bank-affiliated Chinese leasing company, the first equity transfer transaction of such kind in PRC. The Company was also the first financial leasing company in the PRC that was approved by the regulatory authority to directly purchase aircrafts from international aircraft manufacturers.

In recognition of its achievements, the Company has received numerous awards, which include the following:

- "2018 China Outstanding Finance Leasing Company" by Securities Times in 2018
- "2016 London Marine Renewable Energy Award" in 2017
- "International Seatrade Asia 2017 Trade Award" in 2017
- "Golden Medals-Golden Dragon Award of Chinese Financial Institution" at Financial News of 2016
- "Financial Leasing Company with Excellent Competitiveness" at the 2016 China Business Annual Meeting on Enterprise Competitiveness
- "Gold Medal Financial Leasing Company of the Year" at Financial Money China of 2016
- "Windea La Cour" a specialised wind turbine maintenance vessel, won the London Offshore Renewable Energy Award by the Royal Institution of Naval Architects in 2016
- "Ship Finance Award" at 2016 Seatrade Asia Awards
- "Sino-British Cooperation Contribution Award" by Marine Money in 2016
- "Deal of the Year" by Marine Money in 2016
- "Innovative Financing Award" by Global Transportation Finance in 2016
- "The Most Influential Financial Leasing Company of the Year" in CBN Financial Value Ranking in 2016
- "Deal of the Year" at the 2015 Seatrade Asia Awards

- "Innovative Transaction Award" in 2015 by China Maritime Finance (DFTP) Summit
- "Growing Enterprise Award" in 2015 by Corporate Social Responsibility China Honor Roll 2015
- "Best ECA-backed Facility China" in 2015 by The Asset Asian Awards
- "China Social Responsibility Outstanding Enterprise Award" in 2014 by Xinhua Net
- "Best Financial Leasing Company of the Year" in 2014 by *Financial Times*
- "Financial Leasing Company with Excellent Competitiveness" in 2014 by *China Business*
- "China Financial Leasing Company of the Year" at the 2014 China Financial Leasing Annual Conference
- "Innovation Award" at the 2014 China Aviation Finance Awards Ceremony
- "Outstanding Finance/Leasing Company" in 2014 by Jet Support Services, Inc. (JSSI)
- "Leasing Project of the Year" in 2013 by *Marine Money*
- "Deal of the Year" at the 2013 Seatrade Asia Awards
- "Most Innovative Financial Leasing Company of the Year" at the 2013 Gold Medals League for Chinese Financial Institutions
- "Chinese Leasing Company of the Year" at the 2013 China Leasing Annual Conference
- "International Financial Leasing Award" in the 2013 Asian Banks Competitiveness Ranking
- "Financial Leasing Company of the Year" in the 2013 CBN Financial Value Ranking
- "Financial Leasing Company with Excellent Competitiveness" at the 2013 (11th) China Annual Business Meeting on Enterprise Competitiveness
- "Best Financial Leasing Institution" in 2013 by China Leader of Financial Industry Annual Selection
- "Awards of Innovation" and "Awards of Merit" at the 2013 (1st) China Aviation Financial Award Ceremony

Recent Development

Recent Accolades

Adding to its accolades, the Company received the "2018 China Outstanding Finance Leasing Company" by Securities Times in early 2018.

Increase in Registered Capital

In early 2018, the Company has further converted retained earnings of RMB7 billion to its registered capital, leading to a share capital of RMB18 billion as at 30 June 2018.

Transfer of Offshore Aviation Assets to the Company from ICBCIL

On 28 March 2018, the Company established a wholly-owned subsidiary, ICBC Aviation Leasing Company Limited (the "**ICBC Aviation Leasing**") in Hong Kong. In late August 2018, ICBCIL entered into an assets transfer arrangement with ICBC Aviation Leasing, pursuant to which ICBCIL would transfer the offshore aviation leasing assets to ICBC Aviation Leasing for nominal consideration (the "**Asset Transfer**").

The Asset Transfer was completed in September 2018. The offshore aviation leasing assets constitute an integral part of the Group's leasing portfolio. After the Asset Transfer, the Group was able to streamline its shareholding structure. Furthermore, the offshore aviation assets as well as the revenue stream generated will be consolidated in the Group's financial statements. Consequently, the Group substantially expanded its asset base, resulting a significant increase in its consolidated total assets, total liabilities, borrowings, revenue and net profit.

The total liabilities of the Group increased from RMB145.15 billion as at 31 December 2017 to RMB235.28 billion as at 30 November 2018. The total borrowings of the Group which include short-term and long-term borrowings increased from RMB114.43 billion as at 31 December 2017 to RMB160.78 billion as at 30 November 2018. In addition, the operating income and net operating lease income of the Group increased from RMB2,599.31 million and RMB1,800.85 million for the 11 months ended 30 November 2017 to RMB4,310.03 million and RMB5,082.04 million for the 11 months ended 30 November 2018. However, the net interest income/(expense) and the net fee and commission income of the Group decreased from RMB356.56 million and RMB381.02 million for the 11 months ended 30 November 2017 to negative RMB1,403.48 million and RMB264.87 million for the 11 months ended 30 November 2018.

The Group's financial information and data as at and for the 11 months ended 30 November 2017 and 2018 included in this Offering Circular were prepared by the Company's management and have not been reviewed or audited by KPMG Huazhen LLP, its independent auditor. Investors should not place undue reliance on any such financial information or data. Any description of such information or data as at and for the 11 months ended 30 November 2018 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 2018.

In addition, the Asset Transfer, which was completed in September 2018, has resulted in the consolidation of the relevant financial information of the offshore aviation assets formerly of ICBCIL into the Group's financial statements. The Group's consolidated financial statements, information or data as at and for the years ended 31 December 2015, 2016 and 2017 and as at and for the six months ended 30 June 2017 and 2018 contained in the Offering Circular (the "**Historical Financial Information**") does not reflect the financial condition of the Group after the completion of the Asset Transfer, nor can it be taken as an indication of the Group's future performance after the Asset Transfer. Any financial statements, information or data of the Group after the Asset Transfer may be substantially different from the Historical Financial Information.

Because the Asset Transfer is treated as a restructuring under common control, the Group's financial information and data as at and for the 11 months ended 30 November 2018 included in this Offering Circular consolidates the financial information of the transferred offshore aviation assets as at and for the 11 months ended 30 November 2018 as if the Asset Transfer had occurred on 1 January 2019. However, the Group's financial information and data for the 11 months ended 30 November 2017 included in this Offering Circular and as at or prior to 30 June 2018 has not been restated to consolidate the relevant financial information of the transferred offshore aviation assets for the corresponding period. As a result, the Group's financial information and data as at and for the 11 months ended 30 November 2017 and 2018 included in this Offering Circular are not directly comparable. Similarly, the Group's financial information as at or prior to 30 June 2018 included in this Offering Circular is not directly comparable to the Group's financial information and data as at 30 November 2018 included in this Offering Circular.

Please refer to "Summary – Recent Development" and "Risk Factors – Risks relating to the Business of the Group – The Group has completed an Asset Transfer pursuant to which ICBC Aviation Leasing received offshore aviation assets from ICBCIL" for further details.

Major Reorganisation in mid-2016

In an attempt to optimise internal resources to better serve customers in certain specialised areas, effective from July 2016, the Company reorganised its business and operation structure. In particular, the Company established Energy Finance Department and Transportation Finance Department in addition to Aviation Finance Department, Shipping Finance Department, Asset Finance Department and Asset Finance II Department, all of which are set to implement the Company's "Based in China, Go Global" strategy.

Energy Finance Department

Energy Finance Department combined the ocean engineering business which was managed under Shipping Finance Department and the hydropower and wind power business both of which were managed under Asset Finance Department prior to the reorganisation. China's economic development has brought about a growing demand for energy and remarkable growth of the energy sector. Globally, the recent cyclical slowdown of the energy sector also furthered the demand for diversified and specialised financial products by the participants in the industry. By establishing a specialised business unit to serve such demand domestically and internationally, the Company believes that it will be able to more precisely identify the market opportunities and provide more costumer tailored products and services in order to excel in this competitive market environment.

Transportation Finance Department

Transportation Finance Department manages the large-ticket equipment business for transportation industry which was managed under Asset Finance II Department prior to the reorganisation. Transportation sector in China has experienced major growth and expansion in recent years. Urbanisation rapidly spread across the whole nation and China's economic growth has also brought about more trade and travel needs, which requires new and/or upgrade of transportation means as well as infrastructure in many regions. In addition to the domestic market, recently, Chinese transportation and infrastructure companies have been able to compete in the international market to undertake large construction and transportation projects. Due to its capital-intensive nature, businesses in the transportation industry call for more specialised financial services to meet their needs for capital. The Company has been working with a number of industry leaders in the area, has established its reputation in the industry and existence in a number of large cities. A specialised team focusing only on transportation industry will further strengthen the Company's competitiveness.

The reorganisation of the business units described above did not recategorise the Group's core businesses, i.e., aviation, shipping and large-ticket equipment. Rather, the reorganisation serves to achieve more reasonable allocation of internal resources, to strengthen communication and resource sharing across different functions, so as to better implement the Group's long-term strategy to further support the organic growth of these three pillar businesses.

In addition to the establishment of Energy Finance Department and Transportation Finance Department as described above, the Company has also set up Supervision Office, and merged the compliance function, which was managed under Legal Department prior to the reorganisation, into Internal Audit Department to form Internal Audit and Compliance Department. In July 2017, the Company established the Corporate Governance and Audit Department, which will take the responsibilities of research and analysis of corporate governance, coordination of each department's management of the subject company being invested, execution of internal independent audit and coordination of each relevant department to cooperate with external audit work. Furthermore, the Company has closed down Office of the Board and Supervisor Board, and merged the functions of document supervision, daily communication with director and supervisor and company seal management into General Management, and the function of related transactions management into Internal Control and Compliance. The Company believes such reorganisation can optimise the internal management structure to achieve further efficiency.

Please refer to the chart of management structure of the Company on page 102 for details.

Competitive Strengths

Strong support from ICBC

ICBC is one of the largest commercial banks in the world by total assets. ICBC was ranked by Brand Finance as the most valuable bank brand in the world in the 2017 rankings. Among the Global 2000 selected by Forbes in 2015 in terms of sales, profit, assets and market value, ICBC also ranked as the largest enterprise in the world. In 2014, ICBC ranked 22nd in the Global 500 and first among all commercial banks in terms of total operating revenue by Fortune. According to The Banker, ICBC ranked first in 1,000 large banks around the world in 2013 in terms of tier-1 capital. The Company believes that the name "Industrial and Commercial Bank of China" is one of the most recognised financial service brand names in the PRC with great international influence. The Company's leasing business, both onshore and offshore, is a core component of ICBC's integrated financial services platform and benefits directly from ICBC's overall franchise value, client base and capital support. ICBC is the 100 per cent. direct shareholder of the Company and has the right to appoint all of the directors and the management team of the Company. ICBC is regulated as a bank in the PRC by the CBIRC and has implemented strict corporate governance standards throughout the ICBC Group, from which the Company has benefited. As at 31 December 2017, ICBC steadily promoted internationalised operations and diversified development, and the overseas service network extended to 419 institutions in 45 countries and region. With the benefit of the ICBC's global networks, the company owned an extensive sales network and strong customer base.

The Company, as a primary financial leasing platform of the ICBC Group, is highly strategically important to the ICBC Group's global market strategy. It is also an important profit contributor for ICBC. ICBC has historically provided financial support to the Company through capital injections and shareholder loans. Furthermore, as required by the then CBRC and prescribed by the internal policy of ICBC, the Company's asset-liability dependency upon ICBC is 40 per cent., which means that ICBC may provide liquidity support to the Group at any time up to the amount equal to 40 per cent. of the Group's total liabilities. In March 2014, the then CBRC promulgated the Measures for Financial Leasing Companies (Order of CBRC [2014] No. 3) (the "**Measures on Financial Leasing Companies**"). Pursuant to Article 16 of the Measures on Financial Leasing Companies, ICBC, as the promoter of the Company, is obliged to commit according to the articles of association of the Company to provide liquidity support to the Company and inject new capital in circumstances when losses are eroding the Company's capital, and ICBC has committed to this effect. The support given by ICBC towards the Company is now provided under PRC law.

The Company also enjoys business synergies with the ICBC Group. The Company has cooperated with ICBC on a number of joint projects and raised funds from ICBC in different ways, including lease factoring and issuance of structural bank financial products. In 2009, the Company co-operated with ICBC's private banking department and launched its first lease-connected wealth management product. In 2013, the Company raised funds by transferring its lease receivables to the ICBC Group via non-recourse factoring and bank financial products.

ICBC's various business departments also serve as efficient channels in promoting the Group's competitiveness. For example, the Company and ICBC's corporate banking unit co-operated and successfully introduced a structured lending package that offers loan and leasing solutions to many of

ICBC's equipment manufacturer clients. Such co-operation has generated significant synergies for the Company.

Access to ICBC'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. For example, the Company can leverage ICBC's commercial banking network and capability to satisfy clients' need for settlement, foreign exchange, deposits and other leasing-related financial services. Recognising the significant opportunities to generate additional revenue and better satisfy clients' needs through cross-selling, ICBC and the Company have jointly introduced a number of structured products that combine leasing with other financial services, including settlement, currency solutions, loans, receivables factoring, wealth management products and investment funds. The Group's ability to leverage ICBC's capabilities to provide comprehensive services helps distinguish the Company from other domestic and international leasing companies.

ICBC'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. ICBC's branches in London, New York and the Middle East place the Company in close proximity to its regional clients, allowing for better responsiveness and a more thorough understanding of local market's dynamics. In addition, the Company can take advantage of the unique legal, tax and accounting policies of the various jurisdictions in which ICBC operates to provide clients with innovative products to satisfy their specific needs.

Industry leader with a differentiated strategy

The Company's business has grown rapidly by pursuing a highly focused strategy of concentrating on "large markets, large clients and big-ticket leasing transactions". Because of the strong capital support it receives from ICBC and the overall ICBC platform, the Company has been able to target capital-intensive sectors such as aviation, shipping and big-ticket equipment that are inaccessible to smaller leasing companies. The nature of big-ticket leasing, in which a single transaction generates large amounts of revenue, enables the Company to achieve high operating efficiencies and allows it to enjoy economies of scale. As at 30 June 2018, the Group owned 154 large aircraft which have been delivered for operation, 125 ships and maritime assets and over 44,000 pieces of large equipment.

The Company first developed this model of targeting large clients in big-ticket industries in the Chinese domestic market, where it rapidly established itself as an industry leader. Following this initial success, the leasing business leveraged ICBC's extensive global network to replicate the domestic success on an international scale.

Through its relationship with ICBC, the Company enjoys numerous advantages over its competitors in terms of developing and retaining clients, particularly those who are looking for an integrated solution to their financial needs both in the PRC and abroad. Through joint marketing with key ICBC branches, the Company has access to ICBC's large corporate client base and has developed new relationships with ICBC's top-tier clients. By targeting ICBC's corporate clients with a need for long-term financing and balance sheet optimisation, the Company has developed a large, high-quality client base in less than eight years.

Leading client base and global distribution channels through the management of the ICBCIL Group

With access to ICBC's broad platform and service capabilities, the Company has a leading client base, many in which have robust balance sheets and are industry leaders in their respective fields of operations. The Company also benefits from the offshore leasing platform owned by the ICBCIL Group and managed and operated by the Company. Since the establishment of ICBCIL in 2010, the offshore leasing business has entered into strategic agreements with various international aviation manufacturers including Airbus, Boeing, Embraer and Commercial Aircraft Corporation of China. The ICBCIL Group made its first entrance into the international aircraft leasing market with an agreement with British Airways. The ICBCIL Group developed its overseas aviation leasing business through financial and business consultants to effectively link business operations among ICBC's entities in Ireland, Macau and Doha and distribute its assets across Germany, the United Kingdom, Ireland, the UAE and Malaysia. The ICBCIL Group has also developed relationships with leading international airlines including British Airways, Singapore Airlines, Cathay Pacific Airways, Emirates and AirAsia. ICBCIL Group receives financial and other support from the ICBC Group as its offshore leasing platform. For example, in 2011, ICBC's Hong Kong branch provided credit support through a guarantee in relation to an issue of US$750 million offshore notes by a subsidiary of ICBCIL, whereby the proceeds of the notes were used for developing the offshore leasing business. Although the Group does not retain any equity interest in the offshore leasing business, the development of such business facilitates the internationalisation of the ICBC's leasing brand, builds an integrated global leasing platform for the ICBC Group, broadens the client base and leads to more innovative leasing products and services, thus benefiting the development of the Company's domestic leasing business in the long term.

Strong product capabilities and superior innovation

The Company has a track record of actively structuring and offering innovative products and services for clients and believes it has achieved a number of "firsts", including those achieved through the ICBCIL Group it manages.

In the aviation sector, these "firsts" include:

- the first financial lease based on a tax efficient Chinese special purpose vehicle structure for China Southern Airlines;
- the first operating lease among bank-affiliated leasing businesses in the PRC for British Airways;
- the completion of China's first aircraft asset management system with its independent intellectual property rights;
- the first Hong Kong tax lease among the PRC leasing companies with Cathay Pacific Airways;
- the first purchase agreement signed by a Chinese leasing company with Airbus and Boeing;
- the first portfolio sale in domestic market with the value of US$200 million;
- the first off-shore aircraft leasing business with Himalaya Airlines in Nepal; and
- the first leasing transaction of China-made large aircraft in the overseas market as demonstrated by the signing of purchase and leasing memorandum with The Commercial Aircraft Corporation of China, Ltd. and City Airways for ten C919 and ten ARJ21 aircraft.

In the shipping sector, these "firsts" include:

- leasing agreements between the Company and one of the largest state-owned electric utility enterprises in China signed for new cargo ships for a total value of RMB5.3 billion, which is one of the largest Chinese ship leasing projects in the PRC and the first for PRC bank-affiliated leasing companies;

- a financial arrangement for a mega containership to be operated domestically in collaboration with the world's largest ship leasing company and one of the PRC's largest shipping companies in which the Company helped to develop one of the first innovative leasing programmes for the world's largest containership;

- an operating leasing arrangement of 18 tanker carriers with a total value of approximately US$900 million with BP Shipping, the first transaction of this kind entered into between a Chinese leasing company and the British oil giant;

- a series of transactions on the COA (contract of affreightment) basis for four VLOCs of US$423 million as well as ten new VLOCs with a Brazilian multinational corporation, the first of this kind of innovative leasing product;

- a finance leasing transaction for one FPSO unit for US$1 billion with a Brazilian oil major corporation which was the first transaction of this kind worldwide of a key offshore production asset under a leasing arrangement; and

- successfully launched the China-made and the world's biggest VLOC of 400,000 dwt.

By taking advantage of favourable policies in the Tianjin Free Trade Zone, the Company pioneered the use of a tax efficient structure for domestic leasing projects, a technique now known within the leasing industry as the "Chinese tax-free zone special purpose vehicle" model. Following this success, the Company developed a number of additional structured leasing products, including a ship warehousing leasing product.

Through its creative business approach, the Company has identified and expanded into new markets. For example, the Company is extending its client base to top-tier companies upstream and downstream in the industrial chain as well as to overseas markets by helping its PRC clients to "go abroad". In addition, by utilising ICBC's client base and distribution channels, the Company has generated leasing revenues from high quality small and medium enterprises ("**SMEs**") in the PRC, helping to bridge the financing gap faced by these SMEs. For example, the Company launched the "Easy Leasing" (租易通) product which aims to provide finance leasing service for SMEs through the marketing network of ICBC. This is a new approach and an innovative product, serving SMEs through co-operation between leasing companies and banks.

In 2013, the Company was awarded the "Most Innovative Financial Leasing Company of the Year" at the Gold Medals League for Chinese Financial Institutions, and received Awards of Innovation and Awards of Merit at the inaugural 2013 China Aviation Financial Award Ceremony. In 2014, the Company received the "Financial Leasing Company with excellent Competitiveness" award by *China Business* and the "China Financial Leasing Company of the Year" award at the China Financial Leasing Annual Conference. In 2015, the Company received the "Best Leasing Company of the Year" award at the eighth "Golden Medals-Golden Dragon Award of Chinese Financial Institution" by *Financial News* and Chinese Academy of Social Sciences, the "Leasing Company of the Year" award by *China Times*, and the "Financial Leasing Company of Excellent Competitiveness of 2015" by *Chinese Business*. In 2017, the Company was awarded with "2016 London Marine Renewable Energy Award" and "International Seatrade Asia 2017 Trade Award". In 2018, the Company received "2018 China Outstanding Finance Leasing Company" by Securities Times.

Diversified funding sources to support growth

The Company has diversified sources of funding to support its growth domestically and internationally. The Company has maintained centralised treasury management for its onshore and offshore businesses.

The Company is qualified to borrow in the interbank lending market in the PRC and as at 31 March 2016 had access to domestic loan facilities for over RMB300 billion through the interbank lending market. Moreover, as at 30 June 2018, the Company has obtained line of credit exceeding RMB420 billion, of which the unused amount was approximately RMB310 billion. Furthermore, as required by the then CBRC and prescribed by ICBC, the asset-liability dependency upon the parent of the Company is 40 per cent., which means that ICBC may provide liquidity support to the Company at any time up to an amount equal to 40 per cent of the Group's total liabilities. As at 30 June 2018, the Company had over RMB3.7 billion under such facilities that was unutilised and available for drawdown. The Company also receives liquidity from factoring and trading of receivable assets. In 2014, the Company raised RMB20 billion through receivable factoring and other bank financial products. The Company also supports its growth by various project financing and structured financing with leasing assets. In 2015, the Company became one of the first financial leasing companies qualified for leasing asset securitisation by the then CBRC. In 2014 and 2015, the Company raised US$300 million and US$500 million, respectively through offshore syndicated loans. In 2015, the Company raised US$680 million onshore syndicate loans from 17 banks, marking new records in terms of syndicate financing amount.

On the offshore platform, the ICBCIL Group has completed syndicated loans since 2013 for a total of US$1.9 billion. In 2015, the Issuer raised US$2.5 billion and RMB1.5 billion, and in 2016, the Issuer raised US$2.9 billion and RMB900 million by issuing bonds with the benefit of a keepwell and liquidity support deed and deed of assets purchase undertaking provided by the Company and ICBCIL for each issuance. In 2017, the total amount of bonds issued offshore is US$3.0 billion, with private placement amounting to US$0.5 billion and in the first half of 2018, the total amount of bonds issued offshore is US$1.50 billion.

Comprehensive and robust risk management

The Company utilises a comprehensive risk management system designed to proactively minimise credit, market, liquidity, operational and physical asset risks. The Company has established the "one core value, three dimensions and six systems" risk management architecture. Risk management centres on the core value of maximising asset value and risk evaluation to be done on three dimensions, including physical assets, client credit and transaction structure. The technical tools for risk management are found in six major systems, including the asset value management, asset condition monitoring, client credit management, trading operations, capital and liquidity management and lease payment systems. The Company's risk management system was developed from and has been fully integrated with ICBC's overall risk management system.

An experienced and professional management team

The Company's management team comprises highly experienced professionals with diverse backgrounds in leasing, commercial banking, investment banking, global capital markets and relevant industry experience. This enables the Company to effectively identify and cultivate relationships with leading clients in its target industries. It also allows the Company to develop full-service leasing solutions tailored to meet the needs of its extensive, global network of sophisticated clients. There are overlapping senior executives between ICBC and the Company. The dual roles of senior management help to ensure close co-operation between ICBC and the Company to maximise synergy effects. The Company has maintained a stable management team which has enabled healthy and stable growth of the Company.

Business Strategies

Maintain strategies of specialisation, marketisation and internationalisation

Specialisation

The Company intends to enhance its position as a leasing industry innovator by remaining focused on its selected industries. Apart from aviation and ship leasing, the Company also aims to develop the big-ticket equipment leasing market by focusing on the areas of energy and power, rail transit and construction machinery.

Recently, the landscape in the aviation sector has changed and due to a shift in market practice in the aircraft leasing business to more frequent use of operating leases, the Group strategically expanded its operating lease business, primarily in the aviation business, by acquiring more aircraft and leasing them out under operating leases, to meet market demand.

Marketisation

The Company aims to offer leasing services and products that meet clients' needs. Leveraging on the brand, clients, network and technological advantages of ICBC, the Company aims to establish a comprehensive range of financial leasing products and services. The Company also aims to develop its asset trading operations to improve the quality of its assets and also promote the strategic development of its business. 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.

Internationalisation

The Company aims to establish itself as an industry leader in the international leasing market through its management of the ICBCIL Group. The ICBCIL Group currently has a high-quality client base, strong market competitiveness, and businesses across five continents and in more than 30 countries and regions. Some of the international leading clients of the ICBCIL Group include British Airways, Singapore Airlines, TAM Airlines and Seaspan Corporation.

Through these strategies, the Company aims to maintain specialised industry focus, anticipate and adapt to continuously shifting market conditions and prudently proceed with international expansion. Its cross-border leasing business accelerates Chinese companies' "Go Global" strategies and paves the way for the "One Belt, One Road" initiative by Chinese government.

Expand the Company's client base by targeting industry leaders and key markets

The Company places great emphasis on client selection and will continue to selectively target large and medium-sized state-owned enterprises, leading multinational corporations and other high-quality clients. The Company aims to also focus on clients in strategically important industries and those involved in leading public and private-sector projects. The Company believes that doing so not only reduces the aggregate credit risk of its leasing activities, but also serves as an effective promotional tool for its services and strengthens the Company's position as a leader in the leasing industry. Recently, the Group has expanded into lifestyle and non-cyclical industries such as new energy, consumer and healthcare sectors.

Promote closer integration between ICBC and the leasing business

The Company differentiates itself by its ability to provide value-added services beyond traditional leasing. The Company aims to continue to fully leverage ICBC's large client base, extensive distribution channels, strong brand recognition and integrated financial services platform to develop innovative new leasing products and services and secure additional high-quality clients. It will also co-ordinate with various ICBC branches to engage in marketing efforts targeted at clients in need of full-service solutions for their financing needs both domestically and internationally. In order to ensure continued financial and managerial support from ICBC, the Company aims to also focus on extending ICBC's portfolio of financial services and enhancing its overall service capabilities.

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 aims to upgrade its risk management systems to cover risks from "all locations, the entire process, and all personnel" and to perfect the "one core value, three dimensions and six systems" risk management architecture. 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 ICBC's other entities under the guidance of the centralised risk management system.

Actively optimise liability structure to reduce 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. The Company has actively accessed the domestic interbank lending market to raise cost-effective funds as well as issued offshore bonds independently and with support from ICBC. It also engages in lease receivable factoring, issuance of asset-backed securities and other transfers to better manage its liquidity condition. 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.

Business Description of the Group

The Company's domestic leasing business is organised around three major sectors: (i) aviation, (ii) shipping and (iii) big-ticket equipment. The Company's development has been supported by favourable government policies and initiatives. The then CBRC started to approve the establishment of bank-affiliated financial leasing companies in 2007, in order to address the tremendous financing needs for new aircraft, ships and large-scale projects, and to allow banks to deploy capital in such fast-growing markets. As the first bank-affiliated financial leasing company approved by the then CBRC, the Company was able to take advantage of the preferential tax treatment in Tianjin tax-free zone and gained first mover advantage among the bank-affiliated leasing companies. The PRC government has since promoted the use of financial leasing and introduced new regulations and tax breaks for financial leasing companies. The Company was also designated by the State Council as a pilot business. See the section with the heading "PRC Regulations – Financial Leasing Companies in the PRC". After over ten years of steady business development, the Company has grown into one of the PRC's leading leasing players with the largest asset base and the highest profitability among financial leasing companies.

The Company, as the primary financial leasing platform of the ICBC Group, is strategically highly important to the ICBC Group. The Company's financial leasing services extend ICBC's service scope and complement other product offerings to increase ICBC's overall competitiveness. Through the purchase, leasing, management and disposal of the leased assets, the Company brings new clients to the commercial banking and investment banking units of ICBC, such as lending, deposits, remittances and factoring business. The Company has enhanced ICBC's ability to meet clients' needs for alternative financing and increased overall client satisfaction. With the Group's consolidated operating profits at RMB2.52 billion for the year ended 31 December 2017 and RMB1.29 billion for the six months ended 30 June 2018, the Company ranked highly among ICBC's subsidiaries in terms of profit contribution.

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, financing sale and leaseback, optimised sale and leaseback, structural tax lease, vendor leasing, equipment export lease, joint lease, bonded lease and RMB cross-border leasing. The Company also provides industry-related services including equipment and asset trading, equipment and asset management and equipment investment consulting services. Leveraging ICBC's strong support and client network, the Company primarily focuses on aviation, shipping and big-ticket equipment sectors, such as transportation, telecommunication, electric power and grid, urban infrastructure and manufacturing. The strategy is to focus on large markets and large clients. This strategy allows the Company to dedicate its resources to customised leasing products and value-added services for key clients in target industries, and to anticipate and adapt 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.

The PRC Premier Li Keqiang visited the Company in December 2013. He encouraged the team to deliver strong financial support to the going-global strategy of PRC enterprises and to lead the PRC financial leasing industry in its innovation and development.

Aviation Financing Sector

The aviation business has been a key strategic area since the establishment of the Company. The Company provides tailored financial services to large-scale airlines, airports, aeroplane manufacturers and aircraft maintenance companies. The Company has the capacity to design and offer customised leasing schemes to meet the different business needs of its clients and has achieved a market-leading position in the domestic industry in terms of the number of leased aircraft and the outstanding balance of the leased assets. The products of the Company's leasing business cover various types of airplanes and other large equipment used by airports and aeroplane manufacturers such as engines, simulators, aviation equipment and equipment used in aircraft manufacturing. The Company also serves leading airline companies in China, including Air China, China Eastern, China Southern, Hainan Airlines and Shenzhen Airlines.

The Company is one of the leaders and pioneers in the PRC aviation leasing industry. On 28 March 2018, the Company established a wholly-owned subsidiary, ICBC Aviation Leasing, in Hong Kong. In September 2018, the Asset Transfer was carried out whereby ICBCIL transferred its offshore aviation assets to ICBC Aviation Leasing. See 'Summary – Recent Development' for further details.

The other notable transactions, with some of which conducted through the ICBCIL Group, are as below:

- in 2009, the Company conducted the first operating lease among PRC bank-affiliated leasing businesses for British Airways' two B777 aircraft as well as the first Hong Kong tax lease for Cathay Pacific Airways' B747-400ERF aircraft;

- in 2009, in collaboration with China Southern Airlines, the Company pioneered the use of tax efficient Chinese special purpose vehicle structures in its leasing transactions for two B777F aircraft;

- in 2010, the Company conducted the first PRC airport financing project for Phoenix Airport;

- in 2013, the Company completed what it believes to be the first leasing in the PRC of an Airbus A380, the world's largest passenger aircraft;

- in 2013, the Company launched what it believes to be the PRC's first aircraft asset management system with its independent intellectual property rights. This system adopts multi-dimension dynamic management over the contract, ownership, insurance, value assessment and technology of aircraft asset;

- in July 2014, the Company's management accompanied Premier Li Keqiang's visit to Latin America and signed a marine equipment leasing cooperation framework agreement with the amount of US$3 billion with Petrobras and a strategic cooperation agreement with Azul Brazilian Airlines;

- in October 2014, the Company's management accompanied Premier Li Keqiang's visit to Europe and signed three cooperation agreements in Germany, Russia and Italy in terms of aircraft leasing, container ships, marine engineering platforms, passenger liner leasing and other areas;

- in September 2015, the Company's management accompanied President Xi Jinping's inaugural state visit to the United States and placed an order of 30 Boeing 737-800NG aircraft;

- in September 2017, the Company successfully delivered the 1,000th aircraft of the Tianjin Dongjiang Free Trade Zone;

- in November 2017, during President Trump's visit to China, the Company signed a purchase agreement with General Electric for 80 large jet engines with the amount of US$1.1 billion under the witness of President Xi; and

- The Company has become the largest C919 customer, and the total orders of C919 have amounted to 100. In addition to the 30 ARJ21-700 aircraft ordered previously, the Company has become the largest customer of the two domestic aircrafts developed by COMAC with the orders of 130 aircrafts.

The success of these transactions was a direct result of the favourable regulatory environment and product innovation by the Company. In addition, they represented the Company's ability to effectively compete against domestic as well as foreign competitors in the leasing industry.

In the past, leasing companies in China faced regulatory restrictions on direct purchases from international aircraft manufacturers and on offshore financing in connection with such purchases. The Company was one of the first financial leasing companies in the PRC approved by the regulatory authority to directly purchase aircraft from international aircraft manufacturers. And hence, the Company was able to enter into large transactions that represented significant milestones for PRC companies in the aviation leasing market, as represented by the below transactions, some of which were entered into by the ICBCIL Group:

- in June 2011, the Company entered into an agreement with Airbus for the purchase of 42 aircraft in the A320-family and signed a memorandum of understanding with Bombardier Aerospace in March 2011 under which the Company could provide financing for up to US$8 billion;

- in June 2011, the Company entered into a memorandum of understanding with CFM, a joint venture between Snecma (SAFRAN Group) of France and GE, for the purchase of 25 CFM56-5B aircraft engines. This was the first instance of a PRC financial leasing company directly purchasing a large-scale order of aircraft engines;

- in May 2011, the Company delivered a brand new Airbus A320 to China Southern Airlines. The aircraft had originally been scheduled for delivery to Air Berlin but was transferred to the Company as part of an agreement between the two companies. The Company also oversaw the refurbishment of the aircraft in accordance with PRC operational and technical specifications. This was the first instance of a PRC financial leasing company acquiring an aircraft overseas by leveraging the delivery schedule of a strategic partner;

- in April 2013, the ICBCIL Group signed an agreement with Hungary's biggest airline, Wizz Air, for leasing of eight brand new Airbus A320s. This is the first co-operation of the Company and Wizz Air for aircraft leasing, and one of the biggest financial co-operation projects between China and Hungary recently;

- in August 2013, the Company and ABC Leasing leased a brand new B737-800 aircraft from Boeing to Shenzhen Airlines through joint leasing, a new business model in the global aircraft leasing market;

- in October 2013, the ICBCIL Group entered into a US$1.7 billion aircraft leasing contract with Garuda Indonesia and a US$1 billion Memorandum of Cooperation for aircraft financing with AirAsia of Malaysia. The Airbus A320 aircraft involved in these deals will be assembled in Tianjin and they will contribute to promoting the economic connections between China and members of the Association of Southeast Asian Nations and the future export of Chinese-made commercial aircraft;

- in July 2014, the Company accompanied President Xi Jinping's visit to Brazil and signed a purchase agreement with Empresa Brasileira de Aeronáutica S.A. for 20 E190-E2 aircraft, with a contract value of US$1.1 billion;

- in July 2014, the Company accompanied Premier Li Keqiang's visit to Brazil and signed a strategic co-operation agreement with Azul for financing of eight E190 aircraft;

- in September 2015, ICBCIL signed a leasing contract with American Airlines of nine aircraft, all of which aircraft have been delivered as at the date of this Offering Circular;

- in June 2015 and September 2015, ICBCIL delivered two Boeing 777-300ER aircraft to Thai Airways, which is the first customer ICBCIL developed in Thailand;

- in August 2015, ICBCIL delivered two Boeing 737-800 aircraft from its order book to Aerolineas, which is the first customer of ICBCIL in Argentina; and

- in August 2015, ICBCIL delivered two used aircraft to Air Madagascar and Fastjet Tanzania respectively, demonstrating ICBCIL's capacity to deal in used aircraft.

In addition, the Company's average plane age is competitive compared with those of its international peers. As at 30 June 2018, the average plane age of the Company (including the ICBCIL Group's assets) was 3.41 years. As at 30 June 2018, in terms of total aviation assets (including the ICBCIL Group's assets), the Company ranked amongst the world's top 10 aviation leasing companies, according to Air Finance Journal. According to the latest report by the Flightglobal aviation website, as at 31 December 2016 and 2017, the Company was one of the top 10 aviation leasing businesses in the world by fleet value.

For the six months ended 30 June 2018, the Company delivered 12 aircraft. For the year ended 31 December 2017, the Company delivered 25 aircraft, represented by notable deals including:

- the first aircraft leasing programme under the new Hong Kong tax system completed, setting a good image for global pioneer in the relevant industry for innovation;

- two Boeing 737-800 aircraft delivered to Xiaman Airlines;

- three Boeing 737-800 aircraft delivered to China Eastern Airlines; and

- one Airbus 321 aircraft delivered to Asiana Airlines.

For the year ended 31 December 2016, the Company delivered 61 aircraft, represented by notable deals including:

- established cooperation with Qatar Airlines and six aircraft delivered to Qatar Airlines

For the year ended 31 December 2015, the Company and the ICBCIL Group delivered 76 aircraft to airlines all over the world, represented by notable deals including:

- two Airbus 321-200 aircraft from ICBC order book delivered to Thomas Cook;

- two Boeing 777-300ER delivered to Thai Airways;

- three Boeing 737-800, two 787-8 and four CRJ900 aircraft delivered to American Airlines, which marked the first transaction ICBCIL secured with an airlines in North America;

- two Boeing 737-800 aircraft delivered to Aerolineas;

- six Boeing 737-800 aircraft delivered to Xiamen Airlines;

- in July 2015, in the presence of Chinese Premier Li Keqiang and French Prime Minister Manuel Valls, one Airbus 320-200 aircraft from ICBCIL order book delivered to Himalaya Airlines; and

- in September 2015, when Chinese President Xi Jinping visited Seattle, the leasing transaction of one Boeing 737-800 aircraft from ICBCIL to Air China was highlighted during his speech at a Boeing production facility.

For the year ended 31 December 2014, the Company made deliveries on several notable aviation deals, including:

- with Garuda Airlines for delivery of five Boeing 777-300 ER planes and six Airbus 320-200 planes;
- with China Airlines for five Boeing 777-300 ER planes and with China Southern Airlines for 3 Airbus B787, 1 B777-300ER and eight Airbus 320-200 planes;
- in May 2014, the U.S. Export-Import Bank agreed to provide guarantees in relation to the lease of two B777-300ER planes entered into between the Company, through the ICBCIL Group, and Garuda Airlines, which marked the first time a PRC domestic financial leasing company had utilised U.S. Export-Import Bank guaranteed loans for commercial aircraft financing. The planes were delivered in Seattle, United States on 21 May 2014; and
- in May 2014, the Company, through the ICBCIL Group, entered into a co-operation memorandum with Ethiopia Airlines. The memorandum marked one of the largest collaborative efforts between the two countries in aviation finance. The memorandum was signed during PRC Premier Li Keqiang's visit to Ethiopia.

For the year ended 31 December 2015, RMB31.5 billion of aviation lease transactions were initiated (RMB21.7 billion of which were through the ICBCIL Group), representing a year-on-year increase of RMB3.5 billion. For the year ended 31 December 2016, RMB26.0 billion of aviation lease transactions were initiated (RMB18.0 billion of which were through the ICBCIL Group). For the year ended 31 December 2017, RMB16.5 billion of aviation lease transactions were initiated (RMB8.3 billion of which were through the ICBCIL Group). For the six months ended 30 June 2018, RMB3.8 billion of aviation lease transactions were initiated (RMB1.9 billion of which were through the ICBCIL Group). The aviation business has transformed from a passive business model based on sale-leaseback and asset package purchase to a model focused on orders whilst maintaining sale-leaseback, financial leasing and portfolio purchase.

The table below sets forth the types of aircraft in the Company's fleet as at 30 June 2018.

	Fleet	
	Number	**Percentage (%)**
Narrow Body	263	76
Wide Body	53	18
Regional Jet	16	6

As at 30 June 2018, there were 154 aircraft owned by the Group that were under lease, in which 34 were under finance lease and 120 were under operating lease, with a remaining total balance of lease contracts of RMB46.50 billion. As at 30 June 2018, there were also 305 aircraft ordered by the Group.

The following table shows the top five clients of the Group as at 30 June 2018 in terms of remaining balance of lease contracts in the aviation financing sector, which illustrates the diversified revenue base of the Company in this sector.

Name of Client	Number of Aircraft Leased	Remaining Balance of Lease Contracts as at 30 June 2018
	(in RMB billion)	
China Southern Airlines	30	9.2
Air China	21	7.8
Shandong Airlines	25	7.4
Xiamen Airlines	23	7.6
China Eastern Airlines	15	4.4

Ship Leasing Sector

The ship leasing business is another core business of the Company, which was one of the first companies to provide financial leasing services to the shipping industry in the PRC. The Company serves shipping companies, ports and ship builders and provides its clients with specialised ship leasing products covering various types of vessels, including dry bulkers, containerships, offshore drilling rigs, offshore support vessels, LNG vessels, LPG vessels, cruise ships and other special-purpose vessels. 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 products and services for its shipping clients, some of which were entered into by the ICBCIL Group, such as:

- in 2008, the Company and one of the largest state-owned electric utility enterprises in China signed leasing agreements for new cargo ships for a total value of RMB5.3 billion, the largest Chinese ship leasing projects of the year;

- in 2009, in collaboration with one of the world’s largest ship leasing companies and one of the PRC’s largest shipping companies, the Company helped to develop what it believes to be the first innovative leasing programmes for the world’s largest containership at that time, which was the financing arrangement for the first mega containership to be operated domestically;

- in a 2010 deal with a PRC grain and oil company for two ocean-going bulk carriers, the Company successfully introduced one of the first cross-border leasing projects settled in RMB;

- in 2013, the Company delivered “South China Sea No. 7”, a semi-submersible drilling platform to a leading integrated oilfield service provider, which was the first for PRC financial leasing companies in the leasing of offshore drilling rigs;

- in 2013, the ICBCIL Group entered into a US$574 million leasing agreement with a world’s major container ship operator for seven large container ships;

- in 2015, the ICBCIL Group concluded a US$900 million agreement with a large British multinational oil and gas company for 18 tanker vessels, the first of which was delivered in February 2016;

- in 2015, the ICBCIL Group entered into a US$800 million contract with a global leading LNG operator for the leasing of four large LNG vessels;

- in 2015, the Company concluded a series of transactions on the contract of affreightment ("**COA**") basis for four VLOCs of US$423 million with a Brazilian multinational corporation;

- in 2016, the Company concluded a transaction for one large LNG carrier of US$180 million with one of the world's largest marine energy transportation, storage & production companies and the LNG carrier, named Creole Spirit, was delivered in February 2016;

- in 2016, the Company concluded a leasing transaction of two container vessels of US$240 million with a major container ship operator in the world;

- in 2016, the Company concluded a transaction for one luxury cruise ship with a river and ocean cruises provider, which was the first transaction of new cruiser financing by a Chinese financial leasing company and the cruise ship, named "Viking Sea", was delivered in March 2016;

- in 2016, the Company concluded a transaction for an FPSO unit for US$1 billion with a Brazilian multinational oil corporation, which was the first transaction of this kind worldwide a key offshore production asset under a leasing arrangement;

- in 2016, the Company concluded a series of transactions on the COA basis for ten new VLOCs of with a Brazilian multinational corporation;

- in 2016, the Company concluded a transaction for 4 container ships of US$360 million with a large shipping company.

- In April 2017, during the China-Norway Business Summit, the Group signed a strategic cooperation agreement with BW Offshore Limited ("BW Offshore"), witnessed by Norwegian Prime Minister Erna Solberg, to work hand-in-hand on the development of a large-scale energy infrastructure construction project focusing on FPSO. In October 2017, the two parties cooperated to complete a joint lease of FPSO worth approximately US$1.25 billion. The Group, a preferred shareholder of the project, invested approximately US$275 million, with the European and Singaporean syndicates provided financing to the project. Through this structural design, the project realised the combination of physical assets and technical management services, as well as the deep integration of financial capital and industrial capital.

The Company believes that it is also one of the first financial leasing companies to provide leasing services of marine engineering platforms and LNG vessels. These transactions demonstrate the Company's ability to win business from some of the largest shipping clients worldwide, as well as to customise complicated transactions for clients.

In May 2014, the ICBCIL Group entered into a leasing contract with a leading integrated oilfield service provider in Asia in relation to a 300ft Super M2 jack-up rig named Gulf Driller #1 (海灣鑽探者1號), which was the second transaction relating to marine engineering platform equipment which the Company had undertaken with this service provider. The Company's ability to provide leasing services of marine engineering platforms and LNG vessels was also demonstrated by its transaction with one of the world's largest marine energy transportation, storage & production companies as discussed above.

The Company also experienced rapid growth in its international expansion of shipping business with business presence in Singapore, France, Germany, Norway, the United Kingdom and Italy among others. The Company has cultivated a batch of stable and international quality clients, who promote the development of a comprehensive business relationship with ICBC.

In recent years, the Company has expanded its shipping asset base and its leased product structure. For the year ended 31 December 2015, the Company initiated RMB500.0 million of ship leasing transactions, representing a year-on-year decrease of around RMB3.0 billion, while the contribution of the ICBCIL Group to total ship leasing transactions initiated (through the Group and the ICBCIL Group) increased significantly during the same period. For year 2016, all ship leasing transactions were initiated through the ICBCIL Group.

As at 30 June 2018, the Group owned 122 domestic vessels, all of which had already been delivered for operation. The average age of the fleet was less than six years old.

As at 30 June 2018, all vessels owned by the Group that were under lease, had a remaining total balance of lease contracts of RMB5.85 billion.

The following table shows the top five clients as at 30 June 2018 in terms of remaining balance of lease contracts in the shipping sector, which illustrates the diversified revenue base of the Company in this sector:

Name of Client	**Type of Vessels Leased**	**Remaining Balance of Lease Contracts as at 30 June 2018**
		(in RMB ’000)
China Oilfield Services Limited (中國油田服務股份有限公司)	Drilling rig	2,688,682
China Huaneng Group (中國華能集團公司)	Bulker	1,958,160
Shanghai Leading Energy Shipping(上海瑞寧航運有限公司)	Bulker	973,881
Seaspan Corporation	Bulker	656,178
Zhejiang Shipping (Group) Co., Ltd. (浙海集團)	Bulker	756,396

The following table shows a breakdown of the shipping asset portfolio in terms of remaining balance of lease contracts of the Group as at 30 June 2018:

Vessels	**Percentage Composition (%)**
Bulkers	50.27
Offshore drilling rigs	31.50
Container ships	7.69
Cruise ships	6.45
Roll on/roll off ships	4.10

The table below sets forth the types of shipping asset portfolio in terms of the number of shipping assets the Group owned and managed (through the ICBCIL Group) and contribution of shipping assets as at 30 June 2018:

Vessels	**Remaining Balance of Lease Contracts as at 30 June 2018**
	(in RMB ten thousand)
Bulkers	1,560,998.38
Offshore drilling rigs	876,232.83
Containerships	848,070.04
Cruise	55,025.26
Roll-on/roll-off	34,970.32
Oil tanker	554,554.26
Chemical tanker	318,199.29
Gas carrier	1,976,337.00
Others	45,570.25
Total	6,269,957.63

Equipment Leasing Sector

In 2008, the Company entered into its first big-ticket equipment financial leasing transaction, whereby the Company and Wuhan Metro Group signed a financing agreement with value of RMB2 billion, which was the largest financing and leasing deal in China's rail transport construction in terms of capital value of a single deal at that time. The Company also entered into the heavy equipment market by co-operating with Beiben Trucks Group Co., Ltd, Sany Group and Doosan. The Company believes it was also the first financial leasing company to enter the new energy sector, providing leasing services of wind turbines and solar panels to the development of clean energy and reduction of carbon emission. The Company has also provided electric and LNG powered buses to the city of Nanjing, echoing national efforts of low-carbon transportation by developing green bus leasing programmes. Recently, the Company expanded into equipment leasing of underground utility tunnel systems to promote more modern, scientific and intensive urban infrastructure construction and to support urban infrastructure development and congestion-fighting and actively developed operating leasing of heavy machinery such as shield tunnelling machine, locomotive and engineering machinery in international markets to support the government's "One Belt, One Road" strategy. The Company ranks the first in domestic urban underground transportation leasing in terms of market share.

The strong relationships with both ICBC and major equipment manufacturers in the PRC allow the Company to draw upon a deep reservoir of industry knowledge and successful experience that supports its equipment leasing business. The Company serves the equipment manufacturing industry by providing equipment leasing services, satisfying clients' financing and investment needs, optimising clients' financial structures and promoting technological advancement and replacement of industrial equipment. The big-ticket equipment financial leasing business involves a variety of services including financial leasing, operating leasing, sale-leaseback and various advisory services. The Company has close relationships with a host of large Chinese clients across the PRC, including State Grid Corporation of China, China Power Investment Corporation, China National Nuclear Corporation, Datang International Power Generation, Laigang (a leading steel company in Shandong), Sichuan Telecom and Yunnan Highway Development & Investment. The Company has assisted these firms in implementing a variety of rail vehicle, energy equipment, engineering machinery, production equipment and other large leasing projects.

The Company has demonstrated innovation in the equipment financial leasing sector. The Company has built a series of product lines to strengthen its core competitiveness in various sectors including manufacturing financing, sales financing, logistics financing and project financing. The Company supports SMEs through branches of ICBC and has launched "Easy Leasing" products with an aim to provide financing leasing services for SMEs through the marketing network of ICBC. This is a new approach that serves SMEs through co-operation between leasing companies and banks. The Company's main line of business closely relates to the real economy of the PRC and adheres to the national and industrial planning policies of the PRC government. The Company intends to seize the opportunities relating to the upgrade of the PRC industrial structure. The Company is prepared to support the opportunities relating to the "going out" plans and policies of PRC enterprises. Significant developments in the Company's equipment leasing business include:

- in August 2013, the PRC government adopted a new tax policy, which replaced business tax with VAT in the transportation industry and certain other modern service industries in the PRC. In 2013, the Company responded to the impact of "transformation of business tax to VAT" through business structure optimisation and business quality improvement, and managed to maintain steady growth;

- in 2014, the Company established a new unit to support cross-border financing;

- in July 2014, the Company signed a co-operative agreement with Huaneng Lancang River Hydropower Co., Ltd. to provide up to US$500 million of cross-border equipment leasing for two hydropower projects in Cambodia, which marked a substantial milestone in the development of the Company's cross-border equipment leasing business;

- in 2014, the Company signed the first chained leasing co-operation agreement in the PRC with the largest domestic power equipment manufactory, Dongfang Electric Corporation, to provide the Nanjing Public Transportation Company with more than 500 electric and LNG-powered buses, in line with a national initiative to save energy and reduce emissions by developing a green buses leasing programme;

- in 2014, introduced China's first professional rescue helicopter for helicopter-based emergency medical service in collaboration with Beijing Red Cross during APEC summit, successfully tapping into air medical services leasing;

- in 2015, the Company signed a series of contracts on leasing, general contractor and bank loans with Magyar Telekom of Hungary and Huawei, marking the first operating leasing business in the global telecom equipment market; and

- in 2017, domestic equipment leasing projects proposed by ICBC domestic branches contributed to 69 per cent. of the Company's total domestic equipment leasing business.

Over the years, the Company has gradually expanded its equipment leasing business into the fields of energy and power, rail transportation, equipment manufacturing, infrastructure, broadcasting and TV, tourism, medical treatment and education.

As at 30 June 2018, the Group and ICBCIL Group in total owned and managed approximately 44,000 pieces of large equipment including lifting, loading, unloading equipment and rail transportation equipment.

The Company's transportation leasing promoted energy saving and emission reduction travel and developed green public transportation leasing programme. The Company provided financing and leasing service to support underground transportation construction across the China. Xi'an Metro Line 2 is one of the successful examples.

The Company's equipment leasing assets have broad geographic coverage. As at 30 June 2018, the Company's equipment leasing assets in eastern part of PRC, western part of PRC, middle part of PRC and overseas accounted 41.90 per cent., 17.47 per cent., 25.27 per cent. and 15.36 per cent., respectively for the total equipment leasing assets. As at 30 June 2018, the equipment leasing assets in transportation industry, energy and power industry, city infrastructure industry and other industries had 28.69 per cent., 39.92 per cent., 13.38 per cent., and 17.93 per cent. of the total equipment leasing assets.

As at 30 June 2018, all of the large equipment owned by the Group were leased to clients, and most were under financial lease, with a remaining total balance of lease contracts of RMB94.25 billion.

The following table shows the top five clients as at 30 June 2018 in terms of remaining balance of lease contracts in the equipment leasing sector, which illustrates the diversified revenue base of the Company in this sector:

Name of Client	**Remaining Balance of Lease Contracts as at 30 June 2018**
	(in RMB ten thousand)
Wuhan Metro Group Co., Ltd. (武漢地鐵集團有限公司)	313,649.99
Kunming Rail Transit Group Co., Ltd. (昆明軌道交通集團有限公司)	389,021.76
Jinan Rail Transit Group Co., Ltd. (濟南軌道交通集團建設投資有限公司)	198,682.67
Chengdu Metro Co., Ltd (成都地鐵集團有限公司)	233,556.81
Ningbo Railtransit Group Co., Ltd. (寧波軌道交通集團有限公司)	397,080.69

Business Description of the ICBCIL Group

Prior to the Asset Transfer, the offshore leasing business was organised around two major sectors: (i) aviation and (ii) shipping. With offshore aviation leasing business recently transferred to ICBC Aviation Leasing (see "Summary – Recent Development" for further details), the ICBCIL Group currently owns shipping business which is still under the management of the Group. The ICBCIL Group's development has also enjoyed financial and other support from the ICBC Group as its offshore leasing platform. Although the Group does not retain any equity interest in the ICBCIL Group's offshore leasing business, the development of such business facilitates the internationalisation of ICBC's leasing brand, builds an integrated global leasing platform for the ICBC Group, broadens the client base and leads to more innovative leasing products and services, thus benefiting the development of the Company's domestic leasing business in the long term.

Prior to the Asset Transfer, the ICBCIL Group had engaged in international financing for the purchase of commercial airplanes and vessels by clients worldwide. Since 2013, it had entered into strategic partnerships with various international aviation manufacturers including Airbus, Boeing, Bombardier and Commercial Aircraft Corporation of China, with the purchase of over 200 aircraft. The ICBCIL Group had accelerated the development of its overseas leasing business by using financial and business consultants to effectively establish business linkages between ICBC's entities in Ireland, Macau and Doha and distribute its assets across Germany, the United Kingdom, Ireland, the UAE and Malaysia.

Aviation Financing Sector

Prior to the Asset Transfer, the aviation business had been one of the key strategic areas since the establishment of the ICBCIL Group. On 28 March 2018, the Company established a wholly-owned subsidiary, ICBC Aviation Leasing, in Hong Kong. In September 2018, the Asset Transfer was carried out whereby ICBCIL transferred its offshore aviation assets to ICBC Aviation Leasing, further cementing the Group's position as one of the leaders in the aviation leasing business. See 'Summary – Recent Development' for further details.

The table below sets forth the types of aircraft in the ICBCIL Group's fleet as at 30 June 2018.

	Fleet	
	Number	**Percentage (%)**
Narrow Body	126	71
Wide Body	38	21
Regional Jet	14	8

As at 30 June 2018, there were 178 aircraft owned by the ICBCIL Group that were under lease, of which 147 were under operating lease while 31 were under finance lease, with a remaining total balance of lease contracts of RMB62.9 billion.

Shipping Leasing Sector

For the year ended 31 December 2015, the ICBCIL Group initiated ship leasing transactions of RMB 12.7 billion. For the year ended 31 December 2016, RMB20.9 billion of ship leasing transactions were initiated, representing a year on year increase of RMB8.2 billion. For the year ended 31 December 2017, RMB12.5 billion of ship leasing transactions were initiated, representing a year on year decrease of 8.4 billion. As at 30 June 2018, RMB10.8 billion of ship leasing transactions were initiated, representing a year on year increase of RMB2.6 billion as compared to the same period in 2017. As at 30 June 2018, the ICBCIL Group had a remaining total balance of lease contracts of RMB48.09 billion. All of the vessels were under lease.

The following table shows a breakdown of the shipping asset portfolio in terms of remaining balance of lease contracts of the ICBCIL Group as at 30 June 2018:

Vessels	**Remaining Balance of Lease Contract as at 30 June 2018**
	(in RMB ten thousand)
Bulkers	1,131,834.15
Offshore drilling rigs	607,364.60
Containerships	782,452.24
Cruise	—
Roll-on/roll-off	—
Oil tankers	554,554.26
Chemical tankers	318,199.29
Gas Carrier	1,976,337.00
Others	45,570.25
Total	4,808,947.19

Key Lease Terms

Leasing arrangements can be generally categorised into finance leasing and operating leasing. Under a finance leasing arrangement, at the end of the lease term, the lessee has the obligation to buy back from the lessor the underlying assets at a predetermined price. All of the Group's large equipment items and most of the Group's vessels are under finance lease. In contrast, under an operating lease arrangement, the title of the underlying assets remains with the lessor. Most of the Group's aircraft are under operating leases. In practice, the Group actively seeks purchasers of the underlying assets under operating leases and starts doing so before the end of the lease term.

All of the Group's leases have fixed terms. Typical lease terms range between seven and 12 years for aircraft, five and 10 years for vessels, and three and 10 years for large equipment. During the lease term, maintenance cost and operating costs such as fuel and insurance are lessees' responsibility. Usually, the lessee is also required to "gross-up" lease payments where they are subject to withholdings and other taxes.

Lease rentals are contracted on either a fixed rate or floating rate basis. For aircraft leases, the Group typically holds a security deposit or letter of credit under the leases to secure the performance of the lessee's obligations under the lease and which the Group may apply against those obligations in the event the lessee defaults. The value of any security deposit or letter of credit varies according to the credit quality of the lessee but is generally equivalent to two to four months' rental price. Letters of credit are not used for leasing vessels, and no security deposit or letter of credit is used for leasing large equipment.

Financing

The Company focuses on maintaining competitive debt funding costs, and it achieves this by adopting a proactive approach to debt financing and by maintaining a diverse range of financing sources. This approach enabled the Company to achieve an average interest cost of 4.87 per cent. per annum for Renminbi denominated financing and 3.27 per cent. per annum for U.S. dollar denominated financing as at 30 June 2018, which the Company believes was one of the lowest debt costs in the PRC leasing industry. All of the Group's debt financing as at 30 June 2018 was unsecured.

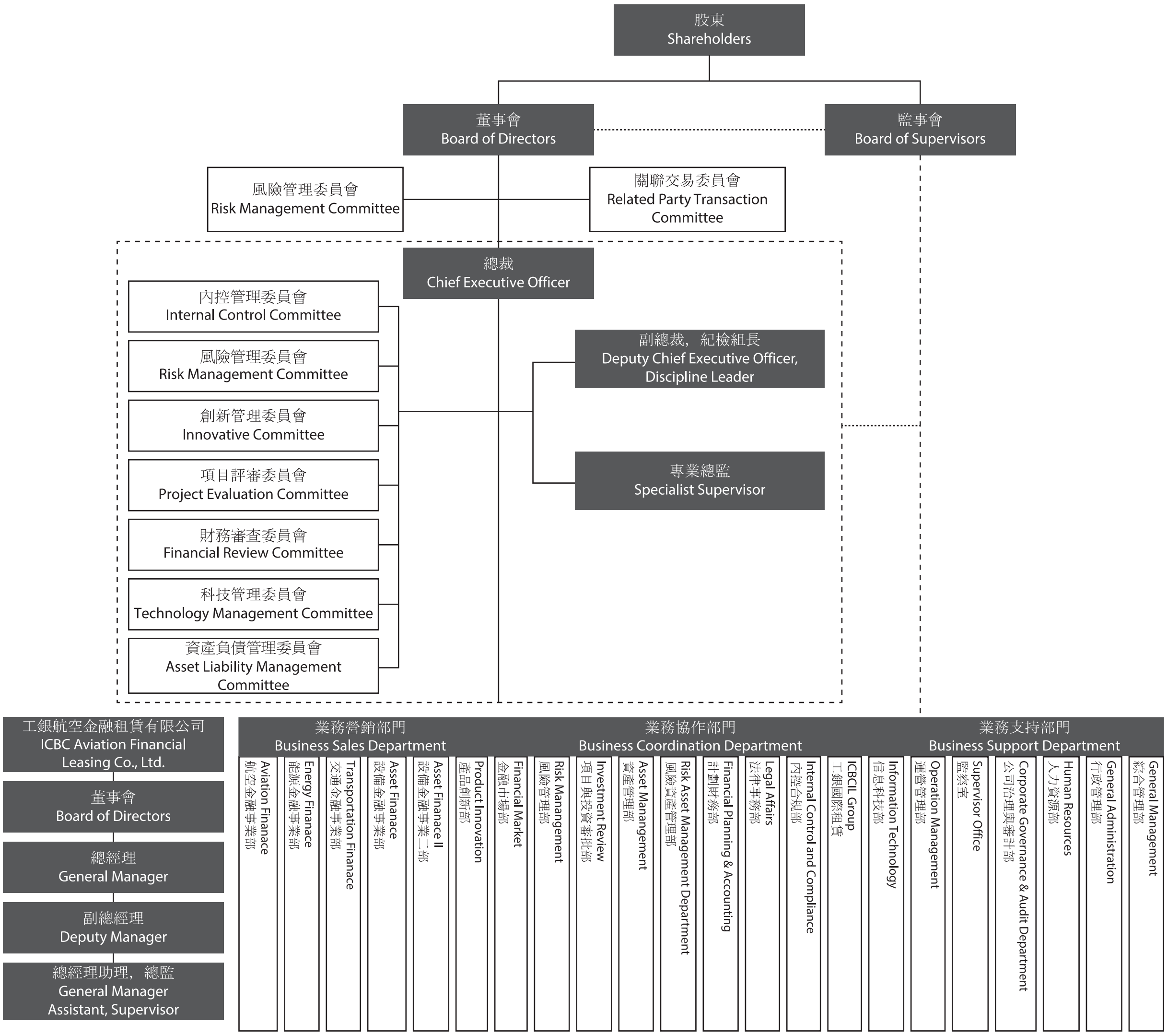
Risk Management

The Company places importance on prudent operations and rated the quality of development as the top priority. Through analysing characteristics of China's leasing industry and upholding the principles of "prudent and steady, determined for innovation, value-creating, risk controlled", the Company established a comprehensive risk management system, including risk management structure, procedures of collective review and decision-making of projects, a project risk management system, a risk early warning system and an internal-control management system. The comprehensive risk management system effectively manages credit risk, asset investment risk, liquidity risk and other risks as a whole. In addition, the comprehensive risk management system of the Company is also closely connected to the risk management system of the ICBC Group, which allows for collaboration and information sharing. Prior to entering into a leasing arrangement with a potential client, the Company retrieves the credit rating of such client from the credit system maintained by the ICBC Group, and only proceeds if the potential client's credit rating is at or above a predetermined level.

Risk management is fully integrated into the Company's project approval process. In each stage in the process, from due diligence to project review to contract signing and release of funds, all elements of risk arising from the project, including credit risk, market risk, liquidity risk, asset risk, tax/accounting risk and legal and compliance risk, are carefully and independently assessed by a designated party. These parties include project teams, other business teams, specialised asset management teams, the finance team, the legal team and various third parties.

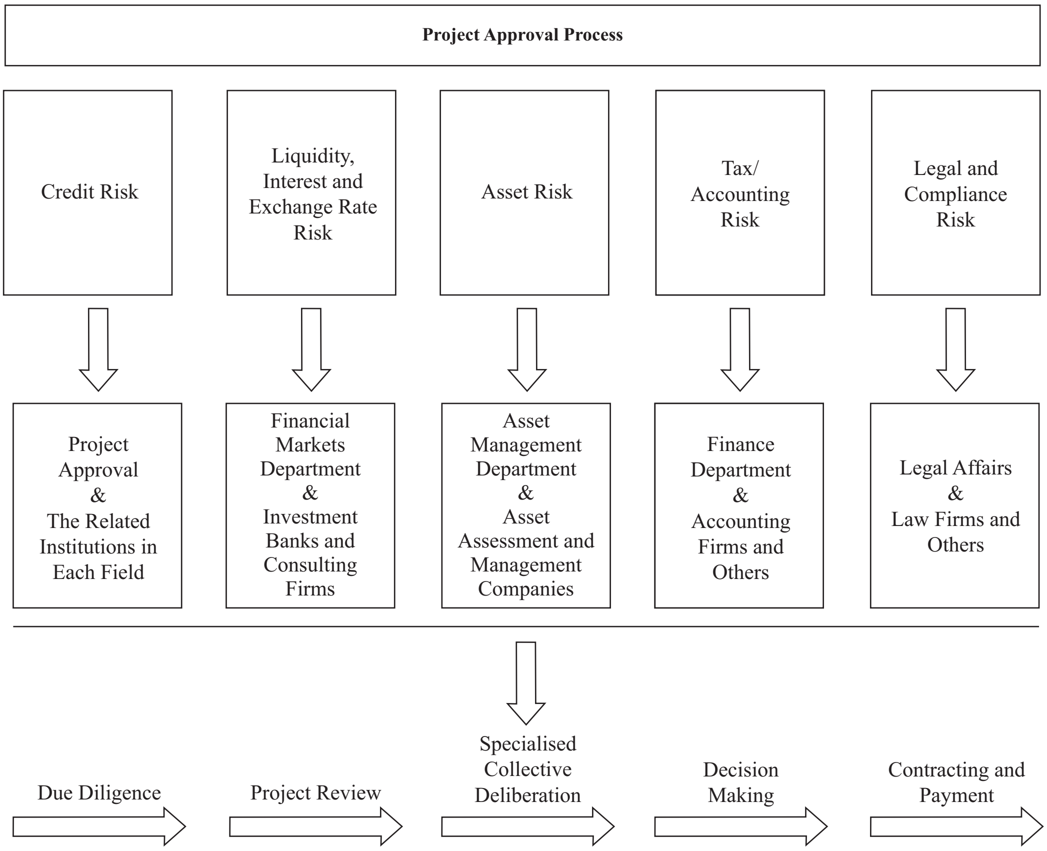
The Company also has a dedicated asset management department staffed with industry experts to review and oversee risks relating to aircraft and ship leasing projects. For each aircraft under an operating lease, when the remaining lease term is less than a predetermined level (four years for narrow body aircraft and six years for wide body aircraft), the Company starts actively seeking purchasers for the aircraft. If the remaining lease term for an aircraft is less than two years without a purchaser contracted to buy the aircraft after the expiration of the lease, a dedicated sales team of experts will be engaged. If the remaining lease term of an aircraft is less than one year without a purchaser contracted to buy the aircraft, alternative solutions, including potential re-lease of the aircraft, will be considered. If no purchaser or subsequent lessee can be found and the remaining lease term is less than six months, senior management of the Company will be involved in order to secure a purchaser or lessee at the end of the lease term. For ship leasing projects, the asset management team evaluates the residual value risk associated with each vessel to ensure that the terms of the leasing contract, in particular the rental price, can minimise such risk in case the Company cannot sell or re-lease the vessel when the lease expires. In order to scale up the trading of assets for leasing, the Group established an asset trading model and a trading platform through which the Group sold 16 planes in the secondary market in 2015. The Group has also started the trading of leasing equipment.

The chart below sets out the management structure of the Company as at the date of this Offering Circular.



By utilising an industry-leading risk management and project risk control system, the Company has maintained strong asset quality since its inception.

The diagram below sets out the process before a leasing project is approved:



The Company places risk management as a high priority and puts emphasis on strengthening its risk management to achieve healthy and sustainable development. The Company aims to do this by establishing a multi-level system and by improving its risk assessment, developing its IT management and control system, equipping itself with a professional team, improving its credit management system and business decision-making mechanisms and by establishing an efficient and robust security system to ensure that the level of efficiency of management and risk control improves its overall ability to resist risks.

In 2013, the Company carried out a structural stress-test for the risk of increased demand on the U.S. dollar caused by Federal Reserve's tapering its quantitative easing policy (QE) and developed corresponding plans for this risk. The Company also conducted comprehensive risk screenings on 300 financing leasing and operational leasing projects across 15 industries to eliminate risk blind spots and to strengthen management and control over weak links. In the same year, the Company officially launched its aircraft assets management system, which it believes was the first such system in the PRC with independent intellectual property rights. This system adopts multi-dimension dynamic management over the contract, ownership, insurance, value assessment and technology of aircraft assets. During the same period of time, the Company's vessel asset management system (Phase II) was officially launched. The Company believes these two asset management systems have improved the efficiency and quality of asset risk and value management.

In 2014, the Company established a Risk Asset Management Team with responsibilities for (i) developing specific plans for the clearing, conversion and disposal of non-performing assets and (ii) organising and conducting risk management according to the specific plans to maximise recovery and minimise loss. In 2016, the Company upgraded Risk Asset Management Team to Risk Asset Management Department, which demonstrated the Company's efforts and ambition to strengthen the quality control of the assets.

As at 31 December 2015, 2016, 2017 and 30 June 2018, the Group's non-performing assets to total assets ratios were 0.70 per cent., 0.79 per cent., 0.79 per cent., and 0.78 per cent., respectively and its impairment coverage ratios were 173.28 per cent., 183.20 per cent., 182.46 per cent., and 213.82 per cent., respectively.

The table below sets forth the key financial ratios of the Group extracted from the Group Financial Statements for the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2018 indicated below:

	For the year ended and as at 31 December			For the six months ended and as at 30 June	
	2015	2016	2017	2017	2018
			%		
		(audited)		*(unaudited)*	
Profitability Metrics					
ROAA(1)	1.25	1.30	1.17	0.60	0.55
ROAE(2)	11.7	10.5	8.30	4.40	3.89
Asset Quality					
NPA Ratio(3)	0.70	0.79	0.79	0.83	0.78
Impairment Coverage Ratio(4)	173.28	183.20	182.46	188.12	213.82
Capital Strength					
Capital Adequacy Ratio(5)	11.7	14.2	14.7	14.40	14.61
Debt Ratio(6)	89.0	86.3	85.51	86.10	86.27

Notes:

(1) Return On Average Assets ("**ROAA**") = Net Profit/Average on beginning and ending Total Assets.

(1) Return On Average Equity ("**ROAE**") = Net Profit/Average on beginning and ending Total Equity.

(2) NPA Ratio = Finance Lease Receivables Impaired/Total Assets.

(3) Impairment Coverage Ratio = Provision for Impairment on Finance Lease Receivables/Finance Lease Receivables Impaired.

(4) Capital Adequacy Ratio = Net Capital/Risk – Weighted Assets.

(5) Debt Ratio = Total Liabilities/Total Assets.

The Company measures and monitors its asset quality through a lease receivables classification system. In accordance with statutory requirements promulgated by the CBIRC, the Company classifies lease receivables using a five category classification system. These classification criteria are designed to assess the likelihood of repayment by the lessee and the collectability of principal and interest on the lease receivables. The five categories are normal, special mention, substandard, doubtful and loss as detailed below.

Normal

There is no reason to doubt that the loan principal and interest will not be paid by the lessee in full and/or on a timely basis. There is no reason to suspect that the lease receivables will be impaired.

Special Mention

Even though the lessee has been able to pay the lease payments in the past in a timely manner, there are still factors that could adversely affect its ability to pay. For example, if lease payments have been overdue for 30 days or more and the financial position of the lessee has worsened, or its net cash flow has become negative, the lease receivables for this lease contract should be classified as special mention or lower.

Substandard

The lessee's ability to pay is in question as it is unable to make its payments in full with its operating revenues, and the lessor is likely to incur losses notwithstanding the enforcement of any guarantees underlying the lease contract.

Doubtful

The lessee's ability to pay is in question as it is unable to make lease payments in full and/or on a timely basis with its operating revenues and the lessor is likely to incur significant losses notwithstanding the enforcement of any guarantees underlying the lease contract.

Loss

After taking all possible steps or going through all necessary legal procedures, lease payments remain overdue or only a very limited portion has been recovered.

Insurance

As at 30 June 2018, the Company maintained a range of insurance coverage on its fixed assets underlying its leases. The Company maintains asset insurance for the assets underlying its leases to cover any loss or damage to such assets during the leasing period. The insurance payments are generally paid by its clients in line with leasing industry practice and the Company is usually the beneficiary of such insurance. As at 30 June 2018, the Company did not maintain credit insurance for its lease receivables.

The Company provides social security insurance for its employees as required by PRC social security regulations, such as pension insurance, unemployment insurance, work injury insurance and medical insurance.

Please see "Risk Factors – The Group may not have, and cannot ensure that its lessees will maintain, adequate insurance coverage to cover potential liabilities or losses." in this Offering Circular for a discussion of the risks associated with the Company's insurance coverage.

Legal Proceedings

The Company is involved, from time to time, in legal proceedings arising in the ordinary course of its operations. A majority of these legal proceedings involve claims initiated by the Company to recover payment of leasing receivables from its clients.

As at the date of this Offering Circular, none of the Issuer, the Company or their respective subsidiaries was involved in any material litigation or arbitration proceedings in the context of the offering of the Notes and none of the Issuer or the Company is aware of any such litigation or proceedings pending or threatened against it or any of their respective subsidiaries which are material in the context of the offering of the Notes.

Employees

As at 30 June 2018, the Group had 330 employees. The Group believes that it has a high-quality workforce possessing specialised industry expertise, with over 99 per cent. of its employees having attained bachelor's degrees and above and over 70 per cent. having attained master's degrees and above as at the same period. The professional staff of the Group also have working experience in aviation, shipping, manufacturing and other relevant industries.

The Company's ability to attract, retain and motivate qualified personnel is critical to its success. The Company believes that it offers employees competitive compensation, it is able to attract and retain qualified personnel and that it has maintained a stable core management team. The Company's remuneration packages are generally structured with reference to market rates and individual merit. Salaries are normally reviewed annually, based on performance appraisals and other relevant criteria.

All of the Company's management and key executive officers, and a substantial number of the Company's other employees, have entered into employment agreements with the Company, which contain confidentiality and non-competition provisions.

The Company considers its current relations with its workforce to be good. It has not experienced any work stoppages, strikes or other labour problems in the past.

DESCRIPTION OF THE ISSUER

Overview

The Issuer was incorporated on 2 December 2013 and is registered as a company with limited liability under the laws of Hong Kong with company number 2005230. Its registered office is situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Business Activities

The Issuer is a direct wholly-owned subsidiary of ICBCIL, which in turn is indirectly wholly-owned by ICBC. The principal business of the Issuer is financing. The Issuer is the centralised treasury function for the Company's overseas leasing business. As at 30 June 2018, the Issuer had no employees.

Directors

As at the date of this Offering Circular, the directors of the Issuer and their business addresses are:

Xiao Jian: 10/F, Bank of Beijing Building, 17(C) Jinrong Street, Xicheng District, Beijing, China

Wu Liyong: 10/F, Bank of Beijing Building, 17(C) Jinrong Street, Xicheng District, Beijing, China

From time to time, the directors of the Issuer may engage in other activities and have other interests which may conflict with the interests of the Issuer.

Share Capital

The authorised share capital of the Issuer is US$50,000 divided into 50,000 shares of US$1.00 each (the "**Shares**"). The Issuer has issued 50,000 ordinary shares to ICBCIL at par value of US$1.00 each. As at the date of this Offering Circular, all of the Shares issued are fully paid and wholly owned by ICBCIL. The Shares are not listed on any stock exchange and no listing or permission to deal in such Shares is being or is proposed to be sought as at the date of this Offering Circular.

Material Financing Arrangements

The Issuer entered into interest rate swap contracts and interest rate option contracts with a number of financial institutions with fair value as at 30 June 2018. The notional amount was US$3.7 billion and US$1.4 billion, respectively, for each contract.

Financial Information

The Issuer has prepared its audited financial statements for the years ended 31 December 2015, 2016 and 2017 and reviewed financial statements for the six months ended 30 June 2017 and 2018, each of which is included elsewhere in this Offering Circular. The financial year of the Issuer ends on 31 December of each year.

Auditor

KPMG is the authorised auditor of the Issuer. The address of KPMG is 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The members of the Board of Directors and senior management of the Company as at the date of this Offering Circular are as follows:

Board of Directors of the Company

Name	Position
Zhenwang Chang	Chairman of the Board
Guicai Zhao	Executive Director, Chief Executive Officer
Qiang Li	Executive Director, Deputy Chief Executive Officer
Liang Cui	Non-executive Director

Mr Zhenwang Chang is the Chairman of the Board. Mr Chang holds an MBA from Hong Kong University. He joined ICBC in 1980, and has served as Vice President and Member of the Party Committee of the Anhui Bengbu Branch of ICBC, Vice President, Deputy Party Secretary, President and Party Secretary of the Anhui Suxian Branch of ICBC, General Manager and Party Secretary of the Business Department of Anhui Branch of ICBC, Vice President, Deputy Party Secretary, President and Party Secretary of Anhui Branch of ICBC.

Mr Guicai Zhao is an Executive Director and Chief Executive Officer of the Company. He joined ICBC in 1990, served as Assistant President of Ningbo Branch, Head of Preparatory Office of ICBC Leasing, Deputy General Manager of Corporate Business Department II (Banking Department) of headquarter, General Manager of ICBC Brazil and other key roles. Mr Zhao has extensive experience in credit market operation and risk management; was in charge of ICBC's global aviation financing business and reviewed ICBC's credit policies and key credit projects as a member of ICBC's Credit Policy Committee. Mr. Zhao holds MBA degree from University of Hong Kong.

Mr Qiang Li holds a master's degree in Business Administration from Peking University and a master's degree in International Business Administration from Fudan University with Hong Kong University. He is a Senior Economist and a FRM. He joined ICBC in 1998, and successively worked in the Risk Management Department of the Headquarters, Zhejiang Huzhou Branch of ICBC and Heilongjiang Branch of ICBC. Mr Li joined ICBC Financial Leasing Co., Ltd in 2017 and serves as Executive Director and Deputy Chief Executive Officer.

Mr Liang Cui is a Director of the Company. Mr Cui served as the Deputy General Manager of Qinghai Branch of ICBC and in the Internal Audit Department of ICBC headquarters.

Senior Management of the Company

Name	Position
Guicai Zhao	Executive Director, Chief Executive Officer
Qiang Li	Executive Director, Deputy Chief Executive Officer
Qing Xu	Deputy Chief Executive Officer
Yuguo Yang	Deputy Chief Executive Officer
Chang Chen	Deputy Chief Executive Officer
Zhenyong Wang	Deputy Chief Executive Officer
Xibei Gu	Deputy Chief Executive Officer

Biographies of **Mr Guicai Zhao** and **Mr Qiang Li** can be found in the Biographies of the Directors above. Biographies of the other senior executives are as follows.

Ms Qing Xu holds a master's degree in Business Administration from Peking University. She joined ICBC in 1995 and served as Deputy Director of the Banking Department. She joined ICBC Financial Leasing Co., Ltd. in May 2008, and successively served as Managing Director of the Risk Management Department and Risk Controller of the Company. Ms Xu has served as Deputy Chief Executive Officer of the Company since December 2012.

Mr Yuguo Yang holds a master's degree in Business Administration from Hong Kong University. He joined ICBC in 1994, and successively served as Director of the Corporate Business Office in Operation Department, Director of the Group Customer Office in Operation Department, Director of the Credit Management Office in Operation Department, Director of the Risk Management Office of Operation Department II and Deputy Director of the Precious Metals Department of ICBC. Mr Yang joined ICBC Financial Leasing Co., Ltd. in 2017 and serves as Deputy Chief Executive Officer.

Ms Chang Chen holds a master's degree in Financial Master from Nankai University. She joined ICBC in 1991 and joined the Company in 2017. She served as Deputy Director of Capital Operation Department and General Office of Assets and Liabilities Management Department of ICBC. She also served as the Director of Market Risk Office of Assets and Liabilities Management Department of ICBC, the Director of the RMB Fund Management Department of ICBC and as the Finance and Funding Expert. Her appointment is subject to the approval of the Tianjin Branch of CBIRC on the qualification.

Mr Zhenyong Wang holds a master's degree in Economics in Capital University of Economics and Business. Mr. Wang joined the Company in 2009. He served as the Senior Investment Manager in Oxford and Cambridge International Group, the General Manager of Financial Consulting Department of Yintong Investment Consulting Company. He also served as the vice president of LondonAsiaCapital, the head of Assets Management Department of the Company.

Ms Xibei Gu holds a bachelor's degree in Economics in Renmin University. She joined ICBC in 2001 and joined the Company in 2017. She held the position of Client Group Division II of Corporate Finance Business Department of ICBC and the Director of Bonds Financing Division of the Corporate Finance Business Department of ICBC. Her appointment is subject to the approval of the Tianjin Branch of CBRC on the qualification.

The Directors of the Company may be contacted at the registered office of the Company.

There are no conflicts of interests, or potential conflicts of interests, between the duties of the Directors to the Company and their private interest or other duties.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or Global Certificate(s) representing each Series. Either (i) the full text of these Conditions (as defined below) together with the relevant provisions of the Pricing Supplement or (ii) these Conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued by ICBCIL Finance Co. Limited (the "**Issuer**") and are constituted by an amended and restated trust deed dated 24 April 2018 (as further amended or supplemented as at the date of issue of the relevant Tranche (the "**Issue Date**"), the "**Trust Deed**") between the Issuer, ICBC Financial Leasing Co., Ltd. (工銀金融租賃有限公司) (the "**Company**"), and Citicorp International Limited as trustee (the "**Trustee**", which expression shall include all persons for the time being acting as the trustee or trustees under the Trust Deed) for the Noteholders (as defined below). An agency agreement dated 7 October 2015 (as further amended or supplemented as at the Issue Date, the "**Agency Agreement**") has been entered into in relation to the Notes between the Issuer, the Company, the Trustee, Citibank, N.A., London Branch as initial issuing and paying agent, transfer agent and registrar, Citicorp International Limited, as the CMU lodging and paying agent, and the other agents named in it. The issuing and paying agent, the CMU lodging and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**CMU Lodging and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent and the CMU Lodging and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**". For the purposes of these Conditions, all references to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly.

The Notes have the benefit of (i) an amended and restated keepwell and liquidity support deed dated 24 April 2018 (as further amended or supplemented as at the Issue Date, the "**Keepwell and Liquidity Support Deed**") between the Issuer, ICBC International Leasing Co. Ltd. ("**ICBCIL**"), the Company and the Trustee; and (ii) a deed of asset purchase undertaking dated 7 October 2015 (as further amended or supplemented as at the Issue Date, the "**Deed of Asset Purchase Undertaking**") between the Issuer, the Company, ICBCIL and the Trustee.

These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below, the Agency Agreement, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking. The Noteholders are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Agency Agreement, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking applicable to them. Copies of the Trust Deed, the Agency Agreement, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking are available for inspection during usual business hours at the principal office of the Trustee (presently at 39th Floor, Citibank Tower, 3 Garden Road, Central, Hong Kong) and at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders, the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (such holders of Coupons and Talons, collectively, the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects, and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series with such Tranche of Notes and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, the first Interest Payment Dates, Interest Commencement Dates (if applicable) and/or issue prices (if applicable).

1. **Form, Denomination and Title**

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon. No single Tranche or Series may comprise both Bearer Notes and Registered Notes.

Notes sold in reliance on Rule 144A under the U.S. Securities Act of 1933 (the "**Securities Act**") will be in minimum denominations of U.S.$200,000 (or its equivalent in other currencies) and integral multiples of U.S.$1,000 (or its equivalent in other currencies) in excess thereof, subject to compliance with all legal and/or regulatory requirements applicable to the relevant currency.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes, in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. **No Exchange of Notes and Transfers of Registered Notes**

(a) *No Exchange of Notes*: Registered Notes may not be exchanged for Bearer Notes. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) *Transfer of Registered Notes*: One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed by the holder or holders thereof or the attorney or attorneys of such holder or holders duly authorised in writing, and any other evidence as the Registrar or the Transfer Agent may reasonably require. In the case of a transfer of only part of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee or by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon written request.

(c) *Exercise of Options or Partial Redemption in Respect of Registered Notes*: In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

(d) *Delivery of New Certificates*: Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within five business days of receipt of a duly completed form of transfer, Put Exercise Notice (as defined in Condition 6(e)) or Exercise Notice (as defined in Condition 6(f)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Put Exercise Notice, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Put Exercise Notice, Exercise Notice or otherwise in writing, be mailed by uninsured first class mail (airmail if overseas) at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday or public holiday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) *Transfers Free of Charge*: Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment by the relevant Noteholders of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require).

(f) *Closed Periods*: No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption, in whole or in part, by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption where not all the Notes are so called for redemption, (iv) during the period of seven days ending on (and including) any Record Date, or (v) after a Put Exercise Notice (as defined in Condition 6(e)) has been delivered in respect of the relevant Notes in accordance with Condition 6(e).

(g) *Regulations concerning transfer 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 approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3. **Status**

The Notes and the Receipts and the Coupons relating to them constitute direct, unconditional, unsubordinated and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application and subject to Condition 4(a), at all times rank at least *pari passu* with all its other present and future unsecured and unsubordinated obligations of the Issuer.

4. **Covenants**

(a) *Negative pledge:* So long as any Note remains outstanding (as defined in the Trust Deed),

(i) the Issuer shall not, and the Issuer shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest (save for Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Public External Indebtedness or guarantee or indemnity in respect of Public External Indebtedness without at the same time or prior thereto (A) securing the Notes equally and rateably therewith or (B) providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders; and

(ii) the Company has undertaken to the Trustee in the Keepwell and Liquidity Support Deed not to, and to procure its Principal Subsidiaries not to, create or permit to subsist any Security Interest (save for Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Public External Indebtedness or guarantee or indemnity in respect of Public External Indebtedness without at the same time or prior thereto (A) securing the Notes equally and rateably therewith or (B) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders.

(b) *Rating maintenance:* So long as any Note remains outstanding, save with the approval of an Extraordinary Resolution of Noteholders, the Issuer and the Company shall use its reasonable endeavours to maintain a rating on the Notes by a Rating Agency.

(c) *Financial statements etc.:* So long as any Note remains outstanding, each of the Issuer and the Company shall provide the Trustee with:

(i) a Compliance Certificate (on which the Trustee may rely as to such compliance) within 180 days of the end of each Relevant Period;

(ii) a copy of the relevant Company Audited Financial Reports and the Issuer Audited Financial Reports (as the case may be) within 180 days of the end of each Relevant Period prepared in accordance with PRC GAAP or Hong Kong Financial Reporting Standards (as the case may be) (in each case, audited by an internationally recognised firm of independent accountants), **provided that** if such statements shall be in the Chinese language, each of the Issuer and Company shall provide the Trustee with an English translation of the same translated by (x) an internationally recognised firm of accountants or (y) a professional translation service provider and checked by an internationally recognised firm of accountants, together with a certificate signed by a director or authorised officer of the Issuer or the Company (as the case may be) certifying that such translation is complete and accurate; and

(iii) a copy of the Company Unaudited Management Accounts within 135 days of the end of each Relevant Period prepared on a basis consistent with the Company Audited Financial Reports, **provided that** if such statements shall be in the Chinese language, the Company shall provide the Trustee with an English translation of the same together with a certificate signed by a director or authorised officer of the Company certifying that such translation is complete and accurate,

provided that, if at any time the capital stock of the Company or the Issuer is listed for trading on a recognised stock exchange, the Company or the Issuer may make available to the Trustee, as soon as they are available but in any event not more than 14 days after any financial or other reports of the Company or the Issuer are filed with the exchange on which the Company's or the Issuer's 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 of the Company or the Issuer identified in this Condition 4(c).

(d) *Obligation to acquire Assets:* In the event of a Triggering Event, the Company has agreed in the Deed of Asset Purchase Undertaking that it shall purchase (either itself or through a Subsidiary of the Company as designated by it) certain Assets held by the Issuer, ICBCIL and/or any of their respective Subsidiaries (each a "**Relevant Transferor**") in the manner as set out in the Deed of Asset Purchase Undertaking in order to assist the Issuer under its obligations under the Notes. The Company has undertaken to the Trustee in the Deed of Asset Purchase Undertaking to procure ICBCIL and each Relevant Transferor to on-lend or otherwise transfer to the Issuer any payment (each an "**On-Loan**") received pursuant to the Deed of Asset Purchase Undertaking from the Company and to procure the Issuer to promptly apply all proceeds from each On-Loan and/or from any Asset sale by the Issuer itself pursuant to the Deed of Asset Purchase Undertaking towards satisfying its obligations under the Notes and the Trust Deed.

The Issuer shall take all actions necessary for the proceeds received from each On-Loan (if any) and/or from any Asset sale by the Issuer itself pursuant to the Deed of Asset Purchase Undertaking towards the payment in full of any outstanding amounts as they fall due under the Trust Deed and the Notes (including any interest accrued but unpaid on the Notes). Each of the Issuer and the Company has undertaken in the Deed of Asset Purchase Undertaking to procure that all obligations of the Issuer owing to ICBCIL or a Relevant Transferor, as the case may be, under each On-Loan shall be subordinated to sums payable and all obligations owing to the Trustee and the Noteholders by the Issuer, whether present or future, actual or contingent, and all claims, rights, damages, remedies and/or proceeds in respect of any or all of the foregoing.

In these Conditions:

"**Approval Authorities**" means, as applicable, any 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 of any jurisdiction whose licences, authorisations, registrations or other approvals are necessary for undertaking the transactions contemplated by, as applicable, the Deed of Asset Purchase Undertaking and the Relevant Documents (as defined in the Deed of Asset Purchase Undertaking);

"**Assets**" means the airplanes, ships, equipment and/or other assets held by a Relevant Transferor which is subject to the purchase pursuant to the Deed of Asset Purchase Undertaking, but which shall not include any share or share capital of a Relevant Transferor;

"**Company Audited Financial Reports**" means the annual audited consolidated balance sheet, income statement and cash flows statement of the Company and its Subsidiaries and statement of changes in owners' equity of the Company together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

"**Company Unaudited Management Accounts**" means the semi-annual unaudited consolidated balance sheet and consolidated income statement of the Company and its Subsidiaries together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them (if any);

"**Compliance Certificate**" means a certificate of each of the Issuer and the Company signed by any director or authorised officer certifying that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer or (as the case may be) the Company as at a date (the "**Certification Date**") not more than five days before the date of the certificate:

(a) no Event of Default or other Triggering Event or an event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 10, become an Event of Default or other Triggering

Event 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

(b) the Issuer and (in the case of the Company) each of the Issuer and the Company has complied with all its obligations under the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking and the Notes;

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

"**Independent Investment Bank**" means an independent investment bank of international repute (acting as an expert) selected by the Issuer (at the expense of the Issuer) and notified in writing to the Trustee;

"**Issuer Audited Financial Reports**" means the annual audited balance sheet, income statement and cash flows statement of the Issuer and its Subsidiaries and statement of changes in owners' equity of the Issuer together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

"**National Export Credit Agency**" means any of Export-Import Bank of the United States or Export Credit Guarantee Department of the U.K. or Euler Hermes of Germany or COFACE of France or any other agency of the government of any country or quasi-government agency that provides guarantees to support the financing of equipment (including aircraft or parts thereof) exported from that country;

"**National Export Credit Agency Guaranteed Capital Markets Instrument**" means any Public External Indebtedness issued by an entity (not being the Issuer or a Principal Subsidiary) that is guaranteed by any National Export Credit Agency;

"**Net Assets**" means total assets less total liabilities;

"**Permitted Security Interest**" means:

(a) any Security Interest on any property or asset existing at the time of acquisition of such property or asset or to secure the payment of all or any part of the purchase price or construction cost thereof or to secure any indebtedness incurred prior to, or at the time of, such acquisition or the completion of construction of such property or asset for the purpose of financing all or any part of the purchase price or construction cost thereof;

(b) any lien arising by operation of law;

(c) any Security Interest on any property or asset securing Public External Indebtedness if (i) by the terms of such indebtedness it is expressly **provided that** recourse by the holders of such indebtedness is limited to the properties or assets of the issuer or the borrower and the revenues to be generated by the operation of, or loss of or damage to, such properties or assets, for repayment of the moneys advanced and payment of interest thereon and (ii) such indebtedness is not guaranteed by the Issuer, the Company or any Principal Subsidiary; and

(d) any Security Interest on any property or asset of the Issuer, the Company or any Principal Subsidiary which is created pursuant to any securitisation, repackaging or like arrangement in accordance with normal market practise;

"**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, for the purposes of these Conditions, shall not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

"**PRC GAAP**" means the Accounting Standards for Business Enterprises in the PRC;

"**Principal Subsidiary**" means any Subsidiary of the Company whose Net Assets, as shown by the accounts of such Subsidiary, based upon which the latest Company Audited Financial Reports have been prepared, are at least 10.0 per cent. of the Net Assets of the Group as shown by such Company Audited Financial Reports, **provided that** if any such Subsidiary (the "**Transferor**") shall at any time transfer the whole or a substantial part of its business, undertaking or assets to the Company or another Subsidiary of the Company (the "**Transferee**") then (a) if the whole of the business, undertaking and assets of the Transferor shall be so transferred, the Transferor shall thereupon cease to be a Principal Subsidiary and the Transferee (unless it is the Company) shall thereupon become a Principal Subsidiary; and (b) if a substantial part only of the business, undertaking and assets of the Transferor shall be so transferred, the Transferor shall remain a Principal Subsidiary and the Transferee (unless it is the Company) shall thereupon become a Principal Subsidiary;

Any Subsidiary which becomes a Principal Subsidiary by virtue of (a) above or which remains or becomes a Principal Subsidiary by virtue of (b) above shall continue to be a Principal Subsidiary until the earlier of the date of issue of (i) the first Company Audited Financial Reports prepared as at a date later than the date of the relevant transfer which show the Net Assets as shown by the accounts of such Subsidiary, based upon which such Company Audited Financial Reports have been prepared, to be less than 10.0 per cent. of the Net Assets of the Group, as shown by such Company Audited Financial Reports or (ii) a report by the Group's auditors dated on or after the date of the relevant transfer which shows the Net Assets of such Subsidiary to be less than 10.0 per cent. of the Net Assets of the Group. A certificate by the Company that a Subsidiary is or is not a Principal Subsidiary shall, in the absence of manifest error, be conclusive;

"**Public External Indebtedness**" means any indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other similar instrument which (a) has an original maturity in excess of one year, (b) 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), and (c) does not have the benefit of credit enhancement through a standby letter of credit, bank guarantee or other similar arrangement or instrument from a commercial bank, but excluding (x) any such indebtedness that is issued in the PRC and (y) any amounts owed in relation to a National Export Credit Agency Guaranteed Capital Markets Instrument, notwithstanding that such amounts are guaranteed directly or indirectly by the Issuer, the Company or a Principal Subsidiary;

"**Rating Agency**" means any one of Moody's Investors Service, Inc., Fitch Ratings Ltd. or Standard & Poor's Ratings Services and their respective successors;

"**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 Period**" means (a) in relation to the Company Audited Financial Reports and the Issuer Audited Financial Reports, each period of twelve months ending on the last day of their respective financial year (being 31 December of that financial year); (b) in relation to the Company Unaudited Financial Reports, each period of six months ending on the last day of its first half financial year (being 30 June of that financial year);

"**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;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**") whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person; and

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

(a) an Event of Default; or

(b) the Issuer's failure to provide the Trustee with a liquidity notice on or prior to the relevant liquidity notice date in accordance with the terms of the Deed of Asset Purchase Undertaking.

5. **Interest and Other Calculations**

(a) *Interest on Fixed Rate Notes*: Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) *Interest on Floating Rate Notes and Index Linked Interest Notes*:

(i) *Interest Payment Dates*: Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) *Screen Rate Determination for Floating Rate Notes*

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR, Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. (Hong Kong time in the case of CNH HIBOR) on the relevant Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR or HIBOR or CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(y) if the Relevant Screen Page is not available or if, subparagraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time), or if the Reference Rate is CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) on the relevant Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time), or, if the Reference Rate is CNH HIBOR, at approximately

11.15 a.m. (Hong Kong time) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, **provided that**, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) *Linear Interpolation*

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period **provided however that** if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Applicable Maturity**" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(iv) *Rate of Interest for Index Linked Interest Notes*: The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(c) *Zero Coupon Notes*: Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) *Dual Currency Notes*: In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of

Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) *Partly Paid Notes*: In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) *Accrual of Interest*: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgement) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) *Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding*:

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any maximum or minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (**provided that** if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the countries of such currency.

(h) *Calculations*: The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) *Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts*:

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangement may be made for the adjustment thereof) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) *Definitions*: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro or Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of a currency and/or one or more Business Centres a day (other than a Saturday, a Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual – ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that 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);

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

(iii) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

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

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

$$\text{Day Count Equation} = \frac{[360 \text{ x } (y2 - y1)] + 30 \text{ x } [(M2 - M1)] + (D2 - D1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" 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 D1 is greater than 29, in which case D2 will be 30;

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

$$\text{Day Count Equation} = \frac{[360 \text{ x } (y2 - y1)] + 30 \text{ x } [(M2 - M1)] + (D2 - D1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" 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 D2 will be 30;

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

$$\text{Day Count Equation} = \frac{[360 \text{ x } (y2 - y1)] + 30 \text{ x } [(M2 - M1)] + (D2 - D1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" 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 D1 will be 30; and

"**D2**" 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 D2 will be 30;

(viii) if "**Actual/Actual-ICMA**" is specified hereon,

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s); and

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date.

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR; or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi; or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR.

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified hereon.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market and, in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(k) *Calculation Agent*: The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with prior notification to the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. Redemption, Purchase and Options

(a) *Redemption by Instalments and Final Redemption*:

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount, in each case together with interest accrued to the date of redemption.

(b) *Early Redemption*:

(i) *Zero Coupon Notes*:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below of this Condition 6(b)(i), the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f)or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above of this Condition 6(b)(i), except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgement) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) Other Notes: The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 6(b)(i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) *Redemption for Taxation Reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above), together with interest accrued to the date fixed for redemption, if:

(i) the Issuer has or will become obliged to pay the Additional Amounts, as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Hong Kong or 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 the Notes of the relevant series or, in the case of a jurisdiction in which the Issuer was not tax resident on such date, after the date the Issuer became tax resident in such jurisdiction;

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

provided, however, that, no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee:

(A) a certificate signed by a director or authorised officer 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; and

(B) an opinion in form and substance satisfactory to the Trustee of independent legal or tax 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 to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i), and (ii) 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 6(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(c).

(d) *Redemption at the Option of the Issuer*: If Issuer Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(d).

In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes, shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes to be redeemed, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) *Redemption for Change of Control*:

At any time following the occurrence of a Change of Control, the Issuer shall, at the option of the holder of any Note (the "**CoC Put Option**") redeem such Note on the Put Settlement Date at a price equal to 101 per cent. of its Early Redemption Amount together with interest accrued to such date. In order to exercise the CoC Put Option, the holder of a Note must, within 30 days (i) following a Change of Control or (ii) following (if later) the day upon which the Issuer gives such relevant notice to Noteholders in accordance with Condition 16, deposit, in the case of Bearer Notes, the Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent, or, in the case of Registered Notes, the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed and signed notice of redemption (a "**Put Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable). The "**Put Settlement Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above.

No Note or Certificate, once deposited with a duly completed Put Exercise Notice in accordance with this Condition 6(e), may be withdrawn; **provided, however, that** if, prior to the Put Settlement Date, the Notes evidenced by any Note or Certificate so deposited become immediately due and payable or, upon due presentation of any Note or Certificate on the Put Settlement Date, payment of the redemption moneys is improperly withheld or refused, such Note or Certificate shall, without prejudice to the exercise of the CoC Put Option, be returned to the holder by uninsured first class mail (airmail if overseas) at the address specified by such holder in the relevant Put Exercise Notice.

Following the occurrence of a Change of Control, the Issuer shall give notice to Noteholders and the Trustee in accordance with Condition 16 by not later than seven 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 Noteholders of their rights to require redemption of the Notes pursuant to this Condition 6(e).

While any Bearer Note that was issued in accordance with the D Rules is held in the form of a temporary Global Note, the right described in this Condition 6(e) will be available only to the extent that non-U.S. beneficial ownership certification has been received by the Issuer or its agent pursuant to the D Rules.

For the purposes of this Condition 6(e):

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

(i) the Controlling Persons cease to, directly or indirectly, own or control 51 per cent. of the voting rights of the issued share capital of each of the Issuer, the Company or ICBCIL; or

(ii) the Company ceases to have Control of the Issuer or ICBCIL.

"**Control**" means (where applicable), with respect to a Person, (i) the ownership, acquisition or control of 51 per cent. or more of the voting rights of the issued share capital of such Person, whether obtained directly or indirectly or (ii) the right to appoint and/or remove a majority of the members of the Person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such Person;

"**Controlling Persons**" mean Industrial and Commercial Bank of China Limited or its successor; and

a "**Person**", as used in Condition 6(e), includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

(f) *Redemption at the Option of Noteholders*: If Investor Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit, in the case of Bearer Notes, such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent, or, in the case of Registered Notes, the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (an "**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

While any Bearer Note that was issued in accordance with the D Rules is held in the form of a temporary Global Note, the right described in this Condition 6(f) will be available only to the extent that non-U.S. beneficial ownership certification has been received by the Issuer or its agent pursuant to the D Rules.

(g) *Partly Paid Notes*: Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

(h) *Purchases*: Each of the Issuer, the Company and any of their respective Subsidiaries may at any time purchase Notes (**provided that** all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. All Notes purchased by or on behalf of the Issuer, the Company or any of their respective Subsidiaries may be held, reissued, resold or surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). The Notes so purchased, while held by or on behalf of the Issuer, the Company or any such Subsidiary, shall not entitle the holder to vote at any meetings of the holders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the holders or for the purposes of Condition 10 and Condition 11(a) and as provided in the Trust Deed.

7. **Payments and Talons**

(a) *Bearer Notes*: Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and **provided that** the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be:

(i) in the case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank; and

(ii) in the case of Renminbi, by transfer from the Paying Agent's office outside the United States to a Renminbi account maintained by or on behalf of the Noteholder with a Bank in Hong Kong.

In this Condition 7(a) and in Condition 7(b), "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) *Registered Notes*:

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made to the Noteholder against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(b)(ii).

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifth (in the case of

Renminbi) and fifteenth (in the case of a currency other than Renminbi) day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made:

(A) in the case of a currency other than Renminbi, in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank; and

(B) in the case of Renminbi, by transfer to the registered account of the Noteholder.

In this Condition 7(b)(ii), "**registered account**" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

(c) *Payments in the United States*: Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in U.S. dollars in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) *Payments subject to Laws*: Payments are subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 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, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, any intergovernmental agreement with respect thereto, or any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Appointment of Agents*: The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the other Paying Agents, the Registrar, the other Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, **provided that** the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU

Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where the Conditions so require, (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee and (vii) if the Issuer is required to maintain a Paying Agent in a European Union member state, the Issuer shall maintain a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any Directive supplementing, replacing or amending such Directive or any law implementing or complying with, or introduced in order to conform to, such Directive or Directives.

In addition, the Issuer may appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c) above.

Notice of any such change or any change of any specified office shall promptly be given by the Issuer to the Noteholders in accordance with Condition 16.

(f) *Unmatured Coupons and Receipts and unexchanged Talons*:

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity and/or security as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest

Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) *Talons*: On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) *Non-Business Days*: If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**business day**" means a day (other than a Saturday, Sunday or public holiday) on which banks and foreign exchange markets are open for business in Hong Kong and the relevant place of presentation in such jurisdictions as shall be specified as "**Financial Centres**" hereon, and:

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8. **Taxation**

All payments of principal, premium (if any) and interest in respect of the Notes, the Receipts and the Coupons by or on behalf of the Issuer 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 Hong Kong or the PRC or any political subdivision thereof 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 as a result of the Issuer being deemed by PRC tax authorities to be a PRC tax resident at the rate applicable on the date on which agreement is reached to issue the first Tranche of the Notes of the relevant series (the "**Applicable Rate**"), the Issuer will pay such additional amounts as will result in receipt by the Noteholders and Couponholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

In the event that the Issuer is required to make such deduction or withholding (in the case of PRC taxes, in excess of the Applicable Rate), the Issuer shall pay such additional amounts (the "**Additional Amounts**") as will result in receipt by the Noteholders and Couponholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts or additional amounts payable under the preceding paragraph (either, as the case may be, "**Additional Tax Amounts**") shall be payable in respect of any Note, Receipt or Coupon:

(a) held by a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt 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, Receipt or Coupon; or

(b) where (in the case of a payment of principal or interest on redemption) the relevant Note, Receipt or Coupon is surrendered for payment (where presentation is required) more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such Additional Tax Amounts if it had surrendered the relevant Note, Receipt or Coupon on the last day of such period of 30 days.

Each of the Issuer or any of its agents making a payment on its behalf shall be permitted to withhold or deduct from any payment of principal or interest any amounts paid with respect to any tax, duty, assessment or governmental charge (i) required to be withheld or deducted by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**"), any current or future U.S. Treasury Regulations or rulings promulgated hereunder, any intergovernmental agreement between the United States and any other jurisdiction pursuant to the implementation of FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or any intergovernmental agreement with respect thereto, or any other agreement with the U.S. Treasury pursuant to the implementation of FATCA ("**FATCA withholding**"), (ii) imposed other than by way of withholding or (iii) imposed on a payment to a Noteholder or Couponholder that is a fiduciary, partnership or person other than the beneficial owner to the extent that under the tax laws of the relevant taxing jurisdiction the payment would be required to be included in the income of a settlor or beneficiary with respect to such fiduciary, a partner of such partnership or the beneficial owner and such settlor, beneficiary, partner or beneficial owner would not have been entitled to receive Additional Tax Amounts had it been the Noteholder or Couponholder. The Issuer, the Trustee, the Paying Agents and their respective agents will have no liability for or have any obligation to pay Additional Tax Amounts in respect of any such FATCA withholding.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the 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.

Any reference in these Conditions to principal, redemption price, premium or interest shall be deemed to include any Additional Tax Amounts in respect of principal, premium (if any) or interest (as the case may be) which may be payable under this Condition 8 or any undertaking given in addition to or in substitution of this Condition 8 pursuant to the Trust Deed.

If payments on the Notes by or on behalf of the Issuer become subject at any time to any taxing jurisdiction other than Hong Kong or the PRC, references in these Conditions to Hong Kong or the PRC shall be construed as references to Hong Kong, the PRC and/or such other jurisdiction.

9. **Prescription**

Claims against the Issuer and/or the Company for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. **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 pre-funded and/or secured 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 Redemption Amount together with (if applicable) accrued interest without further action or formality:

(a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes within 7 days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 21 days of the due date for payment thereof; or

(b) *Breach of other obligations*: the Issuer or the Company defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking or the Trust Deed (other than where it gives rise to a redemption pursuant to Condition 6(e)) and such default (x) is incapable of remedy or (y) being a default which is capable of remedy remains unremedied for 45 days; or

(c) *Cross-acceleration of Issuer, ICBCIL, Company or Principal Subsidiary*:

(i) any indebtedness of the Issuer, ICBCIL, the Company or any Principal Subsidiary is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer, ICBCIL, the Company or (as the case may be) the relevant Principal Subsidiary or (**provided that** no event of default, howsoever described, has occurred) any person entitled to such indebtedness; or

(iii) the Issuer, ICBCIL, the Company or any Principal Subsidiary fails to pay when due any amount payable by it under any guarantee of any indebtedness;

provided that the amount of 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.$50,000,000 (or its equivalent in any other currency or currencies); or

(d) *Unsatisfied judgement* : one or more judgement (s) or order(s) for the payment of any amount exceeding U.S.$50,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer, ICBCIL, the Company or any Principal Subsidiary, such judgement continue(s) unsatisfied and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment and no further appeal or judicial review from such judgement is permissible under applicable law; or

(e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets or revenues of the Issuer, ICBCIL, the Company or any Principal Subsidiary, which has a material adverse effect on the ability of the Issuer, ICBCIL or the Company to perform and comply with their respective obligations or take actions under and in respect of the Notes, the Trust Deed, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking; or

(f) *Insolvency, etc.*: (i) the Issuer, ICBCIL, the Company or any Principal Subsidiary becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer, ICBCIL, the Company or any Principal Subsidiary or the whole or a substantial part of the undertaking, assets and revenues of the Issuer, ICBCIL, the Company or any Principal Subsidiary, (iii) the Issuer, ICBCIL, the Company or any Principal Subsidiary takes any action for a readjustment or deferment of a substantial part of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of a substantial part of its indebtedness or any guarantee of a substantial part of its indebtedness given by it, in each case, except on terms approved by an Extraordinary Resolution of the Noteholders; or

(g) *Winding up, etc.*: (i) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, ICBCIL, the Company or any Principal Subsidiary or (ii) the Issuer, ICBCIL, the Company or any Principal Subsidiary ceases or threatens to cease to carry on all or a substantial part of its business except (A) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation while solvent or on terms approved by an Extraordinary Resolution of the Noteholders, or (B) in the case of a Principal Subsidiary, the Issuer or ICBCIL whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Company, the Issuer, ICBCIL or any of their respective Subsidiaries, or (C) a members' voluntary solvent winding-up of any Principal Subsidiary, or (D) in the case of a Principal Subsidiary, any disposal or sale of a Principal Subsidiary to any other person on arms' length terms for market consideration; or

(h) *Analogous event*: any event occurs which under the laws of Hong Kong, Ireland or the PRC has an analogous effect to any of the events referred to in paragraphs (d) to (g) above; or

(i) *Failure to take action, etc.*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer, ICBCIL and the Company lawfully to enter into and exercise their respective rights under and in respect of, and to enable the Issuer and the Company lawfully to perform and comply with their respective obligations under and in respect of, the Notes, the Trust Deed, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, (ii) to ensure that those obligations of the Issuer and the Company are legal, valid, binding and enforceable and (iii) to make the Notes, the Trust Deed, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking admissible in evidence in the courts of the PRC and Hong Kong, as the case may be, is not taken, fulfilled or done; or

(j) *Unlawfulness*: it is or will become unlawful for the Issuer or the Company to perform or comply with any of their respective obligations under or in respect of the Notes, the Trust Deed, the Keepwell and Liquidity Support Deed or the Deed of Asset Purchase Undertaking; or

(k) *Keepwell and Liquidity Support Deed and Deed of Asset Purchase Undertaking*: the Keepwell and Liquidity Support Deed or the Deed of Asset Purchase Undertaking is not (or is claimed by the Company to not be) enforceable, valid, in full force and effect, or any of the Keepwell and Liquidity Support Deed or the Deed of Asset Purchase Undertaking is modified, amended or terminated other than in accordance with its terms or these Conditions.

11. **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, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking and the Agency Agreement. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer 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 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** certain proposals (including 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 change the currency of payments under the Notes, (v) to cancel or amend the terms of the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking or the Agency Agreement, in each case, otherwise than in accordance with Condition 11(b), or (vi) to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) 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, 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 or by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) *Modification and waiver*: The Trustee may, without the consent of the Noteholders, agree to any modification of these Conditions, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset 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 if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking or the Agency Agreement which is of a formal, minor or technical nature or 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, the Keepwell and Liquidity Support Deed, the Deed of Asset 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 any such authorisation, waiver or modification shall be notified to the Noteholders 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, the Agency Agreement, the Keepwell and Liquidity Support Deed or the Deed of Asset Purchase Undertaking 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) *Entitlement of the Trustee*: In the exercise of its functions, rights, powers and discretions under these Conditions, the Trust Deed, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, the Trustee will have regard to the interests of the Noteholders and Couponholders as a class and will not be responsible for any consequence for individual Noteholders or Couponholders as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

12. **Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking or the Agency Agreement, but it shall not be bound to do so unless:

(a) 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

(b) it has been indemnified and/or pre-funded and/or secured to its satisfaction.

No Noteholder or Couponholder may proceed directly against the Issuer or the Company unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

13. **Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee and any entity associated with the Trustee is entitled to enter into business transactions with the Issuer, the Company and any entity related to the Issuer or the Company without accounting for any profit.

The Trustee may rely without liability to Noteholders or to other person on a report, advice, opinion, information, confirmation or certificate from any lawyers, valuers, accountants (including the auditors, surveyors), auctioneers, brokers, 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 Company, the Trustee and the Noteholders.

The Trustee shall have no obligation to monitor whether an Event of Default, Rating Downgrade, Change of Control or Put Event has occurred, and shall not be liable to Noteholders or Couponholders or any other person for not so doing.

14. **Replacement of Notes, Certificates, Receipts, Coupons and Talons**

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer or the relevant Agent may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15. **Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes either (a) having the same terms and conditions as the outstanding notes of any Series in all respects (or in all respects save for the Issue Dates, the first Interest Payment Dates, Interest Commencement Dates (if applicable) and/or issue prices (if applicable)) and so that such additional notes shall be consolidated and form a single Series with the outstanding notes of that Series constituted by the Trust Deed or (b) upon such terms as the Issuer may determine at the time of their issue, **provided that** in the case of Registered Notes where the outstanding or additional notes were or are issued in reliance on Rule 144A under the U.S. Securities Act of 1933, as amended, such additional notes will not be consolidated and form a single Series with the outstanding notes of the relevant Series unless such additional notes are fungible with the outstanding notes of that Series for U.S. federal income tax purposes. References in these Conditions to the Notes include (unless the context requires otherwise) any other notes issued pursuant to this Condition and forming a single Series with the Notes. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes of other Series in certain circumstances where the Trustee so decides.

In the case of further Bearer Notes which are issued in accordance with the D Rules (and therefore must be initially represented by a temporary Global Note exchangeable for interests in a permanent Global Note or Definitive Notes), any consolidation of such further Bearer Notes with outstanding Bearer Notes into a single Series can only occur following the exchange of interests in the temporary Global Note for interests in the permanent Global Note or Definitive Notes upon certification of non-U.S. beneficial ownership.

16. **Notices**

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 in the Register and deemed to have been given on the fourth day after the date of mailing and, so long as the Notes are listed on any stock exchange and the rules of that stock exchange so require, duly published in a manner that complies with the rules and regulations of such stock exchange.

Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Asia and, so long as the Notes are listed on any stock exchange and the rules of that stock exchange so require, duly published in a manner that complies with the rules and regulations of such stock exchange. If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 16.

So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held (i) on behalf of DTC, 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 these Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate; or (ii) on behalf of the CMU, 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 CMU on the second business day preceding the date of dispatch of such notice as holding interests in the relevant Global Note or Global Certificate.

17. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18. **Governing Law and Jurisdiction**

(a) *Governing law*: The Notes, the Receipts, the Coupons, the Talons, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking and the Agency Agreement and any disputes or claims arising out of or in connection with any of them or their subject matter or formation (including any non-contractual disputes or claims arising out of or in connection with any of them) shall be governed by and construed with the law of England and Wales.

(b) *Jurisdiction*: The courts of Hong Kong shall have exclusive jurisdiction to settle any disputes or claims (a "**Dispute**") that may arise out of or in connection with the Notes, the Coupons, the Talons, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking and the Agency Agreement or their subject matter or formation (including any non-contractual disputes or claims) and all agreements concluded thereunder and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Coupons, the Talons, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking and the Agency Agreement and all agreements concluded thereunder ("**Proceedings**") may be brought in such courts. Each of the Issuer, the Company and the Trustee agrees that the courts of Hong Kong are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue to the contrary. Each of the Issuer, the Company and the Trustee irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts, including on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) *Service of Process*: The Company irrevocably appoints the Issuer at its registered office (currently at ICBCIL Finance Co. Limited, 13/F, Gloucester Tower, The Landmark, 15 Queen's Road, Central, Hong Kong) to receive for it or on its behalf service of process in Hong Kong. Service upon the Issuer shall be deemed valid service upon the Company, as the case may be, whether or not the process is forwarded to or received by the Company. The Company shall inform the Trustee in writing of any change in the Issuer's address, as set out in its acceptance of appointment, within 28 days of such change. If for any reason the Issuer shall cease to be able to act as agent for service of process or to have an address in Hong Kong, the Company shall forthwith appoint a new agent for service of process in Hong Kong and deliver to the Trustee a copy of the new agent's written acceptance of that appointment within 30 days of such cessation. Nothing in this paragraph shall affect the right of the Trustee to serve process in any other manner permitted by law.

(d) *Waiver of Immunity*: To the extent that the Issuer or the Company may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or the Company or their respective assets or revenues, each of the Issuer and the Company agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

DESCRIPTION OF THE KEEPWELL AND LIQUIDITY SUPPORT DEED AND THE DEED OF ASSET PURCHASE UNDERTAKING

The following contains summaries of certain key provisions of the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking. Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking. Capitalised terms used in this section shall have the meanings given to them in the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, as the case may be.

All capitalised terms that are not defined in in this section will have the meanings given to them in the Conditions and the relevant Pricing Supplement. See "Terms and Conditions of the Notes." Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in this section to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

Ownership of the Issuer; Control over ICBCIL and Primary Overseas Platform

Pursuant to the Keepwell and Liquidity Support Deed, the Company undertakes to:

(i) procure Industrial and Commercial Bank of China Limited (or its successor) to directly or indirectly own and hold 51 per cent. of the legal and beneficial title to all the outstanding shares of each of the Company and ICBCIL; and

(ii) procure that the title, rights and interests in the shares of the Issuer are not pledged or in any way encumbered other than in accordance with the Notes.

Pursuant to the Keepwell and Liquidity Support Deed, the Company undertakes with the Issuer and ICBCIL that it shall maintain ICBCIL as a primary overseas leasing platform of the Company for its offshore leasing business. In addition, the Company undertakes to maintain, or procure ICBCIL to maintain, the Issuer as a primary overseas financing platform of the Company or ICBCIL, as applicable.

Maintenance of Consolidated Net Worth and Liquidity

Pursuant to the Keepwell and Liquidity Support Deed, the Company undertakes to:

(i) procure the Issuer to have a Net Worth of at least U.S.$1 million at all times;

(ii) procure ICBCIL to have a Consolidated Net Worth of at least U.S.$1 million at all times;

(iii) procure the Issuer to have sufficient liquidity to make timely payment of any amounts payable by it under or in respect of the Notes, Coupons and Receipts in accordance with the Conditions and/or the Trust Deed and/or the Agency Agreement; and

(iv) procure the Issuer to remain solvent and a going concern at all times under the laws of its jurisdiction of incorporation or applicable accounting standards so long as any Note is outstanding.

"**Net Worth**" means, in respect of the Issuer, the excess of the total assets of the Issuer over the total liabilities of the Issuer, each of "total assets" and "total liabilities" to be determined in accordance with the Hong Kong Financial Reporting Standards consistently applied.

"**Consolidated Net Worth**" means, in respect of ICBCIL, the excess of the total assets of ICBCIL and its consolidated Subsidiaries over the total liabilities of ICBCIL and its consolidated Subsidiaries, each of "total assets" and "total liabilities" to be determined in accordance with the International Financial Reporting Standards consistently applied (which may be based upon internal management accounts).

Negative Pledge

Pursuant to the Keepwell and Liquidity Support Deed, so long as any of the Notes remain outstanding, the Company undertakes to the Trustee not to, and to procure its Principal Subsidiaries not to, create or permit to subsist any Security Interest (save for Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Public External Indebtedness or guarantee or indemnity in respect of Public External Indebtedness without at the same time or prior thereto (A) securing the Notes equally and rateably therewith or (B) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders.

Obligation to Acquire Assets

Pursuant to the Deed of Asset Purchase Undertaking, in the event that a Triggering Event has occurred, upon the receipt of a written notice (the "**Purchase Notice**") provided by the Trustee in accordance with the Trust Deed, the Company agrees that it shall purchase (either by itself or through a Subsidiary of the Company as designated by it (the "**Designated Purchaser**")) (the "**Purchase**"), and the Company agrees that it shall procure ICBCIL (or any of its Subsidiary) to sell, and the Issuer agrees that it shall sell (or procure any of its Subsidiaries to sell), to the Company:

(i) the Assets held by ICBCIL, the Issuer and/or any Subsidiary of ICBCIL or the Issuer, as designated by ICBCIL or the Issuer, as the case may be, and notified in writing to the Trustee within seven Business Days after the date of the Purchase Notice; and

(ii) in the absence of a designation and notification by ICBCIL or the Issuer within seven Business Days after the date of the Purchase Notice from the Trustee, all the Assets held by ICBCIL, the Issuer and their Subsidiaries,

(each such designated entity, a "**Relevant Transferor**") in either such case at the Purchase Price on the relevant date of completion of the Purchase (the "**Purchase Closing Date**") on the terms set out in the Deed of Asset Purchase Undertaking and the relevant Asset Purchase Agreement (as defined below).

The obligations to acquire assets set out in the Deed of Asset Purchase Undertaking shall be suspended if, the Company, ICBCIL and the Issuer receive a notice in writing from the Trustee (a "**Suspension Notice**") stating that any of the following events has occurred (each a "**Suspension Event**"):

(i) the Trustee (a) has received a notice in writing from the Paying Agent under the Notes that all of the payment obligations of the Issuer in respect of any principal, premium and interest under the Notes have been satisfied in full and (b) is satisfied that all amounts due and payable to the Trustee under the Trust Deed have been satisfied in full; or

(ii) in the event of a Liquidity Notice Failure Event (as defined below), the Trustee (a) has received a notice in writing from the Paying Agent that the payment obligations of the Issuer in respect of any principal, premium and interest under the Notes due on the Interest Payment Date, the Instalment Date or the Maturity Date, as applicable, immediately following the relevant Liquidity Notice Date (as defined below) together with any default interest due as at the date of the notice from the Paying Agent have been satisfied in full and (b) is satisfied that all amounts due and payable to the Trustee under the Trust Deed as at the date of the notice from the Paying Agent have been satisfied in full; or

(iii) in the event of an Event of Default where a Purchase Notice has been given, such Event of Default has been waived by the Trustee acting on the instructions of the Noteholders by Extraordinary Resolution.

The Suspension Notice shall be provided by the Trustee to the Company, ICBCIL and the Issuer within four Business Days after the Business Day on which a Suspension Event occurs.

"**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in the Republic of Ireland, London, Hong Kong and the PRC.

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

(i) an Event of Default; or

(ii) the Issuer's failure to provide the Trustee with a Liquidity Notice (as defined below) on or prior to the Liquidity Notice Date in accordance with its covenant described under "– Liquidity Notice" below (a "**Liquidity Notice Failure Event**").

Determination of Purchase Price

Within seven Business Days after the date of the Purchase Notice, the Company shall determine in accordance with any applicable laws and regulations effective at the time of determination (i) the purchase price of the Relevant Asset(s) in the currency of the relevant Series of the Notes (the "**Purchase Price**"); and (ii) the other applicable terms relating to the Purchase which shall not conflict with the Company's obligations in the Deed of Asset Purchase Undertaking, *provided that* the Purchase Price shall be no less than the Relevant Amount.

The Company's determination of the Purchase Price in accordance with the Deed of Asset Purchase Undertaking shall be final and binding on the parties save in the case of manifest error. Should the Company fail to make a determination of the Purchase Price within seven Business Days after the date of the Purchase Notice, the Purchase Price shall be the Relevant Amount unless the applicable laws and regulations effective at the time of determination require that the Relevant Asset(s) be purchased at a specified amount.

The Trustee has no responsibility for calculating, verifying or determining the Relevant Amount and shall not be liable to any holder of the Notes, the Issuer, ICBCIL, the Company or any other person for not doing so.

"**Relevant Amount**" means the following:

(i) if the Triggering Event is a Liquidity Notice Failure Event, an amount in the currency of the relevant Series of the Notes that is no less than the amount sufficient to enable the Issuer to meet its payment obligations under or in respect of the Notes in accordance with the Conditions and/or the Trust Deed on the immediately next Interest Payment Date, Instalment Date or Maturity Date, as applicable; or

(ii) if the Triggering Event is an Event of Default, an amount in the currency of the relevant Series of the Notes that is no less than the amount sufficient to enable the Issuer to discharge in full its obligations under the Notes and the Trust Deed (including without limitation the payment of the principal amount of the Notes then outstanding as at the date of the Purchase Notice and any interest due and unpaid and/or accrued but unpaid on the Notes up to but excluding the Purchase Closing Date), in any such case together with all costs, fees, expenses and other amounts payable to the Trustee and/or the Agents under or in connection with the Notes, the Trust Deed, the Agency Agreement, the Keepwell and Liquidity Support Deed and/or the Deed of Asset Purchase Undertaking as at the date of such Purchase Notice plus provisions for fees, costs, expenses and other amounts which may be incurred after the date of the Purchase Notice, as notified by the Trustee in the Purchase Notice.

"**Relevant Assets**" means the Assets designated by ICBCIL or the Issuer pursuant to clause (i) of the first paragraph of "Obligation to Acquire Assets" above or all the Assets held by the Issuer and its Subsidiaries pursuant to clause (ii) of the first paragraph of "Obligation to Acquire Assets" above.

Closing

The Company undertakes to the Trustee that within 30 days after the date of the Purchase Notice:

(i) it shall (or shall procure the Designated Purchaser to), and shall procure each Relevant Transferor to, execute, an asset purchase agreement (the "Asset Purchase Agreement");

(ii) it shall procure the transfer of the Relevant Assets to it or the Designated Purchaser, and

(iii) it shall make payment (or procure the payment by the Designated Purchaser) to or to the order of each Relevant Transferor the Purchase Price payable in immediately available funds in the currency of the relevant Series of the Notes to such account as may be designated by such Relevant Transferor and notified in writing to the Trustee,

provided if the Trustee receives an opinion of a PRC counsel of recognised international standing in form and substance satisfactory to the Trustee stating that under applicable PRC law as at the date of the opinion, approvals, consents, clearances or other authorisations of a PRC government authority are required for the purchase of any Relevant Asset under the Deed of Asset Purchase Undertaking, the Company undertakes to use its reasonable endeavours to obtain such approval, clearance or other authorisation and complete the completion of the Purchase within six months from (and including) the date of the Purchase Notice.

PRC counsel to the Issuer have confirmed that (i) if the assets to be purchased under the Deed of Asset Purchase Undertaking would be imported into the PRC, the relevant PRC governmental approvals or permits from PRC approval authorities, including but not limited to NDRC, Civil Aviation Administration of China, MOFCOM and the General Administration of Customs of the PRC (中華人民共和國海關總署), are required and (ii) if the purchased assets under the Deed of Asset Purchase Undertaking would not be imported into the PRC, and those assets would be leased by the Company after the purchase (falling within the ambit of the finance leasing laws in the PRC), the Company should register such lease at the local foreign exchange authority within 15 working days upon an external claim and there are no other Regulatory Approvals (as defined in the Deed of Asset Purchase Undertaking) required under the PRC laws.

Use of Proceeds

Pursuant to the Deed of Asset Purchase Undertaking:

(i) the Company undertakes to procure ICBCIL and each Relevant Transferor to promptly on-lend or otherwise transfer to the Issuer any payment (each an "**On-Loan**") received pursuant to the Deed of Asset Purchase Undertaking from the Company and to procure the Issuer to promptly apply all proceeds from each On-Loan and/or from any Asset sale by the Issuer itself pursuant to the Deed of Asset Purchase Undertaking towards satisfying its obligations under the Notes and the Trust Deed;

(ii) the Issuer undertakes to take all actions necessary for the proceeds received from each On-Loan (if any) and/or from any Asset sale by the Issuer itself towards the payment in full of any outstanding amounts as they fall due under the Trust Deed and the Notes (including any interest accrued but unpaid on the Notes); and

(iii) each of the Issuer and the Company agrees to procure that all obligations of the Issuer owing to ICBCIL or a Relevant Transferor, as the case may be, under each On-Loan shall be subordinated to sums payable and all obligations owing to the Trustee and the Noteholders by the Issuer, whether present or future, actual or contingent, and all claims, rights, damages, remedies and/or proceeds in respect of any or all of the foregoing.

Liquidity Notice

Pursuant to the Deed of Asset Purchase Undertaking, no later than 4:00 p.m. (Hong Kong time) on the date falling 30 days before each Interest Payment Date, each Instalment Date or the Maturity Date, as applicable (the "**Liquidity Notice Date**"), the Issuer shall send to the Trustee a notice in writing (the "**Liquidity Notice**"), substantially in the form set out in the Deed of Asset Purchase Undertaking, certifying, as at the date of the Liquidity Notice, that the Issuer has sufficient liquidity to meet its payment obligations under the Notes and the Trust Deed as they may fall due (together with evidence of available funding outside the PRC) and (ii) that no Event of Default or Potential Event of Default has occurred.

"**Potential Event of Default**" means an event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 10 become an Event of Default.

Other Undertakings

Pursuant to the Keepwell and Liquidity Support Deed, for so long as the Notes are outstanding:

(i) each of the Company and the Issuer undertakes to promptly take any and all action necessary to comply with their respective obligations under the Keepwell and Liquidity Support Deed;

(ii) the Company undertakes to procure the Issuer to remain in full compliance with the Conditions, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking, the Agency Agreement and all applicable rules and regulations in Hong Kong, the Ireland, the PRC and England;

(iii) the Company undertakes to ensure that the Issuer has sufficient funds to meet its obligations with respect to its payment obligations under the Notes and the Trust Deed;

(iv) the Company undertakes to procure that the articles of association of the Issuer shall not be amended in a manner that is, directly or indirectly, materially adverse to Noteholders.

Other Provisions

Neither the Keepwell and Liquidity Support Deed nor the Deed of Asset Purchase Undertaking is, and nothing therein contained and nothing done pursuant hereto by the Company shall be deemed to constitute, or shall be construed as, or shall be deemed an evidence of, a guarantee by or any legal binding obligation of the Company of the payment of any obligation, responsibilities, indebtedness or liability, of any kind or character whatsoever, of the Issuer or ICBCIL under the laws of any jurisdiction, including the PRC.

The parties hereto acknowledge that in order for each of the Issuer and the Company to comply with their respective obligations under the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, the Issuer, ICBCIL and/or the Company may require Regulatory Approvals. The Company undertakes to use its reasonable efforts to obtain such Regulatory Approvals within the time stipulated by the relevant Approval Authorities, if applicable.

A certificate signed by a director or authorised signatory of the Company as to the fact stating that the Company has used reasonable efforts to fulfil its obligations under the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, but having used such endeavours, it has not been able to fulfil its obligations under the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking and setting forth a statement of facts showing such endeavours, together with any evidence or records of communication, filings and/or submissions supporting such endeavours, and an opinion of a PRC counsel of recognised international standing, stating the applicable Regulatory Approvals under the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking and, where applicable, setting out the legal analysis as to why these cannot be obtained or are not reasonably achievable under the applicable PRC laws and regulations, shall be *prima facie* evidence of that fact.

The Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, as to which time shall be of the essence, shall be governed by and construed in accordance with English law. The courts of Hong Kong have exclusive jurisdiction to settle any dispute arising out of or in connection with the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking.

SUMMARY OF PROVISIONS RELATING TO NOTES WHILE REPRESENTED BY GLOBAL NOTES OR GLOBAL CERTIFICATES

Initial Issue of Notes

Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"). Registered Notes will not be exchangeable for Bearer Notes and vice versa. Bearer Notes will be issued only under Regulation S outside the United States to non-U.S. persons.

Bearer Notes with a term of more than 365 days (taking into account any unilateral rights to extend or rollover the term) will be issued only in compliance with the D Rules or the C Rules. Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Global Note will be deposited on or around the relevant issue date with a common depositary or sub-custodian for Euroclear, Clearstream and/or as the case may be, the CMU and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. Bearer Notes issued in compliance with the D Rules must be initially issued in the form of a Temporary Global Note. If the D Rules are specified in the relevant Pricing Supplement, any exchange of an interest in a Temporary Global Note or any payment of interest in respect of a Temporary Global Note will be made against presentation of the Temporary Global Note only to the extent that certification generally to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by the D Rules, has been received by Euroclear, Clearstream (or the relevant Lodging and Paying Agent in the case of CMU Notes) and Euroclear and/or Clearstream, as applicable, has given a like certification (based on the certifications it has received) to the Issuer or its agent. Bearer Notes with a term of more than 365 days (taking into account any unilateral rights to extend or rollover the term) that are CMU Notes will be issued under the C Rules unless at the time of issuance the CMU and the CMU Lodging and Paying Agent have in place certification procedures necessary to comply with the D Rules. 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.

The following legend will appear on all Bearer Notes that have a term of more than 365 days (taking into account any unilateral rights to extend or rollover the term) and on all receipts and interest coupons relating to such Bearer Notes:

"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 will be represented by registered Certificates, one definitive Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series or (a) in the case of Notes issued in reliance on Category 2 of Regulation S of the Securities Act (other than Notes representing the first Tranche of a given Series), a Temporary Global Certificate or (b) in the case of all other Notes, a Permanent Global Certificate, in respect of the Notes. Interests in Temporary Global Certificates will be exchangeable for interests in a Permanent Global Certificate (or if specified in the applicable pricing supplement, Definitive Notes) only after the Exchange Date and upon certification as to non-U.S. beneficial ownership. Registered Notes sold in an "offshore transaction" within the meaning of Regulation S will, subject to the temporary global certificate requirements described above, initially be represented by an Regulation S Global Certificate. Registered Notes sold in the United States to QIBs within the meaning of Rule 144A will initially be represented by a Rule 144A Global Certificate.

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream (the "**Common Depositary**") or a sub-custodian for the HKMA as operator of the CMU.

Upon the initial deposit of a Global Note with the Common Depositary or with a sub-custodian for the HKMA as operator of the CMU or upon the initial deposit of a Global Certificate in respect of, and registration of, Registered Notes in the name of (i) any nominee for Euroclear and Clearstream or (ii) the HKMA and delivery of the relevant Global Certificate to the Common Depositary or the sub-custodian for the HKMA as operator of the CMU (as the case may be), Euroclear or Clearstream or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Upon the initial deposit of a Global Certificate in respect of, and registration of, Registered Notes in the name of a nominee for DTC and delivery of the relevant Global Certificate to the Custodian for DTC, DTC will credit each participant with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with one clearing system may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with such clearing system held by such other clearing systems.

Relationship of Account holders with Clearing Systems

Save as provided in the following paragraph, each of the persons shown in the records of Euroclear, Clearstream, DTC or any other clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, DTC or such clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, DTC or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

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

Exchange

Temporary Global Notes

On and after the Exchange Date, interests, in each Temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Summary of the Programme – Selling Restrictions"), in whole, but not in part, for interest in a Permanent Global Note or the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part to the extent that certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement has been received by the Issuer for interests in a Permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a Permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

Permanent Global Notes

Interests in each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "Partial Exchange of Permanent Global Notes" below, in part for Definitive Notes:

(i) if the Permanent Global Note is held on behalf of Euroclear or Clearstream or the CMU or any other clearing system (an "**Alternative Clearing System**") and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or

(ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Trustee (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Temporary Global Certificates

Interests in a Temporary Global Certificate will be automatically exchanged in whole, but not in part, on the Exchange Date for beneficial interests in the Permanent Global Certificate deposited with registered in the name of, DTC as provided in the relevant Pricing Supplement.

Permanent Global Certificates

(a) Global Certificates cleared through Euroclear, Clearstream or CMU

If a Global Certificate will be cleared through Euroclear, Clearstream or CMU, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream or the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2 may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) if principal in respect of any Notes is not paid when due;

provided that, in the case of the first transfer of part of a holding pursuant to (i) or (ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer. Individual Certificates issued in exchange for a beneficial interest in a Global Certificate shall bear the legend applicable to such Notes as set out in "Transfer Restrictions".

(b) Global Certificates cleared through DTC

If a Global Certificate will be cleared through DTC, the following will apply in respect of transfers of Notes held in DTC. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of DTC, but will limit the circumstances in which the Notes may be withdrawn from DTC. Transfers of the holding of Notes represented by that Global Certificate pursuant to Condition 2(b) may only be made:

(i) in whole but not in part, if such Notes are held on behalf of a Custodian for DTC and if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to that Global Certificate or DTC ceases to be a "clearing agency" registered under the Exchange Act or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or

(ii) in whole or in part, with the Issuer's consent,

provided that, in the case of any transfer pursuant to (i) above, the relevant Registered Noteholder has given the relevant Registrar not less than 30 days' notice at its specified office of the Registered Noteholder's intention to effect such transfer. Individual Certificates issued in exchange for a beneficial interest in a Global Certificate shall bear the legend applicable to such Notes as set out in "Transfer Restrictions".

Partial Exchange of Permanent Global Notes

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

Delivery of Notes

On or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Trustee (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent). In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be. Global Notes and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"Exchange Date" means (i) in relation to an exchange of a Temporary Global Note to a Permanent Global Note or a Definitive Note or an exchange of a Temporary Global Certificate to a Global Certificate, the day falling after the expiry of 40 days after the issue date of the relevant Tranche of the Notes; or (ii) in relation to an exchange of a Permanent Global Note to a Definitive Note, a day falling not less than 60 days or in the case of exchange following failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Trustee is located and in the cities in which the relevant clearing systems are located.

Amendment to Conditions

The Temporary Global Notes, Permanent Global Notes, Temporary Global Certificates and Permanent Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Conditions set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Temporary Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Trustee as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 8(d) will apply to the Definitive Notes only.

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) will be made to the person whose name is entered on the relevant Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose.

Prescription

Claims against the Issuer in respect of Notes that are represented by a Global Note or a Global Certificate will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

Meetings

The holder of a Global Note or of the Notes represented by a Global Note or a Global Certificate shall (unless such Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Global Note or a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes.

Cancellation

Cancellation of any Note represented by a Global Note or Global Certificate that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Global Note or Global Certificate.

Purchase

Notes represented by a Global Note or Global Certificate may only be purchased by the Issuer or any of its respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

The Option of the Issuer

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note or Global Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain, the certificate numbers of Notes drawn in respect of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of account holders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, DTC, the CMU or any other clearing system (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note or Global Certificate may be exercised by the holder of the Global Note (in accordance with the standard procedures of the relevant clearing system) giving notice to the Trustee or (in respect of Notes represented by a Global Certificate) the Registrar or Transfer Agent or (in respect of Notes lodged with the CMU) the CMU Lodging and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the Global Note or Global Certificate to the Trustee, the relevant Registrar, a Transfer Agent or the CMU Lodging and Paying Agent (or, in each case, to a Paying Agent acting on their behalf), as the case may be, for notation.

Notices

So long as any Notes are represented by a Global Note or Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream, DTC 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 account holders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate or (ii) the CMU, 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 CMU on the second business day preceding the date of dispatch of such notice as holding interests in the relevant Global Note or Global Certificate.

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes or Global Certificates. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note or Global Certificate representing such Notes may be exchanged for an interest in a Permanent Global Note, a Permanent Global Certificate, Definitive Notes or definitive Certificates (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, "**Professional Investors**") only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme and the Notes on The Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer and the Company or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and The Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purposes of giving information with regard to the Issuer and the Company. The Issuer and the Company accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

[***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 (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**")][1]. 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.*]

[**MIFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**MiFID II product governance / Professional investors and ECPs only target market** – For the purposes of Directive EU 2014/65/EU (as amended, "**MiFID II**"), the target market in respect of the Notes is expected to be eligible counterparties and professional clients only, each as defined in MiFID II. Any person offering, selling or recommending the Notes (a "**distributor**") should take into consideration such target market; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes and determining appropriate distribution channels.]

[**Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA that the Notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 (the "**SF (CMP) Regulations**")) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).)]

[Date]

ICBCIL Finance Co. Limited (工銀國際租賃財務有限公司)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

with the benefit of a keepwell and liquidity support deed and a deed of asset purchase undertaking provided by

ICBC Financial Leasing Co., Ltd.
(工銀金融租賃有限公司)

under its US$10,000,000,000

Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of the 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 [*date*] (the "**Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular. Full information on the Issuer, the Company and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular.

[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.]

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the "**Conditions**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [*current date*], save in respect of the Conditions which are extracted from the Offering Circular dated [*previous date*] and are attached hereto.

[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 directions for completing the Pricing Supplement.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1	(i)	Issuer:	ICBCIL Finance Co. Limited (工銀國際租賃財務有限公司)

	(ii) Company:	ICBC Financial Leasing Co., Ltd. (工銀金融租賃有限公司)
2	[(i)] Series Number:	[●]
	[(ii)] Tranche Number:	
	(iii) Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/ exchange of the temporary Global Note for interests in the permanent Global Note, as referred to in paragraph [l] below, which is expected to occur on or about [date]] [Not Applicable] [*In the case of Registered Notes where either the outstanding Notes were, or additional Notes are, issued under Rule 144A, any additional Notes may only be consolidated with previously outstanding Notes if the additional Notes are fungible with the previously outstanding Notes for U.S. federal income tax purposes.*] [*In the case of further Bearer Notes which are issued in accordance with the D Rules, any consolidation of such further Bearer Notes with outstanding Bearer Notes into a single Series can only occur following the exchange of interests in the temporary Global Note for interests in the permanent Global Note or Definitive Notes upon certification of non-U.S. beneficial ownership.*]
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*] (*if applicable*)]
	[(ii)] Net proceeds:	[●]] [*Delete for unlisted issuances.*]
	[(iii)] Use of Proceeds:	[●]]
6	(i) Specified Denominations:	[●]

		(*Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).*) (*If the specified denomination is expressed to be C100,000 or its equivalent and multiples of a lower principal amount (for example C1,000), insert the additional wording as follows: "C100,000 and integral multiples of C1,000 in excess thereof up to and including C199,000. No notes in definitive form will be issued with a denomination above C199,000." In relation to any issue of Notes which are a "Global Note exchangeable to Definitive Notes" in circumstances other than in the limited circumstances specified in the Global Note, such Notes may only be issued in denominations equal to, or greater than, C100,000 (or equivalent) and multiples thereof.*)
	(ii) Calculation Amount:	[●]
7	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
8	Maturity Date:	[*Fixed rate – specify date/Floating rate – specify Interest Payment Date falling in or nearest to the relevant month and year*] (*Note that for Renminbi and Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification, it will be necessary to use the second option here.*)
9	Interest Basis:	[[●] per cent. Fixed Rate] [[*LIBOR/EURIBOR/HIBOR/CNH HIBOR/Specify*] +/-[●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*Specify other*]

		[further particulars specified below]
10	Redemption/Payment Basis:	[Redemption at par]
		[Index Linked Redemption]
		[Dual Currency Redemption]
		[Partly Paid]
		[Instalment]
		[*Specify other*]
11	Change of Interest Basis or Redemption/Payment Basis:	[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]
12	Put/Call Options:	[Investor Put Option]
		(*For as long as Bearer Notes issued in accordance with TEFRA D are represented by a temporary Global Note, an Investor Put shall not be available unless the certification required under TEFRA D with respect to non-U.S. beneficial ownership has been received by the Issuer or the Agent.*)
		[Issuer Call Option]
		[(further particulars specified below)]
13	Date of [Board] approval for issuance of Notes:	[●] [and [●], respectively]
		(Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)
	NDRC Registration:	[Insert registration certificate number and date]
14	Listing:	[Hong Kong/*specify other*/None]
		(*For Notes to be listed on the [Hong Kong Stock Exchange], 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 subparagraphs of this paragraph*)
(i)	Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/other (specify)] in arrear] (*If payable other than annually, consider amending Condition 5*)
(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] (*This will need to be amended in the case of long or short coupons*)
(iii)	Fixed Coupon Amount(s): (Applicable to Notes in definitive form)	[●] per Calculation Amount (*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 being rounded upwards in 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."*)
(iv)	Broken Amount(s): (Applicable to Notes in definitive form)	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
(v)	Day Count Fraction:	[30/360 or Actual/Actual (ICMA/ISDA) or Actual/365 (Fixed) or [*specify other*]] (*Actual/365 (Fixed) is applicable to Hong Kong dollar denominated Fixed Rate Notes and Renminbi denominated Fixed Rate Notes.*)
(vi)	Determination Date(s):	[●] 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. Only relevant where Day Count Fraction is Actual/Actual (ICMA).***]** [*This will need to be amended in the case of regular interest payment dates which are not of equal duration*]

	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/give details]
17		Floating Rate Note Provisions:	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i)	Specified Period(s)/Specified Interest Payment Dates:	[●]
	(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ [specify other]]
	(iii)	Additional Business Centre(s):	
	(iv)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/ *specify other*]
	(v)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issuing and Paying Agent):	
	(vi)	Screen Rate Determination:	
		– Reference Rate	[●] (*Either LIBOR, EURIBOR, HIBOR, CNH HIBOR or other, although additional information is required if other– including fallback provisions in the Agency Agreement*)
		– Interest Determination Dates	(*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling, Hong Kong dollar or euro LIBOR), 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:	[●]

		(*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
(vii)	ISDA Determination:	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
(viii)	Margin(s):	[+/-] [●] per cent. per annum
(ix)	Minimum Rate of Interest:	[●] per cent. per annum
(x)	Maximum Rate of Interest:	[●] per cent. per annum
(xi)	Day Count Fraction:	[Actual/Actual or Actual/Actual (ISDA)] [Actual/365(Fixed)] [Actual/365(Sterling)] [Actual/360] [30/360, 360/360 or Bond Basis] [30E/360 or Eurobond Basis] [30E/360 or Eurobond Basis] [30E/360 (ISDA)] [Other] (*See Condition 5 for alternatives*)
(xii)	Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Accrual Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(xiii)	Fallback provisions, rounding provisions 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)	Any other formula/basis of determining amount payable:	[●]
	(iv)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[●] (*Consider applicable day count fraction if not U.S. dollar denominated*)
19	Index Linked Interest Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Index Formula:	[*Give or annex details*]
	(ii)	Calculation Agent:	[●]
	(iii)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Issuing and Paying Agent):	[●]
	(iv)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[*Need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(v)	Specified Period(s)/Specified Interest Payment Dates:	[●]
	(vi)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
	(vii)	Additional Business Centre(s):	[●]

	(viii) Minimum Rate of Interest:	[●] per cent. per annum
	(ix) Maximum Rate of Interest:	[●] per cent. per annum
	(x) Day Count Fraction:	[●]
20	Dual Currency Interest 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 or annex details]
	(ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Issuing and Paying Agent):	[●]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*Need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	

Provisions Relating to Redemption

21	Issuer 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 and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/*specify other*/see Appendix]
	(iii) If redeemable in part:	[●]
	(a) Minimum Redemption Amount	[●]
	(b) Maximum Redemption Amount	[●]

	(iv)	Notice period (if other than as set out in the Conditions):	(*If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or the Trustee*)
22		Investor Put Option:	[Applicable/Not Applicable] (*In the case of Bearer Notes issued in accordance with TEFRA D and represented by a temporary Global Note exchangeable for interests in a permanent Global Note or Definitive Note, an Investor Put shall not be available unless the certification of non-U.S. beneficial ownership required under TEFRA D has been received by the Issuer or its Agent.*) (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/*specify other*/see Appendix]
	(iii)	Notice period (if other than as set out in the Conditions):	[●] (*If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying agent or the Trustee*)
23		Final Redemption Amount:	[[●] per Calculation Amount/*specify other*/see Appendix]]
24		Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[[●] per Calculation Amount/*specify other*/see Appendix]]

General Provisions Applicable to the Notes:

25	Form of Notes:	[Bearer Notes:

(Bearer Notes with a term of more than 365 days (taking into account any unilateral right to extend or rollover the term) must be issued in compliance with TEFRA C or TEFRA D. If such Bearer Notes are held through the CMU, they must be issued under TEFRA C if at the time of issuance the CMU and the CMU Lodging and Paying Agent do not have in place certification procedures necessary to comply with TEFRA D.)

(Bearer Notes that are issued in compliance with TEFRA D 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 as required under TEFRA D.)

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]

(If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "C100,000 and integral multiples of C1,000 in excess thereof up to and including C199,000 ", the temporary Global Note shall not be exchangeable on [●] days' notice.")

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]]

(Not applicable to Bearer Notes issued in compliance with TEFRA D, which 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 as required under TEFRA D.)

		[Registered Notes: Global Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Certificate]
26	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/give details] (*Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 17(iii) and 19(vii) relate*)
27	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	[Yes/No]. [If yes, give details]
28	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 of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/give details.] (*A new form of temporary Global Note and/or permanent Global Note may be required for Partly Paid issues*)
29	Details relating to Instalment Notes:	
	(i) Instalment Amount(s):	Not Applicable/*give details*]
	(ii) Instalment Date(s):	Not Applicable/*give details*]
30	Redenomination applicable:	Redenomination [not] applicable [*If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates*]
31	Other terms or special conditions:	[Not Applicable/*give details*]

Distribution

32	(i) If syndicated, names and addresses of Managers and commitments:	[Not Applicable/*give names and addresses and commitments*]
	(ii) Date of Subscription Agreement:	**[●]**
	(iii) Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]

33	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name and address*]
34	Total commission and concession:	[●] per cent. of the Aggregate Nominal Amount [Private Bank Rebate/Commission: specify] (Delete if not applicable)
35	U.S. Selling Restrictions:	[Rule 144A/Reg. S Category 2]
36	Applicable TEFRA exemption:	[TEFRA D/TEFRA C/TEFRA not applicable] *("TEFRA not applicable" is only available for Bearer Notes with a term of 365 days or less (taking into account any unilateral right to extend or rollover the term) or Registered Notes.)*
37	Additional selling restrictions:	[Not Applicable/*give details*] Operational Information

Operational Information

38	Clearing System:	[DTC/Euroclear/Clearstream/CMU/ specify]
39	Any clearing system(s) other than DTC, Euroclear or Clearstream and the relevant identification number(s):	[CMU/Not Applicable/give name(s) and number(s)]
40	Delivery:	Delivery [against/free of] payment
41	Additional Paying Agent(s) (if any):	[●]
	[CUSIP:	[●]
	ISIN:	[●]
	Common Code:	[●]
	[Temporary CUSIP:	[●]
	[Temporary ISIN:	[●]
	[Temporary Common Code:	[●] (*Temporary CUSIP, ISIN, Common Code and/or other identifying numbers are required for additional issuances of Notes in accordance with Regulation S that will be consolidated and form a single Series with earlier Tranches.*)

42	Prohibition of Sales to EEA Retail Investors	[Applicable/Not Applicable]

[[*To be inserted for offering of Notes in reliance on Rule 144A in which any of Industrial and Commercial Bank of China (Asia) Limited, ICBC Standard Bank Plc or ICBC International Securities Limited, or other entities affiliated with Industrial and Commercial Bank of China Limited, is one of the managers.*]

Compliance with United States Bank Holding Company Act

Any Dealer affiliated with Industrial and Commercial Bank of China Limited, including but not limited to, Industrial and Commercial Bank of China (Asia) Limited, ICBC Standard Bank Plc and ICBC International Securities Limited (together hereinafter referred to as "**ICBC Dealers**" and each an "**ICBC Dealer**") may not underwrite, subscribe, agree to purchase or procure purchasers to purchase Notes that are offered or sold in the United States. Notwithstanding anything to the contrary in this Agreement, each ICBC Dealer's obligations to underwrite, subscribe, agree to purchase or procure purchasers to purchase Notes under this Agreement shall be several, and ICBC Dealers shall not be obligated to, and shall not, underwrite, subscribe, agree to purchase or procure purchasers to purchase Notes that may be offered or sold by other Managers in the United States pursuant to Rule 144A. Each ICBC Dealer shall offer and sell Notes constituting part of its allotment solely outside the United States in accordance with Regulation S under the Securities Act.]

[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 and effect transactions with a view to supporting the market price of Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. 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 be ended 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.]

[Listing Application]

[*Specify if any*]

This Pricing Supplement comprises the final terms required for the issue of Notes described herein pursuant to the US$10,000,000,000 Medium Term Note Programme of ICBCIL Finance Co. Limited (工銀國際租賃財務有限公司).

Responsibility

The Issuer and the Company accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of:

ICBCIL Finance Co. Limited
(工銀國際租賃財務有限公司)

By ______________________________________
Duly authorised

ICBC Financial Leasing Co., Ltd.
(工銀金融租賃有限公司)

By ______________________________________
Duly authorised

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, DTC or the CMU (together, the "Clearing Systems") 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 neither the Issuer nor any Dealer nor the Arrangers take 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. Neither the Issuer nor 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, or payments made on account of, such beneficial ownership interests.

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

The Clearing Systems

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by the Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("**CMU Members**") of capital markets instruments ("**CMU Instruments**") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Instruments 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 is open to all members of the Hong Kong Capital Markets Association and "authorised institutions" under the Banking Ordinance (Chapter 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 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 Instruments. 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 Instruments 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 will hold that interest through the respective accounts which Euroclear and Clearstream, each have with the CMU.

DTC

DTC has advised the Issuer that it is a limited-purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds and provides asset servicing securities that its participants ("**Participants**") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. DTC is owned by a number of its direct participants ("**Direct Participants**"), which include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "Rules"), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system ("**DTC Notes**") as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the U.S. Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("**Owners**") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co, or such other nominee as may be requested by an authorised representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practise is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorised by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy). Principal and interest payments on the DTC Notes will be made to DTC. DTC's practise is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practises, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Certificate, will be legended as set forth under "Transfer Restrictions".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Beneficial Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Book-Entry Ownership

Bearer Notes

The Issuer may make applications to Euroclear and/or Clearstream for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a Temporary Global Note and/or a Permanent Global Note in bearer form without coupons may be deposited with a common depositary for Euroclear and/or Clearstream, a sub-custodian for the CMU or an Alternative Clearing System as agreed between the Issuer and the Dealer. Transfers of interests in such Temporary Global Notes or Permanent Global Notes will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream or, if appropriate, the Alternative Clearing System.

Registered Notes

The Issuer may make applications to Euroclear and/or Clearstream for acceptance in their respective book-entry systems in respect of the Notes to be represented by an Regulation S Global Certificate. The Issuer may also apply to have Notes to be represented by an Regulation S Global Certificate accepted for clearance through the CMU. Each Regulation S Global Certificate will have an International Securities Identification Number ("**ISIN**") and a Common Code. Investors in Notes of such Series may hold their interests in a Global Certificate through Euroclear, Clearstream or the CMU (if applicable).

The Issuer, and a relevant U.S. agent appointed for such purpose that is an eligible DTC participant, may make application to DTC for acceptance in its book-entry settlement system of the Registered Notes represented by a Rule 144A Global Certificate. Each such Rule 144A Global Certificate will have a CUSIP number. Each Rule 144A Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under "Transfer Restrictions". In certain circumstances, as described below in "Transfers of Registered Notes", transfers of interests in a Rule 144A Global Certificate may be made as a result of which such legend may no longer be required.

In the case of a Tranche of Registered Notes to be cleared through the facilities of DTC, the Custodian, with whom the Rule 144A Global Certificates are deposited, and DTC, will electronically record the nominal amount of the Rule 144A Notes held within the DTC system. Investors may hold their beneficial interests in a Rule 144A Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest on, each Rule 144A Global Certificate registered in the name of DTC's nominee will be to, or to the order of, its nominee as the registered owner of such Rule 144A Global Certificate. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant Rule 144A Global Certificate as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of beneficial interests in such Rule 144A Global Certificate held through such DTC participants will be governed by standing instructions and customary practises, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. Neither the Issuer nor any Paying Agent or any Transfer Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, ownership interests in any Rule 144A Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of an Regulation S Global Certificate and/or a Rule 144A Global Certificate. Individual Certificates will only be available, in the case of Notes initially represented by an Regulation S Global Certificate, in amounts specified in the applicable Pricing Supplement, and, in the case of Notes initially represented by a Rule 144A Global Certificate, in minimum amounts of US$250,000 (or its equivalent rounded upwards as agreed between the Issuer and the relevant Dealer(s)), or higher integral multiples of US$1,000, in certain limited circumstances described below.

Payments through DTC

Payments in U.S. dollars of principal and interest in respect of a Rule 144A Global Certificate registered in the name of a nominee of DTC will be made to the order of such nominee as the registered holder of such Note.

Transfers of Registered Notes

Transfers of interests in Global Certificates within Euroclear, Clearstream, the CMU and DTC will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Rule 144A Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Rule 144A Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in an Regulation S Global Certificate may only be held through Euroclear, Clearstream or the CMU. In the case of Registered Notes to be cleared through Euroclear, Clearstream or DTC, transfers may be made at any time by a holder of an interest in an Regulation S Global Certificate to a transferee who wishes to take delivery of such interest through a Rule 144A Global Certificate for the same Series of Notes provided that any such transfer made on or prior to the expiration of the distribution compliance period (as used in "Subscription and Sale") relating to the Notes represented by such Regulation S Global Certificate will only be made upon receipt by any Transfer Agent of a written certificate from Euroclear, Clearstream, as the case may be (based on a written certificate from the transferor of such interest), to the effect that such transfer is being made to a person whom the transferor, and any person acting on its behalf, reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. Any such transfer made thereafter of the Notes represented by such Regulation S Global Certificate will only be made upon request through Euroclear, Clearstream by the holder of an interest in the Regulation S Global Certificate to the Issuing and Paying Agent of details of that account at DTC to be credited with the relevant interest in the Rule 144A Global Certificate. Transfers at any time by a holder of any interest in the Rule 144A Global Certificate to a transferee who takes delivery of such interest through an Regulation S Global Certificate will only be made upon delivery to any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear, Clearstream, as the case may be, and DTC to be credited and debited, respectively, with an interest in each relevant Global Certificate.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under "Transfer Restrictions", cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear, Clearstream account holders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Issuing and Paying Agent.

On or after the Issue Date for any Series, transfers of Notes of such Series between account holders in Euroclear, Clearstream and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between account holders in Euroclear or Clearstream and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, on the other, transfers of interests in the relevant Global Certificates will be effected through the Issuing and Paying Agent, the Custodian, the relevant Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Issuing and Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream account holders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see "Transfer Restrictions".

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of Rule 144A Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Rule 144A Global Certificates are credited and only in respect of such portion of the aggregate nominal amount of the relevant Rule 144A Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Rule 144A Global Certificates for exchange for individual Certificates (which will, in the case of Rule 144A Notes, bear the legend applicable to transfers pursuant to Rule 144A).

Although Euroclear, Clearstream and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and account holders of Euroclear, Clearstream and DTC, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer, nor any Paying Agent nor any Transfer Agent will have any responsibility for the performance by Euroclear, Clearstream or DTC or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations.

While a Rule 144A Global Certificate is lodged with DTC or the Custodian, Rule 144A Notes represented by individual Certificates will not be eligible for clearing or settlement through Euroclear, Clearstream or DTC.

Individual Certificates

Registration of title to Registered Notes in a name other than the Hong Kong Monetary Authority or a depositary or its nominee for Clearstream and Euroclear or for DTC will be permitted only in the circumstances set forth in "Summary of Provisions Relating to the Notes while in Global Form – Exchange – Permanent Global Certificates". In such circumstances, the Issuer will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

(i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual Certificates; and

in the case of a Rule 144A Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual Certificates issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefore on the relevant Issue Date, which could be more than two business days following the date of pricing. Under Rule 15c6-1 of the Exchange Act, trades in the U.S. secondary market generally are required to settle within two business days ("T+2"), unless the parties to any such trade expressly agree otherwise. Accordingly, in the event that an Issue Date is more than two business days following the relevant date of pricing, purchasers who wish to trade Registered Notes in the United States between the date of pricing and the date that is two business days prior to the relevant Issue Date will be required, by virtue of the fact that such Notes initially will settle beyond T+2, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practises and, in the event that an Issue Date is more than two business days following the relevant date of pricing, purchasers of Notes who wish to trade Notes between the date of pricing and the date that is three business days prior to the relevant Issue Date should consult their own adviser.

TAXATION

The following summary of certain 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 tax advice for any holder of the Notes or any person acquiring, selling or otherwise dealing in the Notes. Persons considering the purchase of the Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of the Notes.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal 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:

(i) 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;

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

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 and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. 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:

(i) such Bearer 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

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the "**SDO**")).

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 Bearer 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 transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(i) such Registered 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

(ii) such Registered Notes constitute loan capital (as defined in the SDO).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally 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.

PRC

The following summary describes certain PRC tax consequences of ownership and disposition of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. 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.

New Enterprise Income Tax Law

Pursuant to the New Enterprise Income Tax 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 China are deemed to be PRC tax resident enterprises for the purpose of the New Enterprise Income Tax Law and are subject to enterprise income tax at the rate of 25 per cent. in respect of their worldwide taxable income. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the New Enterprise Income Tax Law and be subject to enterprise income tax at the rate of 25 per cent. on its worldwide taxable income. As at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the New Enterprise Income Tax Law. For as long as this continues to be the case, subject to the discussion below regarding value added tax, holders of the Notes 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 the Notes or any repayment of principal and payment of interest or premium made thereon.

However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the New Enterprise Income Tax Law and related implementation regulations. Pursuant to the New Enterprise Income Tax Law and its implementation regulations, any non-resident enterprise without an establishment or place of business within the PRC or whose income is not effectively connected with an establishment or place of business inside the PRC shall pay enterprise income tax at the rate of 10 per cent. on income sourced inside the PRC, unless a preferential rate is provided an applicable tax treaty or arrangement entered into between the country or region where the non-resident is established and the PRC, and such income tax will be withheld at source by the applicable PRC payer. In the case of payments to non-PRC resident individual investors, the tax may be withheld at a rate of 20 per cent.. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities, interest or gains earned by non-resident investors may be treated as income derived from sources within the PRC and subject to PRC tax and the Issuer may be required to withhold income tax from the payments of interest or redemption premium in respect of the Notes to any non-PRC resident Noteholder, and gain from the disposition of the Notes may be subject to PRC tax. The tax rate is generally 10 per cent. in the case of non-PRC enterprise Noteholders and 20 per cent. in the case of non-PRC individual Noteholders (or lower applicable treaty rate, if any). The Issuer has agreed to pay additional amounts to holders of the Notes, subject to certain exceptions, so that holders of the Notes would receive the full amount of any scheduled payment if the Issuer is required to withhold PRC taxes from payments on the Notes, as further set out in the Terms and Conditions of the Notes.

VAT

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation issued Circular 36, confirming that business tax will be completely replaced by VAT from 1 May 2016. With effect from 1 May 2016, income derived from the provision of financial services which previously was subject to business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing services within PRC will be subject to VAT. Services are generally treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. Services subject to VAT include financial services, such as the provision of loans. It is further clarified under Circular 36 that "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon.

It is not clear whether Circular 36 would be interpreted to deem the issuance of Notes by the Issuer as the provision of loans, and therefore services, provided within the PRC, which therefore the provision of financial services that could be subject to VAT. In particular, there can be no assurance that the Issuer would not be treated as a "resident enterprise" under the New Enterprise Income Tax Law or otherwise as located in the PRC for VAT purposes in which case the PRC tax authorities could take the view that holders of Notes are providing loans within the PRC because the Issuer is treated as a PRC tax resident.

In such an interpretation, the issuance of the Notes could be regarded as the provision of financial services within the PRC that is subject to VAT.

If the PRC tax authorities take the view that holders of Notes are providing loans within the PRC for VAT purposes, then holders of Notes could become subject to VAT at the rate of 6 per cent. on interest payments under the Notes. In addition, under such an interpretation holders of Notes could become subject to local levies at approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies payable on interest due to holders of Notes could be up to 6.72 per cent. Since Noteholders are located outside of the PRC, the Issuer, acting as the withholding agent in accordance with applicable law, may be required in such instance to withhold VAT and local levies from the payment of interest income to Noteholders.

Where a holder located outside of the PRC resells Notes to a buyer also located outside of the PRC, since neither buyer nor seller is located in the PRC, Circular 36 should not apply and the Issuer should not have the obligation to withhold VAT or local levies. However, there is uncertainty as to the applicability of VAT if either a seller or buyer of Notes is located within the PRC.

Circular 36 has been issued recently and remains subject to the issuance of further clarification rules and/or different interpretations by the competent tax authority. There is uncertainty as to the application of the Circular 36 in the context of the issuance of the Notes, payments thereunder, and their sale and transfer.

The Group confirms that, as at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise.

However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise or otherwise as located in the PRC for VAT purposes and as a result be required to withhold VAT (should such tax apply) from the payments of interest in respect of the Notes for any Noteholders located outside of the PRC. The Issuer has agreed to pay additional amounts to holders of the Notes, subject to certain exceptions, so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Notes.

Stamp Duty

No PRC stamp duty will be chargeable upon the issue or transfer of a Note (for so long as the register of Noteholders is maintained outside the PRC).

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating

Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

In March 2014, the then CBRC promulgated the Measures on Financial Leasing Companies (金融租賃公司管理辦法), which replaced the previous Measures on Financial Leasing Companies promulgated on 23 January 2007 by the then CBRC, which specifically targeted at financial leasing companies it regulates. The Measures on Financial Leasing Companies aimed to provide more comprehensive regulation of the rights and obligations of the parties to leasing transactions and allow more financial institutions to participate in the financial leasing industry. In particular, the New Measures (i) considerably relaxed the qualification requirements for establishing such leasing companies; (ii) permitted these leasing companies, business scope to further expand; and (iii) allowed such leasing companies to further establish their subsidiaries upon approval from the then CBRC or CBIRC. According to the 《中國銀監會辦公廳關於印發金融租賃公司專業子公司管理暫行規定的通知》promulgated by the then CBRC on 11 July 2014, financial leasing companies are allowed to establish specialised subsidiaries that operate specific financial leasing businesses in the free trade zone and tax free zone in the PRC or abroad.

Under the Measures on Financial Leasing Companies, the promoter of a financial leasing company shall stipulate in the articles of association of the financial leasing company that if the financial leasing company has difficulties meeting payment obligations, the promoter will provide liquidity support. Furthermore, the promoter shall promptly inject capital when the financial leasing company's operating losses erode its capital. The new rules create a more favourable environment for competent financial leasing companies, and at the same time require more support by the promoters of the leasing business.

On 10 January 2014, SAFE released a Notice on Further Improving and Adjusting Regulation on Capital Item Foreign Exchange Management (關於進一步改進和調整資本項目外匯管理政策的通知), respectively. This Notice relaxed the foreign exchange regulation over financial leasing companies by (i) only requiring such companies to register their overseas claims after the occurrence of such claims; (ii) lifting the quote limitation on entering into offshore financial leasing transactions (which is replaced by a post-signing filing procedure); and (iii) allowing for direct remittance and settlement with banks.

Based on the business licence and the financial licence of the Company, the Company is permitted to engage in inter-bank lending and borrowing business.

On 1 September 2015, the General Office of the State Council promulgated the Guiding Opinion on Promoting the Healthy Development of Financial Leasing Industry (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), which is intended to promote the development of the financial leasing industry, encourage involvement of private capital in the financial leasing industry and strengthen the financial leasing companies' core competitiveness. In addition, it also encourages financial leasing enterprises to establish more specialised subsidiaries in the free trade zone to improve their service quality, simplifies the registration process of transactions to benefit the financial leasing enterprises, and improves the ship registration system to promote the development of the shipping financial leasing industry.

In order to promote issuance of offshore debts and facilitate cross-border financing activities, NDRC issued the NDRC Notice on 14 September 2015. In accordance with the NDRC Notice, if any onshore entity, any offshore branch of any onshore entity or any offshore entity which is controlled by any onshore entity is going to issue any offshore debt (including bond or mid-term or long-term loan), and the terms of such debt is more than one year, it is required to (1) provide an application to NDRC for registration of such offshore debt before the issuance of such offshore debt and (2) report the issuance information to the NDRC within 10 business days after the completion of such issuance.

On 7 June 2016, NDRC further reformed its administration of foreign debt and established a pilot programme under which the Company may choose the time of bond issue at its own discretion up to the annual quota of foreign debt granted by NDRC each year and are not required to effect NDRC pre-issuance registration, provided that they shall still complete the NDRC post-issuance notification within 10 business days after issuance.

In addition, the establishment of the Shanghai Free Trade Zone also provided a series of tax preferences, registered capital relaxation and other special treatment to financial leasing companies. Its policy on financial leasing companies is believed to be a spotlight of the free trade zone area.

The Company believes that the steps taken by the PRC government above illustrate the government's support for the financial leasing industry in further developing this sector. In addition, the reform and decentralisation process of the PRC government is likely to give rise to further business opportunities for financial leasing companies. For example, the Notice on the Credit Asset Securitisation Registration Workflow Notification (關於信貸資產證券化備案登記工作流程通知) promulgated by the then CBRC in 2014 and the People's Bank of China Announcement on Matters relating to Administration of the Issuance of Credit Asset-Backed Securities ([2015] No. 7) (中國人民銀行公告(2015)第7號 – 關於信貸資產支持證券發行管理有關事宜的公告) promulgated by the PBOC in 2015 have reformed the asset securitisation process by replacing the approval process with a registration procedure, which means projects no longer need to be approved on a case-by-case basis. The PBOC and the then CBRC or CBIRC have also lowered the entry requirements for financial leasing companies to issue bonds.

PRC CURRENCY CONTROLS

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. On 1 July 2009, the PRC government promulgated Measures for the Administration of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (跨境貿易人民幣結算試點管理辦法) (the "Measures") and its implementation rules, pursuant to which designated and eligible enterprises are allowed to settle their cross-border trade transactions in Renminbi. Since July 2009, subject to the Measures and its implementation rules, the PRC has commenced a scheme pursuant to which Renminbi may be used for settlement of cross-border trade 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. On 17 June 2010, 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), pursuant to which (i) the list of designated pilot districts was expanded to cover 18 provinces including Beijing, Shanghai, Tianjin, Chongqing, Guangdong, Jiangsu, Zhejiang, Liaoning, Shandong and Sichuan, and (ii) the restriction on designated offshore districts was lifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle any current account items between them (except in the case of payments for exports of goods from the PRC, such Renminbi remittance may only be effected by approved pilot enterprises in 16 provinces within the designated pilot districts in the PRC). On 23 August 2011, the PRC government promulgated the Circular on the Expansion of the Regions of Renminbi Settlement of Cross-Border Trades (關於擴大跨境貿易人民幣結算地區的通知), pursuant to which the list of designated pilot districts was expanded to the whole country. On 3 February 2012, the PRC government promulgated the Circular on the Relevant Issues Pertaining to Administration over Enterprises Engaging in RMB Settlement of Export of 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), pursuant to which any enterprises in China which are qualified to engage in import and export trade are allowed to settle their goods export trade in Renminbi. On 20 January 2015, the SAFE issued Notice on the Pilot Scheme of Cross-border Foreign Exchange Payment Services Provided by Payment Institutions (關於開展支付機構跨境外匯支付業務試點的通知), which facilitates domestic institutions and individuals to carry out e-commerce trade through the internet, standardises the cross-border foreign exchange payment services provided by payment institutions, and prevents the risk of cross-border capital flows through the internet channel.

The Measures and the subsequent circulars will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practises in applying the Measures 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.

Capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are generally 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 item payments including proceeds from liquidation, transfer of shares, reduction of capital and principal repayment under foreign debt to foreign investors in a foreign currency. That said, the relevant PRC authorities may approve a foreign entity to make a capital contribution or shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may also be required to complete registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On 7 April 2011, SAFE promulgated the Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi (國家外匯管理局綜合司關於規範跨境人民幣資本項目業務操作有關問題的通知) (the "**SAFE RMB Circular**"), which became effective on 1 May 2011. According to the SAFE RMB Circular, in the event that foreign investors intend to use cross-border Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of non-PRC residents) to make contributions to an onshore enterprise or make payment for the transfer of an equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the prior written consent of the competent commerce authority to the relevant local branches of SAFE of such onshore enterprise and register for a foreign-invested enterprise status. Further, the SAFE RMB Circular clarifies that the foreign debts borrowed, and the external guarantee provided, by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and external guarantee regime.

On 3 December 2013, the MOFCOM promulgated the MOFCOM RMB FDI Circular which became effective on 1 January 2014. Pursuant to the MOFCOM RMB FDI Circular, the proceeds from foreign direct investment in Renminbi may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investment in PRC domestic listed companies under the PRC strategic investment regime with the approval of the MOFCOM pursuant to the Administrative Measures for Strategic Investment by Foreign Investors in Listed Companies (外國投資者對上市公司戰略投資管理辦法).

On 3 June 2011, the PBOC promulgated the Circular on Clarifying Issues concerning Cross-border Renminbi Settlement (中國人民銀行關於明確跨境人民幣業務相關問題的通知) (the "**PBOC Circular**"). The PBOC Circular provides instructions to local PBOC authorities on procedures for the approval of settlement activities for non-financial Renminbi foreign direct investment into the PRC. The PBOC Circular applies to all non-financial Renminbi foreign direct investment into the PRC, and includes investment by way of establishing a new enterprise, acquiring an onshore enterprise, transferring the shares, increasing the registered capital of an existing enterprise, or providing loan facilities in Renminbi. The domestic settlement banks of foreign investors or foreign invested enterprises in the PRC are required to submit written applications to the relevant local PBOC authorities which include, *inter alia*, requisite approval letters issued by the relevant MOFCOM authorities. The PBOC Circular only applies to cases where the receiving onshore enterprise is not a financial institution.

On 13 October 2011, the PBOC issued the PBOC RMB FDI Measures, to commence the PBOC's detailed RMB FDI administration system, which covers almost all aspects of RMB FDI, including capital injection, payment of purchase price in the acquisition of PRC domestic enterprises, repatriation of dividends and distribution, as well as RMB denominated cross-border loans. Under the PBOC RMB FDI Measures, special approval for RMB FDI and shareholder loans from the PBOC which was previously required by the PBOC Circular is no longer necessary. On 14 June 2012, the PBOC further issued the implementing rules for the PBOC RMB FDI Measures. The PBOC RMB FDI Measures and its implementing rules were further amended on 5 June 2015.

On 5 July 2013, the PBOC promulgated the 2013 PBOC Circular which simplifies the operating procedures on current account cross-border Renminbi settlement, provision of Renminbi outbound loans and Renminbi cross-border security in favour of offshore entities by onshore non-financial institutions, and further published policies with respect to bank card related cross-border Renminbi clearing and issuance of offshore Renminbi bonds by onshore non-financial institutions. The 2013 PBOC Circular intends to improve the efficiency of cross-border Renminbi settlement and facilitate the use of cross-border Renminbi settlement by banks and enterprises.

On 19 November 2012, the SAFE promulgated the Circular on Further Improving and Adjusting the Foreign Exchange Administration Policies on Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知) (the "**SAFE Circular on DI**"), which became effective on 17 December 2012 and further amended on 4 May 2015. According to the SAFE Circular on DI, the SAFE removes or adjusts certain administrative licencing items with regard to foreign exchange administration over direct investments to promote investment, including, but not limited to, the abrogation of SAFE approval for opening of and payment into foreign exchange accounts under direct investment accounts, the abrogation of SAFE approval for reinvestment with legal income generated within China of foreign investors, the simplification of the administration of foreign exchange reinvestments by foreign investment companies, and the abrogation of SAFE approval for purchase and external payment of foreign exchange under direct investment accounts.

There is no assurance that the PRC government will continue to gradually liberalise controls over cross-border Renminbi remittance in the future, that the pilot scheme introduced in July 2009 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 funds cannot be repatriated outside the PRC in Renminbi, the Company will need to source Renminbi offshore to finance its obligations under the Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

SUBSCRIPTION AND SALE

Dealer Agreement

Subject to the terms and on the conditions contained in the Dealer Agreement dated on or about 7 October 2015 (as may be supplemented, amended and/or restated from time to time) (the "**Dealer Agreement**") between the Issuer, the Company, the Arrangers and the Permanent Dealers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers as at the date of the Dealer Agreement. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are severally underwritten by two or more Dealers.

The Issuer, failing which the Company, will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer, failing which the Company, will reimburse each Arranger for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

Each of the Issuer and the Company 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.

The Arrangers, the Dealers or any of their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**") and may have performed certain Banking Services or Transactions for the Issuer, the Company and/or their affiliates from time to time for which they have received customary fees and expenses and may, from time to time, perform various Banking Services and/or Transactions for the Issuer, the Company and/or its affiliates in the ordinary course of the Issuer's or the Company's or their business for which they have received and will receive, fees and expenses. The Dealers or certain of their respective affiliates may purchase the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution.

If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Dealers or any affiliate of the Dealers is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealers or such affiliate on behalf of the Issuer in such jurisdiction.

In connection with the offer and sale of the Notes, the Issuer, the Arrangers, 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, 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 Arrangers, 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 the Market Generally – 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". The Issuer, the Arrangers and the Dealers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors.

In the ordinary course of their various business activities, the Arrangers, the Dealers and their respective affiliates make or hold 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. Such investment and securities activities may involve securities and instruments of the Issuer, including the Notes, and could adversely affect the trading prices of the Notes. The Arrangers, the Dealers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments.

Selling Restrictions

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

United States

Compliance with United States securities laws

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 except in certain transactions exempt from the registration requirements of the Securities Act. Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell within the United States or to, or for the account or benefit of, U.S. persons. In addition, until 40 days after the commencement of the offering, 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. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are being offered and sold outside the United States in reliance on Regulation S. 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 has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. 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, other than those persons, if any, retained to advise such non-U.S. person with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of their contents to any such U.S. person or other person within the United States, other than those persons, if any, retained to advise such non-U.S. person, is prohibited.

The Dealer Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Registered Notes within the United States only to QIBs in reliance on Rule 144A. Under the Dealer Agreement, a supplemental offering circular to this Offering Circular (together with this Offering Circular, the "**Rule 144A Offering Circular**") shall be prepared by the Issuer for use in connection with the offer and sale of the Notes for the resale of the Notes in the United States in reliance on Rule 144A. The Rule 144A Offering Circular, if applicable, does not constitute an offer to any person in the United States or to any U.S. person, other than any QIB to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. If the Rule 144A Offering Circular is prepared, distribution of the Rule 144A Offering Circular by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of their contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

Compliance with United States tax laws

Notes in bearer form having a maturity of more than one year 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 or for the account or benefit of a United States person, except in certain transactions permitted by U.S. tax regulations. Restrictions with respect to Notes in bearer form are described further below.

Unless the Pricing Supplement or the Subscription Agreement relating to one or more Tranches specifies that the applicable TEFRA exemption is either the "C Rules" or "not applicable", each Dealer has represented and agreed in relation to each Tranche of Notes in bearer form:

(i) except to the extent permitted under U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "Code")) (the "D Rules"):

  (a) it has not offered or sold, and during a 40-day restricted period shall not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person; and

  (b) it has not delivered and shall not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;

(ii) it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form 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 D Rules;

(iii) if it is a United States person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it shall only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code); and

(iv) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, it either (a) repeats and confirms the representations contained in sub-paragraphs (i), (ii) and (iii) on behalf of such affiliate or (b) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations contained in sub-paragraphs (i), (ii) and (iii); and

(v) that it has not and agrees that it will not enter into any written contract (other than a confirmation or other notice of the transaction) pursuant to which any other party to the contract (other than one of its affiliates or another Dealer) has offered or sold, or during the restricted period will offer or sell, any Notes, except where pursuant to the contract the Dealer has obtained or will obtain from that party, for the benefit of the Issuer and the several Dealers, the representations contained in, and that party's agreement to comply with, the provisions of clauses (i), (ii), (iii) and (iv).

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code, as amended, and regulations thereunder, including the D Rules.

To the extent that the Pricing Supplement or the Subscription Agreement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is under U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the "C Rules"), Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer has represented and agreed that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. Further, in connection with their original issuance of Notes in bearer form, it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions or otherwise involve its U.S. office in the offer or sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder, including the C Rules.

Each issuance of index-, commodity-or currency-linked Notes shall be subject to such additional U.S. selling restrictions as the relevant Dealer(s) shall agree with the Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each relevant Dealer has agreed that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

European Economic Area

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 and agreed, and each further Dealer appointed under the Programme will be required to represent 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 Notes which are the subject of the offering contemplated by the Offering Circular as completed by the final 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 Notes to the public in that Relevant Member State:

(i) 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;

(ii) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(iii) 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

(iv) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in paragraphs (ii) to (iv) 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 the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression ''Prospectus Directive'' means Directive 2003/71/EC (and amendments, including by Directive 2010/73/EU) and includes any relevant implementing measure in each Relevant Member State.

Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the ''Prohibition of Sales to EEA Retail Investors'' as ''Not Applicable'', each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and 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 Directive 2014/65/EU (as amended, ''**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**''); 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 the Notes.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(i) in relation to any Notes which have a maturity of less than one year, (a) 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 (b) it has not offered or sold and will not offer or sell any Notes other than 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 where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(ii) 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; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Ireland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) it will not underwrite the issue of, or place the Notes, otherwise than in conformity than with the provisions of S.I. No. 60 of 2007, European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1603) (as amended), including, without limitation, Regulations 7 and 152 thereof and the provisions of the Investor Compensation Act 1998;

(ii) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942 – 2014 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;

(iii) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/7 1/EC) Regulations 2005 (as amended) and any rules issued under Section 1363 of the Companies Act 2014 by the Central Bank of Ireland;

(iv) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Irish Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued under Section 1370 of the Companies Act 2014 by the Central Bank of Ireland;

(v) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Companies Act 2014; and

(vi) any issue of the Notes with a legal maturity of less than one year will be carried out in strict compliance with the Central Bank of Ireland's implementation notice for credit institutions BSD C 01/02 of 12 November 2002 (as may be amended, replaced or up-dated) and issued pursuant to Section 8(2) of the Irish Central Bank Act, 1971 (as amended).

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) 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 Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**Securities and Futures Ordinance**") other than (a) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (b) 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 Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) 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, in each case 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 Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). 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 offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), 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.

PRC

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 offered or sold and will not offer or sell any of the Notes in the PRC (for such purposes, not including Hong Kong, Macau SAR or Taiwan) or to residents of the PRC unless such offer or sale is made in compliance with all applicable laws and regulations of the PRC.

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 "Financial Instruments and Exchange Act").

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 or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan.

In relation to the Notes, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(i) it will not underwrite the issue of, or place the Notes, otherwise than in conformity than with the provisions of S.I. No. 60 of 2007, European Communities (Markets in Financial Instruments) Regulations 2007, including, without limitation, parts 6, 7 and 12 thereof and the provisions of the Investor Compensation Act 1998;

(ii) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942 – 2014 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;

(iii) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/7 1/EC) Regulations 2005 (as amended) and any rules issued under Section 51 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Central Bank of Ireland;

(iv) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Irish Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued under Section 34 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank of Ireland;

(v) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Companies Acts 1963 to 2013; and

(vi) any issue of the Notes with a legal maturity of less than one year will be carried out in strict compliance with the Central Bank of Ireland's implementation notice for credit institutions BSD C 01/02 of 12 November 2002 (as may be amended, replaced or up-dated) and issued pursuant to Section 8(2) of the Irish Central Bank Act, 1971 (as amended).

Taiwan

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(i) The Notes have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan and/or other regulatory authority of Taiwan pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan or relevant laws and regulations that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or other regulatory authority of Taiwan; and

(ii) No person or entity in Taiwan has been authorised to offer or sell the Notes in Taiwan.

Cayman Islands

Each Dealer has represented 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 on behalf of the Issuer to the public in the Cayman Islands or a natural person who is a Cayman 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 Cayman Islands, except as otherwise permitted by Cayman Islands law. The Offering Circulars do not constitute, and there will not be, an offering of the Notes to any person in the Cayman Islands.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are "accredited investors", as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are "permitted clients", as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering circular (including any amendment or supplement thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

LEGAL MATTERS

Certain matters in connection with this offering as to English law, U.S. federal law and Hong Kong law will be passed upon for the Company by Linklaters. Certain matters in connection with this offering as to English law and U.S. federal law will be passed upon for the Dealers by Clifford Chance. Certain matters in connection with this offering as to PRC law will be passed upon for the Company by JunHe LLP and for the Dealers by Deheng Law Offices. Certain matters in connection with this offering as to Irish law will be passed upon for the Company by Arthur Cox.

INDEPENDENT PUBLIC ACCOUNTANTS

The Group Audited Financial Statements for the years ended 31 December 2015, 2016 and 2017 have been audited by KPMG Huazhen, the independent auditor of the Company. The Issuer Financial Statements have been audited for the years ended 31 December 2015, 2016 and 2017 have been audited by KPMG.

The Group Interim Financial Statements for the six months ended 30 June 2017 and 2018 have been reviewed but not audited by KPMG Huazhen, the independent auditor of the Company. The Issuer Interim Financial Statements for the six months ended 30 June 2017 and 2018 have been reviewed by KPMG.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The consolidated financial statements of the Group included in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Group. The Company 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 Company, 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, there is no assurance 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 Group, the terms of the offering and other disclosure contained herein. Each investor should consult its own professional advisers for an understanding 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.

Related Party Disclosures

Under PRC GAAP, state owned enterprises are not considered as related parties only because they are controlled by the state; therefore, such transactions are not required to be disclosed as related party transactions. IFRS however provides for a partial exemption so differences are minor.

GENERAL INFORMATION

1. **Clearing Systems**: The Notes may be accepted for clearance through the Euroclear and Clearstream systems (which are the entities in charge of keeping the records). In addition, the Issuer may make an application for any Restricted Notes to be accepted for trading in book-entry form by DTC Acceptance by DTC of such Notes will be confirmed in the relevant Pricing Supplement. The Issuer may also apply to have Notes accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. The relevant ISIN, the Common Code the CUSIP number and (where applicable) the identification number for any other relevant clearing system for each series of Notes will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be set out in the relevant Pricing Supplement. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream is 42 Avenue JF Kennedy, L-1855 Luxembourg and the address of DTC is 55 Water Street, New York, New York 10041. The address of any alternative clearing system will be specified in the relevant Pricing Supplement.

2. **Authorisations**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment and update of the Programme and the issue of this Offering Circular. The establishment of the Programme and the update of the Programme and the issue of Notes thereunder have been duly authorised by a resolution of the Board of Directors of the Issuer dated 29 September 2015 and 20 April 2018, respectively. The Company has obtained all necessary consents, approvals and authorisations in connection with the entry into of the Trust Deed, the Agency Agreement, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking and the entry into the transaction documents in connection with the Programme was authorised by meeting minutes of the Capital and Business Management Committee of the Company passed on 11 April 2018 which was approved by the Chief Executive Officer of the Company on 16 April 2018. PRC counsel to the Company and the Dealers have advised that no approvals or consents are required from any regulatory authorities or other relevant authorities in the PRC for the Company to enter into the Trust Deed, the Keepwell Deed and Liquidity Support and the Deed of Asset Purchase Undertaking. ICBCIL has obtained all necessary consents, approvals and authorisations in connection with the entry into of the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking and the entry into the transaction documents in connection with the Notes was authorised by meetings of the board of directors of ICBCIL passed on 24 September 2015, 12 April and 17 April 2018, respectively.

3. **NDRC Registration**: With respect to each Tranche of the Notes, registration will be completed, or application to registration will be made, by the Issuer and the Company in accordance with the NDRC Notice as set forth in the applicable Pricing Supplement. After issuance of each Tranche of the Notes, the Issuer and the Company shall report the issuance information to the NDRC within 10 business days after the completion of each such issuance.

4. **No Material Adverse Change**: Except as disclosed in this Offering Circular, there has been no material adverse change since 31 December 2017 in the financial or trading position, prospects or results of operations of the Issuer or the Group.

5. **Litigation**: Except as disclosed, none of the Issuer, the Company or any member of the Group is involved in any litigation or arbitration proceedings, which the Issuer, the Company or the Group, as the case may be, believes are material in the context of the Notes and, so far as the Issuer or the Company is aware, no such litigation or arbitration proceedings are pending or threatened.

6. **Listing**: Application has been made to the Hong Kong Stock Exchange for the listing of the Programme under which the Notes may be issued by way of debt issues to Professional Investors

only for 12 months after 25 February 2019, as described in this Offering Circular. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and if so, on which stock exchange(s). Notes to be listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies).

7. **Available Documents**: As long as any Note is outstanding, copies of the following documents will be available for inspection during normal business hours at the specified office of the Principal Paying Agent:

(a) constitutional documents (or equivalent) of the Issuer, ICBCIL and the Company;

(b) copies of (i) the Group Financial Statements and (ii) the Issuer Financial Statements;

(c) the Amended and Restated Agency Agreement;

(d) the Amended and Restated Trust Deed;

(e) the Amended and Restated Keepwell and Liquidity Support Deed; and

(f) the Deed of Asset Purchase Undertaking.

Asset purchases under the Deed of Asset Purchase Undertaking: PRC counsel to the Dealers and the Issuer have confirmed that (i) if the assets to be purchased under the Deed of Asset Purchase Undertaking would be imported into the PRC, the relevant PRC governmental approvals or permits from PRC approval authorities, including but not limited to NDRC, Civil Aviation Administration of China, MOFCOM and the General Administration of Customs of the PRC (中華人民共和國海關總署), are required and (ii) if the purchased assets under the Deed of Asset Purchase Undertaking would not be imported into the PRC, and those assets would be leased by the Company after the purchase (falling within the ambit of the finance leasing laws in the PRC), the Company should register such lease at the local foreign exchange authority within 15 working days upon an external claim and there are no other Regulatory Approvals (as defined in the Deed of Asset Purchase Undertaking) required under the PRC laws.

8. **Certain Changes to Accounting Policies**: The Group has adopted certain new financial instrument accounting standards including those on impairment from 1 January 2018. Please refer to note (37) to the Group's 2017 audited financial statements for details.

INDEX TO FINANCIAL STATEMENTS

ICBC FINANCIAL LEASING CO., LTD.

FINANCIAL STATEMENTS FOR THE PERIOD
FROM 1 JANUARY 2018 TO 30 JUNE 2018

REVIEW REPORT

To the board of directors of ICBC Financial Leasing Co., Ltd.

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

Introduction

We have reviewed the accompanying consolidated financial statements of ICBC Financial Leasing Co., Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 1 to 46, which comprise the consolidated and the Company's balance sheets as at 30 June 2018, the consolidated and the Company's income statements, the consolidated and the Company's cash flow statements, the consodilated and the Company's statements of changes in equity for the six month period then ended, and explanatory notes. The directors are responsible for the preparation and presentation of interim financial report in accordance with Accounting Standard for Business Enterprises No. 32, *Interim Financial Reporting*.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 *International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the International Auditing and Assurance Standards Board. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially lesser in scope than an audit conducted in accordance with International 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with Accounting Standard for Business Enterprises No.32, *Interim Financial Reporting*.

Certified Public Accountants
8th Floor, Tower E2, Oriental Plaza
1 East Chang An Avenue
Beijing 100738, China
12 September 2018

ICBC FINANCIAL LEASING CO., LTD.
Consolidated balance sheet and balance sheet
As at 30 June 2018
(In RMB '000, unless otherwise stated)

		The Group		*The Company*	
	Note III	*30 June 2018*	*31 December 2017*	*30 June 2018*	*31 December 2017*
Assets					
Cash at bank and on hand	*1*	21,806,284	11,954,657	20,642,321	11,130,055
Deposit with the central bank	*2*	17,853	20,325	17,853	20,325
Prepayments	*3*	7,519,223	3,047,126	7,519,223	3,047,126
Finance lease receivables	*4*	97,862,333	104,808,112	86,444,408	92,772,512
Long-term equity investments	*5*	-	-	11,200	10,500
Fixed assets	*6*	39,436,201	37,935,159	917,254	934,784
Construction in progress	*7*	11,534,528	8,790,681	11,534,528	8,790,681
Intangible assets	*8*	14,817	15,745	14,817	15,745
Deferred income tax assets	*9*	690,960	496,658	690,858	479,776
Other assets	*10*	2,804,813	2,672,011	30,141,260	29,084,158
Total assets		181,687,012	169,740,474	157,933,722	146,285,662

The notes on pages 11 to 46 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Consolidated balance sheet and balance sheet (continued)
As at 30 June 2018
(In RMB '000, unless otherwise stated)

		The Group		The Company	
	Note III	*30 June 2018*	*31 December 2017*	*30 June 2018*	*31 December 2017*
Liabilities and owner's equity					
Liabilities					
Borrowings	*11*	123,682,518	114,427,545	107,742,068	98,093,954
Repurchase agreements	*12*	25,104,271	22,357,274	23,979,946	21,135,936
Advances from customers	*13*	2,314,824	2,177,075	1,826,642	1,734,971
Long-term payables	*14*	2,948,411	3,117,446	-	-
Employee benefits payable	*15*	206,700	190,288	206,700	190,288
Taxes payable	*16(3)*	415,142	308,731	140,045	129,661
Security deposit payable	*17*	244,004	261,549	140,004	166,212
Other payables	*18*	1,819,921	2,312,164	1,822,588	2,615,728
Total liabilities		156,735,791	145,152,072	135,857,993	124,066,750

The notes on pages 11 to 46 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Consolidated balance sheet and balance sheet (continued)
As at 30 June 2018
(In RMB '000, unless otherwise stated)

		The Group		The Company	
	Note III	*30 June 2018*	*31 December 2017*	*30 June 2018*	*31 December 2017*
Liabilities and owner's equity (continued)					
Owner's equity					
Paid-in capital	*19*	18,000,000	11,000,000	18,000,000	11,000,000
Other comprehensive income	*20*	(118,158)	20,093	-	-
Surplus reserve	*21*	1,427,329	1,427,329	1,122,114	1,122,114
General reserve	*22*	2,750,042	2,750,042	2,550,260	2,550,260
Retained earnings		2,892,008	9,390,938	403,355	7,546,538
Total owner's equity		24,951,221	24,588,402	22,075,729	22,218,912
Total liabilities and owner's equity		181,687,012	169,740,474	157,933,722	146,285,662

Chairman	Deputy Chief Financial Officer	General Manager of Finance Department	(Company stamp)
Zhao, Gui Cai	Chen, Chang	Wu, Li Yong	

The notes on pages 11 to 46 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Consolidated income statement and income statement
For the period ended 30 June 2018
(In RMB '000, unless otherwise stated)

		The Group		The Company	
	Note III	Jan - Jun 2018	Jan - Jun 2017	Jan - Jun 2018	Jan - Jun 2017
Net interest (expense) / income					
Interest income	23	2,559,734	2,790,970	2,674,893	2,944,501
Interest expense	23	(2,607,803)	(2,341,007)	(2,292,919)	(2,069,136)
		(48,069)	449,963	381,974	875,365
Net operating lease income / (expense)					
Operating lease income	24	1,675,489	1,628,310	17,459	9,745
Operating lease expense	24	(761,562)	(683,549)	(18,484)	(17,008)
		913,927	944,761	(1,025)	(7,263)
Net fee and commission income					
Fee and commission income	25	288,122	313,974	288,026	313,696
Fee and commission expense	25	(71,523)	(118,790)	(52,696)	(50,238)
		216,599	195,184	235,330	263,458
Investment income		17,842	86,232	17,842	86,232
Losses from changes in fair value		-	(70,581)	-	(70,581)
Exchange gains / (losses)		68,461	(97,617)	28,686	(94,847)
Other income	26	299,714	222,618	68,046	1,000
Operating income		1,468,474	1,730,560	730,853	1,053,364
Taxes and surcharges	27	(46,458)	(38,538)	(15,890)	(10,085)
Operating and administrative expenses	28	(183,295)	(161,707)	(181,951)	(161,645)
Impairment reversals / (losses)	29	49,292	(254,282)	32,935	(271,857)
Operating expenses		(180,461)	(454,527)	(164,906)	(443,587)
Operating profit		1,288,013	1,276,033	565,947	609,777
Add: Non-operating income		10	2,351	10	98
Less: Non-operating expenses		-	(1,450)	-	(1,384)
Profit before income tax		1,288,023	1,276,934	565,957	608,491
Less: Income tax expenses	30	(324,795)	(262,759)	(142,839)	(119,740)
Net profit for the period		963,228	1,014,175	423,118	488,751

The notes on pages 11 to 46 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Consolidated income statement and income statement (continued)
For the period ended 30 June 2018
(In RMB '000, unless otherwise stated)

		The Group		*The Company*	
	Note III	*Jan - Jun 2018*	*Jan - Jun 2017*	*Jan - Jun 2018*	*Jan - Jun 2017*
Other comprehensive income for the period					
Other comprehensive income that may be reclassified to profit or loss					
Translation differences arising on translation of foreign currency financial statements		(138,251)	(48,329)	-	-
Total comprehensive income for the period		824,977	965,846	423,118	488,751

The notes on pages 11 to 46 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Consolidated cash flow statement and cash flow statement
For the period ended 30 June 2018
(In RMB ’000, unless otherwise stated)

	Note III	The Group Jan - Jun 2018	The Group Jan - Jun 2017	The Company Jan - Jun 2018	The Company Jan - Jun 2017
1. Cash flows from operating activities					
Net decrease in financial lease receivables and prepayments		869,539	-	105,482	-
Cash received from interest, fee and commission		2,790,397	3,126,149	2,582,199	2,964,015
Cash received from operating lease income		1,645,443	1,618,026	48,949	16,500
Net increase in repurchase agreements		2,746,997	8,164,167	2,844,010	7,906,740
Net increase in short-term borrowings		8,901,380	-	10,143,816	-
Net decrease in deposit with the central bank		2,472	4,933	2,472	4,933
Cash received relating to other operating activities		951,272	2,431,364	121,103	3,098,826
Sub-total of cash inflows		17,907,500	15,344,639	15,848,031	13,991,014
Net increase in financial lease receivables and prepayments		-	(9,858,431)	-	(10,851,497)
Net decrease in short-term borrowings		-	(2,856,818)	-	(2,669,634)
Cash paid for interest on short-term borrowings, fee and commission		(2,343,525)	(2,139,742)	(2,210,272)	(2,072,269)
Cash paid to and for employees		(109,434)	(165,053)	(109,434)	(165,053)
Cash paid for all types of taxes		(381,250)	(615,394)	(250,611)	(359,074)
Cash paid relating to other operating activities		(222,760)	(147,028)	(143,732)	(85,751)
Sub-total of cash outflows		(3,056,969)	(15,782,466)	(2,714,049)	(16,203,278)
Net cash inflow / (outflow) from operating activities		14,850,531	(437,827)	13,133,982	(2,212,264)

The notes on pages 11 to 46 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Consolidated cash flow statement and cash flow statement (continued)
For the period ended 30 June 2018
(In RMB ’000, unless otherwise stated)

	Note III	*The Group*		*The Company*	
		Jan - Jun 2018	*Jan - Jun 2017*	*Jan - Jun 2018*	*Jan - Jun 2017*
2. Cash flows from investing activities					
Proceeds from sale and redemption of financial investments		17,842	450,696	17,842	450,696
Proceeds from disposal of fixed assets, intangible assets and other long-term assets		-	66,902	-	66,902
Proceeds from other investing activities		9,711,629	12,334,383	9,711,629	12,179,804
Sub-total of cash inflows		9,729,471	12,851,981	9,729,471	12,697,402
Payment for acquisition of fixed assets, intangible assets and other long-term assets		(5,028,986)	(3,625,176)	(3,073,814)	(2,392,582)
Payment for acquisition of investments		(18,222,116)	(11,979,950)	(18,222,816)	(11,980,650)
Sub-total of cash outflows		(23,251,102)	(15,605,126)	(21,296,630)	(14,373,232)
Net cash outflow from investing activities		(13,521,631)	(2,753,145)	(11,567,159)	(1,675,830)
3. Cash flows from financing activities					
Proceeds from long-term borrowings		1,853,457	936,493	-	-
Repayment of long-term borrowings		(1,499,864)	(2,426,932)	(495,702)	(992,330)
Payment for interest of long-term borrowing, fee and commission		(353,442)	(374,182)	(69,547)	(92,735)
Net cash inflow / (outflow) from financing activities		151	(1,864,621)	(565,249)	(1,085,065)
4. Effect of foreign exchange rate changes on cash and cash equivalents		13,084	(215,606)	1,200	(137,301)
5. Net increase / (decrease) in cash and cash equivalents		1,342,135	(5,271,199)	1,002,774	(5,110,460)
Add: cash and cash equivalents at the beginning of the period		2,243,028	6,817,591	1,418,426	5,975,366
6. Cash and cash equivalents at the end of the peirod	*31*	3,585,163	1,546,392	2,421,200	864,906

The notes on pages 11 to 46 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Consolidated cash flow statement and cash flow statement (continued)
For the period ended 30 June 2018
(In RMB '000, unless otherwise stated)

Supplementary information

1 Reconciliation of net profit to cash flows from operating activities:

	The Group		*The Company*	
	Jan - Jun 2018	*Jan - Jun 2017*	*Jan - Jun 2018*	*Jan - Jun 2017*
Profit for the period	963,228	1,014,175	423,118	488,751
Add: Impairment (reversals) /losses	(49,292)	254,282	(32,935)	271,857
Depreciation of fixed assets	762,373	684,825	19,295	18,282
Amortisation of intangible assets	1,267	1,469	1,267	1,469
Losses on disposal of fixed assets	-	1,385	-	1,385
Increase in long-term deferred expenses	(923)	(272)	(923)	(272)
Decrease in deferred expenses	7,028	534	7,028	533
Exchange (gains) / losses	(68,461)	97,617	(28,686)	94,847
Investment income	(17,842)	(86,232)	(17,842)	(86,232)
Losses from changes in fair value	-	70,581	-	70,581
Increase in deferred income tax assets	(21,420)	(63,611)	(22,315)	(49,549)
Decrease / (increase) in operating receivables	2,109,251	(8,476,559)	441,892	(9,119,913)
Increase in operating payables	11,165,322	6,063,979	12,344,083	6,095,997
Net cash inflow / (outflow) from operating activities	14,850,531	(437,827)	13,133,982	(2,212,264)

2 Movement of cash and cash equivalents:

	The Group		*The Company*	
	Jan - Jun 2018	*Jan - Jun 2017*	*Jan - Jun 2018*	*Jan - Jun 2017*
Cash and cash equivalents at the end of the period	3,585,163	1,546,392	2,421,200	864,906
Less: Cash and cash equivalents at the beginning of the period	2,243,028	6,817,591	1,418,426	5,975,366
Net increase / (decrease) in cash and cash equivalents	1,342,135	(5,271,199)	1,002,774	(5,110,460)

The notes on pages 11 to 46 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Consolidated statement of changes in owner's equity
For the period ended 30 June 2018
(In RMB '000, unless otherwise stated)

		Jan - Jun 2018					
	Note III	*Paid-in capital*	*Other comprehensive income*	*Surplus reserve*	*General reserve*	*Retained earnings*	*Total*
Balance at 31 December 2017		11,000,000	20,093	1,427,329	2,750,042	9,390,938	24,588,402
Add: Changes in accounting policies		-	-	-	-	(462,158)	(462,158)
Adjusted balance at 1 January 2018		11,000,000	20,093	1,427,329	2,750,042	8,928,780	24,126,244
Changes in equity for the period							
1. Profit for the period		-	-	-	-	963,228	963,228
2. Other comprehensive income		-	(138,251)	-	-	-	(138,251)
3. Paid-in capital increased by retained earnings	*19*	7,000,000	-	-	-	(7,000,000)	-
Sub-total		7,000,000	(138,251)	-	-	(6,036,772)	824,977
Balance at 30 June 2018		18,000,000	(118,158)	1,427,329	2,750,042	2,892,008	24,951,221

		2017					
	Note III	*Paid-in capital*	*Other comprehensive income*	*Surplus reserve*	*General reserve*	*Retained earnings*	*Total*
Balance at 1 January 2017		11,000,000	151,542	1,174,989	2,750,042	7,678,276	22,754,849
Changes in equity for the year							
1. Profit for the year		-	-	-	-	1,965,002	1,965,002
2. Other comprehensive income		-	(131,449)	-	-	-	(131,449)
3. Appropriation to surplus reserve	*21*	-	-	252,340	-	(252,340)	-
Sub-total		-	(131,449)	252,340	-	1,712,662	1,833,553
Balance at 31 December 2017		11,000,000	20,093	1,427,329	2,750,042	9,390,938	24,588,402

The notes on pages 11 to 46 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Statement of changes in owner's equity
For the period ended 30 June 2018
(In RMB '000, unless otherwise stated)

	Note III	Jan - Jun 2018				
		Paid-in capital	*Surplus reserve*	*General reserve*	*Retained earnings*	*Total*
Balance at 31 December 2017		11,000,000	1,122,114	2,550,260	7,546,538	22,218,912
Add: Changes in accounting policies		-	-	-	(566,301)	(566,301)
Adjusted balance at 1 January 2018		11,000,000	1,122,114	2,550,260	6,980,237	21,652,611
Changes in equity for the period						
1. Profit for the period		-	-	-	423,118	423,118
2. Paid-in capital increased by retained earnings	*19*	7,000,000	-	-	(7,000,000)	-
Sub-total		7,000,000	-	-	(6,576,882)	423,118
Balance at 30 June 2018		18,000,000	1,122,114	2,550,260	403,355	22,075,729

	Note III	2017				
		Paid-in capital	*Surplus reserve*	*General reserve*	*Retained earnings*	*Total*
Balance at 1 January 2017		11,000,000	1,023,023	2,550,260	6,654,713	21,227,996
Changes in equity for the year						
1. Profit for the year		-	-	-	990,916	990,916
2. Appropriation to surplus reserve	*21*	-	99,091	-	(99,091)	-
Sub-total		-	99,091	-	891,825	990,916
Balance at 31 December 2017		11,000,000	1,122,114	2,550,260	7,546,538	22,218,912

The notes on pages 11 to 46 form part of these financial statements.

I Company status

ICBC Financial Leasing Co., Ltd (the “Company”) is a wholly-owned subsidiary of Industrial and Commercial Bank of China Limited (“ICBC”) .It obtained the approval Yin Jian Fu [2007] No. 407 from the China Banking Regulatory Commission (the “CBRC”) on 18 September 2007 and was incorporated in Tianjin on 26 November 2007.

The Company obtained its financial permit No. M0011H212000001 from the CBRC. The Company obtained its business licence with unified social credit code 91120116710935177L from the State Administration for Industry and Commerce of the People’s Republic of China (the “PRC”). The legal representative is Zhao Guicai, and the registered office is located at No. 20 Guangchang East Road, Tianjin Economic-Technological Development Area. As at 30 June 2018, the Company has a registered capital of RMB 11,000,000,000.

The principal activities of the Company and its subsidiaries (the “Group”) comprise the provision of financial leasing services, disposal of leased assets, import and export trade, economic consultancy services and other services as approved by the CBRC.

II Basis of preparation

The interim financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC (“MOF”).

The interim financial statements have been prepared on a going concern basis.

The interim financial statements are presented in accordance with the requirements of “Accounting Standards for Business Enterprises No.32 - Interim Financial Reporting” issued by the MOF and do not include all the information and data disclosed in the annual financial statements. These interim financial statements shall be read in conjunction with the annual financial statements for 2017.

Changes in accounting policies

The following revised accounting standards issued by the MOF were effective in 2018 and relevant with the Group’s operating.

- CAS No.22-Financial instruments: recognition and measurement (Revised), CAS No.23-Transfer of financial assets (Revised), CAS No.24-Hedge accounting (Revised), and CAS No.37-Presentation and disclosures of financial instruments (Revised) (the “new financial instruments standards”)

- CAS No.14-Revenue (Revised) (the “new revenue standard”).

The impacts of applying those accounting standards are as follows:

i. New financial instruments standards

The new financial instrument standards introduce new requirements for classification and measurement of financial assets, measurement of impairment for financial assets and hedge accounting. The new financial instrument standards are effective for annual periods beginning on or after 1 January 2018 on a retrospective basis and includes an exception from the requirement to restate comparative information. The Group used the exemption from restating comparative information and recognises any transition adjustments against the opening balance of equity at 1 January 2018.

Classification and measurement

The new financial instrument standards contain three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. On initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL. If a debt instrument is classified as financial assets measured at FVOCI then interest income, impairment, foreign exchange gains or losses and gains or losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVOCI. If an equity security is designated at FVOCI then only dividend income on that security will be recognised in profit or loss. Gains and losses on that security will be recognised in other comprehensive income without reclassification to profit or loss.

The classification and measurement requirements for financial liabilities under the new financial instruments standards are largely unchanged from CAS No.22 - Financial instruments: Recognition and measurement, CAS No.23 - Transfer of Financial assets and CAS No.24 - Hedging issued by the MOF in 2006 and CAS No.37 - Presentation and Disclosures of Financial Instruments (the "old financial instruments standards"), except that the new financial instrument standards require the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss).

Impairment

The new impairment model in the new financial instrument standards replaces the "incurred loss" model in the current standards with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances, which will result in an early recognition of credit losses.

Transition

The new financial instrument standards are effective on 1 January 2018. The Group used the exemption from restating comparative information and recognised any transition adjustments against the opening balance of net equity at 1 January 2018.

The following table reconciles the closing impairment allowance under old financial instruments standards to expected credit loss allowance determined in accordance with new financial instruments standards at 1 January 2018.

	Allowance for impairment losses under old financial instruments standards 31 December 2017	*Remeasurement*	*Allowance for impairment losses under new financial instruments standards 1 January 2018*
Cash at bank and on hand	-	1,076	1,076
Finance lease receivables	2,441,216	666,800	3,108,016
Prepayments	45,117	(32,988)	12,129
Capital commitments	-	153	153
Total	2,486,333	635,041	3,121,374

The Group has adopted the new financial instrument standards from 1 January 2018. There was a RMB 0.46 billion decline in the Group's retained earnings due to the requirements of impairment losses as compared with that recognised under the current standards.

ii. New revenue standards

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based and five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The new revenue standard also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has recognised the cumulative effect of initial application as an adjustment to the opening balance of retained earnings and the amount of other relevant items in the financial statements at 1 January 2018, and comparative information has not been restated. The adoption will not have any material impact on the financial position and the financial result of the Group.

Except the new or modified accounting standards stated above, the accounting policies for the interim financial statements are consistent with those for the financial statements of the year 2017.

The interim financial statements have been prepared in accordance with requirements of Accounting Standards for Business Enterprises issued by the MOF, and present truely and completely the financial position of the Group amd the Company as at 30 June 2018, and the financial performance and the cash flows of the Group and the Company for the six months ended 30 June 2018.

III Notes to the consolidated financial statements and financial statements

1. Cash at bank and on hand

	The Group		*The Company*	
	30 June 2018	*31 December 2017*	*30 June 2018*	*31 December 2017*
Deposits with banks	21,807,279	11,954,657	20,643,316	11,130,055
Sub-total	21,807,279	11,954,657	20,643,316	11,130,055
Less: Provision for impairment	(995)	-	(995)	-
Total	21,806,284	11,954,657	20,642,321	11,130,055

2. Deposits with the central bank

	The Group and the Company	
	30 June 2018	*31 December 2017*
Deposits with the central bank	17,853	20,325

In accordance with the *People's Bank of China's Circular on Including Security Deposit in the Scope of Deposit Reserve (Yin Fa [2011] No.209)*, the Company set aside deposit reserve for security deposit. The deposit reserve cannot be used for the Company's day-to-day operations.

3. Prepayments

	The Group and the Company	
	30 June 2018	*31 December 2017*
Prepayments for finance lease assets	7,554,127	3,092,243
Less: Provision for impairment	(34,904)	(45,117)
Total	7,519,223	3,047,126

(1) The movement of the Group's and the Company's provision for impairment of prepayments:

	12-month expected credit loss	*lifetime expected credit loss not credit-impaired*	*lifetime expected credit loss credit-impaired*	*Total*
Balance at 1 January 2018	12,129	-	-	12,129
Transfer				
- to 12-month expected credit loss	-	-	-	-
- to lifetime expected credit loss not credit-impaired	-	-	-	-
- to lifetime expected credit loss credit-impaired	-	-	-	-
Additions during the period	22,775	-	-	22,775
Written-off during the period	-	-	-	-
Balance at 30 June 2018	34,904	-	-	34,904

	The Group and the Company 2017
Changes in provision for impairment	
Balance at the beginning of the year	46,886
Reversals for the year	(1,769)
Balance at the end of the year	45,117

(2) The aging analysis of the Group's and the Company's prepayments:

	The Group and the Company	
	30 June 2018	*31 December 2017*
Within 1 year	6,487,843	2,393,151
1 to 2 years	373,898	20,805
2 to 3 years	14,163	415,749
Over 3 years	678,223	262,538
Sub-total	7,554,127	3,092,243
Less: Provision for impairment	(34,904)	(45,117)
Carrying amount	7,519,223	3,047,126

4. Finance lease receivables

	The Group		The Company	
	30 June 2018	*31 December 2017*	*30 June 2018*	*31 December 2017*
Finance lease receivables	115,516,898	124,393,430	102,419,080	110,544,076
Less: Unearned finance income	(14,605,906)	(17,124,069)	(12,992,598)	(15,513,283)
	100,910,992	107,269,361	89,426,482	95,030,793
Less: Provision for impairment	(3,048,659)	(2,461,249)	(2,982,074)	(2,258,281)
Carrying amount	97,862,333	104,808,112	86,444,408	92,772,512

(1) The following table presents the Group's and the Company's contracted minimum lease receipts for future accounting years:

	The Group		The Company	
	30 June 2018	*31 December 2017*	*30 June 2018*	*31 December 2017*
Within 1year	35,903,176	27,882,968	32,546,528	25,683,874
1 to 2 years	20,408,577	22,704,632	18,354,584	20,575,384
2 to 3 years	16,012,747	19,057,608	14,169,909	17,069,849
Over 3 years or undated	43,192,398	54,748,222	37,348,059	47,214,969
Total	115,516,898	124,393,430	102,419,080	110,544,076

(2) The movement of provision for impairment of finance lease receivables:

The Group	*12-month expected credit loss*	*lifetime expected credit loss not credit-impaired*	*lifetime expected credit loss credit-impaired*	*Total*
Balance at 1 January 2018	684,302	1,982,639	461,108	3,128,049
Transfer				
- to 12-month expected credit loss	38,370	(38,370)	-	-
- to lifetime expected credit loss not credit-impaired	(3,573)	3,573	-	-
- to lifetime expected credit loss credit-impaired	(17,616)	(20,317)	37,933	-
(Reversals) / additions during the period	(82,353)	7,368	11,937	(63,048)
Written-off during the period	-	-	(16,342)	(16,342)
Balance at 30 June 2018	619,130	1,934,893	494,636	3,048,659

The Company	*12-month expected credit loss*	*lifetime expected credit loss not credit-impaired*	*lifetime expected credit loss credit-impaired*	*Total*
Balance at 1 January 2018	636,131	1,947,868	461,108	3,045,107
Transfer				
- to 12-month expected credit loss	38,370	(38,370)	-	-
- to lifetime expected credit loss not credit-impaired	(3,573)	3,573	-	-
- to lifetime expected credit loss credit-impaired	(17,616)	(20,317)	37,933	-
(Reversals) / additions during the period	(74,801)	16,173	11,937	(46,691)
Written-off during the period	-	-	(16,342)	(16,342)
Balance at 30 June 2018	578,511	1,908,927	494,636	2,982,074

	2017	
	The Group	*The Company*
Changes in provision for impairment		
Balance at the beginning of the year	2,409,189	2,201,481
Additions during the year	416,381	370,117
Reversals during the year	(364,321)	(313,317)
Balance at the end of the year	2,461,249	2,258,281

(3) As at 30 June 2018, finance lease receivables which had been pledged for the Group's borrowings and repurchase agreements amounted to RMB 37,315 million (31 December 2017: RMB 38,174 million).

5. Long-term equity investments and scope of consolidated financial statements

	The Group		*The Company*	
	30 June 2018	*31 December 2017*	*30 June 2018*	*31 December 2017*
Long-term equity investments	-	-	11,200	10,500

As at 30 June 2018, the consolidated subsidiaries included the followings:

	Place of registration	*Registered capital*	*Nature of business*	*% of equity interest held by the Company*	*% of voting right held by the Company*
ICBC Financial Leasing (Beijing) Co., Ltd.	Beijing	RMB 1 million	Finance Lease	100%	100%
ICBC Financial Leasing (Tianjin) Co., Ltd.	Tianjin	RMB 1 million	Finance Lease	100%	100%
Tian Lang (Tianjin) Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Hai Ju (Tianjin) Ship Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Yin (Tianjin) Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Shu (Tianjin) Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Ji (Tianjin) Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Hai Hui (Tianjin) Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Guang (Tianjin) Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Shang (Tianjin) Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Hai Xing (Tianjin) Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Hai Wang (Tianjin) Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Hai Jin (Tianjin) Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Jiao (Tianjin) Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Kang (Tianjin) Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Yue (Tianjin) Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Qing (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Rong (Tianjin) Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Lu (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Shen (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Jin (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%

	Place of registration	*Registered capital*	*Nature of business*	*% of equity interest held by the Company*	*% of voting right held by the Company*
Tian Peng (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Kai (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Shun (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Pu (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Yuan Kang (Tianjin) Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Yun De (Tianjin) Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Yun Long (Tianjin) Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Chang (Shanghai) Aircraft Leasing Co., Ltd.	Shanghai	RMB 0.1 million	Finance Lease	100%	100%
Tian Hong (Shanghai) Aircraft Leasing Co., Ltd.	Shanghai	RMB 0.1 million	Finance Lease	100%	100%
Tian Jia (Shanghai) Aircraft Leasing Co., Ltd.	Shanghai	RMB 0.1 million	Finance Lease	100%	100%
Tian Li (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Yan (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Pu (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Shuang (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Ping (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Xing (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Ji (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Yang (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Song (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Gang (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Chong (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Yu (Xiamen) Aircraft Leasing Co., Ltd.	Xiamen	RMB 0.1 million	Finance Lease	100%	100%
Hai Jiang (Tianjin) Ship Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Hai Tao (Tianjin) Ship Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Hai Peng (Tianjin) Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Qian (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Yi (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Chuan (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Qi (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Chen (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Quan (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Gong Ying Wu Ju (Tianjin) Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Zhen (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Chi (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%

	Place of registration	Registered capital	Nature of business	% of equity interest held by the Company	% of voting right held by the Company
Tian Xiao (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Yong (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Hui (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Min (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Hai Lu (Tianjin) Ship Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Xu (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Ao (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Mu (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Yun (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tina Xi (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Xuan (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Yuan (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Lan (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Meng (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Lian (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Jiu (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Shan (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Dan (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Ling (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Xuan (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Yi (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Ming (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Jun (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Hu (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Bing (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Jun (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Mao (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Miao (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Han (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Feng (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Jing (Xiamen) Aircraft Leasing Co., Ltd.	Xiamen	RMB 0.1 million	Finance Lease	100%	100%
Tian Ye (Xiamen) Aircraft Leasing Co., Ltd.	Xiamen	RMB 0.1 million	Finance Lease	100%	100%
Tian Wu (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Nuo (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%

	Place of registration	Registered capital	Nature of business	% of equity interest held by the Company	% of voting right held by the Company
Tian Nan (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Long (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Liang (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Tian Xin (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 1 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 2 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 3 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 4 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 5 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 6 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 7 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 8 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 9 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 10 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 11 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 12 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 13 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 14 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 15 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 16 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 17 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 18 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 19 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 30 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 31 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 32 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 33 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 34 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 35 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 36 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 37 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 38 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 39 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 40 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%

	Place of registration	*Registered capital*	*Nature of business*	*% of equity interest held by the Company*	*% of voting right held by the Company*
ICBC Tian Gao No. 41 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 42 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 43 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
ICBC Tian Gao No. 44 (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	RMB 0.1 million	Finance Lease	100%	100%
Guangzhou Tian Ling Aircraft Leasing Co., Ltd.	Guangzhou	RMB 0.1 million	Finance Lease	100%	100%
ICBC Aviation Leasing Company Limited	Hong Kong	USD 1.2 billion	Finance Lease	100%	100%

As at 30 June 2018, the paid-in capital of the above subsidiaries amounted to RMB 11,000,000 (31 December 2017: RMB 10,300,000).

6. Fixed assets

The Group

	Office equipment and computer	*Motor vehicle*	*Operating lease assets*	*Total*
Cost				
At 1 January 2018	22,076	4,702	42,167,331	42,194,109
Additions during the period	1,765	-	1,248,830	1,250,595
Transfer in from construction in progress	-	-	576,226	576,226
Foreign currency translation differences	-	-	483,274	483,274
At 30 June 2018	23,841	4,702	44,475,661	44,504,204
Accumulated depreciation				
At 1 January 2018	(18,741)	(4,469)	(4,116,939)	(4,140,149)
Charge for the period	(795)	(16)	(761,562)	(762,373)
Foreign currency translation differences	-	-	(45,566)	(45,566)
At 30 June 2018	(19,536)	(4,485)	(4,924,067)	(4,948,088)
Provision for impairment				
At 1 January 2018	-	-	(118,801)	(118,801)
Foreign currency translation differences	-	-	(1,114)	(1,114)
At 30 June 2018	-	-	(119,915)	(119,915)
Net book value				
At 1 January 2018	3,335	233	37,931,591	37,935,159
At 30 June 2018	4,305	217	39,431,679	39,436,201

The Company

	Office equipment and computer	*Motor vehicle*	*Operating lease assets*	*Total*
Cost				
At 1 January 2018	22,061	4,702	1,047,717	1,074,480
Additions during the period	1,765	-	-	1,765
At 30 June 2018	23,826	4,702	1,047,717	1,076,245
Accumulated depreciation				
At 1 January 2018	(18,726)	(4,469)	(86,031)	(109,226)
Charge for the period	(795)	(16)	(18,484)	(19,295)
At 30 June 2018	(19,521)	(4,485)	(104,515)	(128,521)
Provision for impairment				
At 1 January 2018	-	-	(30,470)	(30,470)
At 30 June 2018	-	-	(30,470)	(30,470)
Net book value				
At 1 January 2018	3,335	233	931,216	934,784
At 30 June 2018	4,305	217	912,732	917,254

As at 30 June 2018, fixed assets under operating lease which had been pledged as collateral for the Group’s borrowings amounted to RMB 18,686 million (31 December 2017: RMB 17,384 million).

7. Construction in progress

	The Group and the Company	
	Jan - Jun 2018	2017
Balance at the beginning of the period / year	8,790,681	5,919,697
Additions	3,320,073	4,881,795
Transferred to fixed assets	(576,226)	(2,010,811)
Balance at the end of the period / year	11,534,528	8,790,681

As at 30 June 2018, the Group's and the Company's construction in progress is aircrafts under construction.

	The Group and the Company	
	Jan - Jun 2018	Jan - Jun 2017
Capitalised interest expense	134,939	74,029

The interest rate per annum, at which the borrowing costs were capitalised for the current peirod by the Group and the Company, was 2.37 - 4.17% (2017 Jan - Jun: 1.75 - 4.79%).

8. Intangible assets

The Group and the Company

	Computer software
Cost	
At 1 January 2018	31,065
Addition	339
At 30 June 2018	31,404
Accumulated amortisation	
At 1 January 2018	(15,320)
Charge for the period	(1,267)
At 30 June 2018	(16,587)
Net book value	
At 31 December 2017	15,745
At 30 June 2018	14,817

9. Deferred income tax assets

The Group

	30 June 2018		31 December 2017	
	Deferred income tax assets	*Deductible temporary difference*	*Deferred income tax assets*	*Deductible temporary difference*
Provision for impairment losses	548,458	2,193,832	382,859	1,531,436
Accrued staff costs	48,527	194,108	41,513	166,052
Others	93,975	375,900	72,286	289,144
Total	690,960	2,763,840	496,658	1,986,632

	Jan – Jun 2018				
	31 December 2017	*Changes in accounting policies*	*Balance at the beginning of the period*	*Charged to income statement*	*Balance at the end of the period*
Provision for impairment losses	382,859	172,882	555,741	(7,283)	548,458
Accrued staff costs	41,513	-	41,513	7,014	48,527
Others	72,286	-	72,286	21,689	93,975
Total	496,658	172,882	669,540	21,420	690,960

As at 30 June 2018, the deductible tax losses which amounted to RMB 360,877,000 (31 December 2017: RMB 350,860,000) were not recognised as deferred income tax assets, as the management considered that it was not probable that there would be sufficient taxable profit against which the above deductible losses could be utilized in the foreseeable future. The deductible tax losses expire within 5 years from the year when such losses were incurred under current tax law.

The Company

	30 June 2018		31 December 2017	
	Deferred income tax assets	*Deductible temporary difference*	*Deferred income tax assets*	*Deductible temporary difference*
Provision for impairment losses	547,470	2,189,880	364,901	1,459,604
Accrued staff costs	48,527	194,108	41,513	166,052
Others	94,861	379,444	73,362	293,448
Total	690,858	2,763,432	479,776	1,919,104

	Jan – Jun 2018				
	31 December 2017	*Changes in accounting policies*	*Balance at the beginning of the period*	*Charged to income statement*	*Balance at the end of the period*
Provision for impairment losses	364,901	188,767	553,668	(6,198)	547,470
Accrued staff costs	41,513	-	41,513	7,014	48,527
Others	73,362	-	73,362	21,499	94,861
Total	479,776	188,767	668,543	22,315	690,858

10. Other assets

	The Group		The Company	
	30 June 2018	*31 December 2017*	*30 June 2018*	*31 December 2017*
Entrusted loans	-	-	18,943,033	18,517,990
Receivables due to assets transfer transaction	1,348,345	1,354,638	8,740,516	8,465,763
Deductible input value added tax	228,939	449,615	208,229	418,308
Interest receivable	160,830	102,094	1,697,221	1,315,226
Repossessed assets	56,519	60,758	56,519	60,758
Prepayments of borrowing cost	145,139	148,988	37,219	35,079
Operating lease receivables	495,848	328,052	126,575	66,394
Security deposit	17,069	11,039	17,069	11,039
Deferred expenses	230	7,258	166	7,194
Long-term deferred expenses	2,300	1,377	2,300	1,377
Other receivables	342,620	201,218	305,439	178,056
Continuing involvement in assets	6,974	6,974	6,974	6,974
Total	2,804,813	2,672,011	30,141,260	29,084,158

11. Borrowings

	The Group		The Company	
	30 June 2018	*31 December 2017*	*30 June 2018*	*31 December 2017*
Analysed by duration:				
Short-term	102,751,615	93,850,235	103,964,403	93,820,587
Long-term	20,930,903	20,577,310	3,777,665	4,273,367
Total	123,682,518	114,427,545	107,742,068	98,093,954
Analysed by counterparty:				
Domestic financial institutions	105,486,249	92,229,635	94,496,567	76,731,654
Overseas financial institutions	18,196,269	22,197,910	13,245,501	21,362,300
Total	123,682,518	114,427,545	107,742,068	98,093,954

12. Repurchase agreements

	The Group		The Company	
	30 June 2018	*31 December 2017*	*30 June 2018*	*31 December 2017*
Factoring	25,104,271	22,357,274	23,979,946	21,135,936
Total	25,104,271	22,357,274	23,979,946	21,135,936
Domestic banks	25,104,271	22,357,274	23,979,946	21,135,936

13. Advances from customers

	The Group		*The Company*	
	30 June 2018	*31 December 2017*	*30 June 2018*	*31 December 2017*
Rental fee received in advance	1,700,728	1,695,267	1,213,251	1,253,965
Others	614,096	481,808	613,391	481,006
Total	2,314,824	2,177,075	1,826,642	1,734,971

14. Long-term payables

	The Group	
	30 June 2018	*31 December 2017*
Financial lease payables	1,866,342	1,958,388
Acquisition of fixed assets	1,082,069	1,159,058
Total	2,948,411	3,117,446

The following table presents the Group's contracted minimum lease payables for future accounting periods after June 30, 2018:

	The Group	
	30 June 2018	*31 December 2017*
Within 1 year	259,843	255,754
1 to 2 years	241,506	256,953
2 to 3 years	262,263	251,620
Over 3 years	1,294,774	1,394,109
Sub-total	2,058,386	2,158,436
Less: Unrecognised finance charges	(192,044)	(200,048)
Carrying amount	1,866,342	1,958,388

15. Employee benefits payable

	Note	The Group and The Company 30 June 2018	31 December 2017
Short-term employee benefits	*(1)*	206,700	190,288
Post-employment benefits - defined contribution plans	*(2)*	-	-
Total		206,700	190,288

(1) Short-term employee benefits

	The Group and the Company			
	Balance at 1 January 2018	*Accrued during the period*	*Paid during the period*	*Balance at 30 June 2018*
Salaries, bonuses, allowances and subsidies	175,884	92,716	(76,864)	191,736
Staff welfare	-	8,282	(8,282)	-
Social insurance	-	4,538	(4,538)	-
Medical insurance	-	4,100	(4,100)	-
Work-related injury insurance	-	119	(119)	-
Maternity insurance	-	319	(319)	-
Housing fund	-	5,788	(5,788)	-
Labour union fee, staff and workers' education fee	14,404	4,416	(3,856)	14,964
Total	190,288	115,740	(99,328)	206,700

	The Group and the Company			
	Balance at 1 January 2017	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2017*
Salaries, bonuses, allowances and subsidies	217,259	173,557	(214,932)	175,884
Staff welfare	-	11,211	(11,211)	-
Social insurance	-	8,473	(8,473)	-
Medical insurance	-	7,654	(7,654)	-
Work-related injury insurance	-	223	(223)	-
Maternity insurance	-	596	(596)	-
Housing fund	-	10,619	(10,619)	-
Labour union fee, staff and workers' education fee	11,136	8,019	(4,751)	14,404
Total	228,395	211,879	(249,986)	190,288

(2) Post-employment benefits – defined contribution plans

	The Group and the Company			
	Balance at 1 January 2018	*Accrued during the period*	*Paid during the period*	*Balance at 30 June 2018*
Basic pension insurance	-	7,767	(7,767)	-
Unemployment insurance	-	318	(318)	-
Enterprise pension	-	2,021	(2,021)	-
Total	-	10,106	(10,106)	-

	The Group and the Company			
	Balance at 1 January 2017	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2017*
Basic pension insurance	-	14,438	(14,438)	-
Unemployment insurance	-	599	(599)	-
Enterprise pension	-	4,022	(4,022)	-
Total	-	19,059	(19,059)	-

16. Taxation

(1) The types of taxes applicable to the Group's rendering of services include value added tax (VAT), city construction tax, education surcharges and etc.

Tax type	*Tax basis and applicable rate*
VAT	Output VAT is 3% - 17% of income from leasing business based on tax laws. The basis for VAT payable is to deduct input VAT from the output VAT for the period.
City construction tax	1% - 7% of VAT payable
Education surcharges	3% of VAT payable
Local education surcharges	2% of VAT payable
Flood prevention charges	1% of VAT payable

(2) The statutory income tax rate applicable to the Group and the Company was 25% in 2018 (2017: 25%).

(3) Taxes payable

	The Group		*The Company*	
	30 June 2018	*31 December 2017*	*30 June 2018*	*31 December 2017*
Income tax payable	276,840	262,917	130,987	121,350
VAT and surcharges payable	128,995	37,386	8	8
Withholding of individual income tax payable	3,832	2,798	3,832	2,798
Others	5,475	5,630	5,218	5,505
Total	415,142	308,731	140,045	129,661

17. Security deposit payable

	The Group		*The Company*	
	30 June 2018	*31 December 2017*	*30 June 2018*	*31 December 2017*
Security deposit for leasing purpose	244,004	261,549	140,004	166,212

18. Other payables

	The Group		The Company	
	30 June 2018	*31 December 2017*	*30 June 2018*	*31 December 2017*
Interest payable	679,310	590,283	1,049,082	869,385
Leased assets payables	648,626	447,519	7,224	14,267
Rent collected from factoring business	102,331	42,241	102,331	42,241
Continuing involvement in liabilities	6,974	6,974	6,974	6,974
Provision for impairment of capital commitments	3,318	-	3,318	-
Others	379,362	1,225,147	653,659	1,682,861
Total	1,819,921	2,312,164	1,822,588	2,615,728

19. Paid-in capital

The Group and the Company

	30 June 2018		31 December 2017	
	Amount	*Percentage (%)*	*Amount*	*Percentage (%)*
Industrial and Commercial Bank of China Limited	18,000,000	100.00	11,000,000	100.00

On 6 March 2018, the plan to increase registered capital by transferring retained earnings amounting to RMB 7 billion was approved and adopted through the Shareholders' meeting. Afterwards the Company's registered capital was increased from RMB 11 billion to RMB 18 billion.

20. Other comprehensive income

The Group's other comprehensive income on 30 June 2018 represents the difference arising from translation of foreign currency financial statements.

21. Surplus reserve

In accordance with the *Company Law of the People's Republic of China* and the Company's and the subsidiaries' Articles of Association, the Company and the subsidiaries shall appropriate 10% of its annual net profit to its statutory surplus reserve. The statutory surplus reserve can be used to make up for the loss or increase the paid-in capital upon approval.

22. General reserve

In accordance with the *Administrative Measures for Provisions by Financial Institutions* (Cai Jin [2012] No. 20) issued by the Ministry of Finance, the Company and the subsidiaries set aside a general reserve for possible unrecognised losses on risk assets, as part of the provisions for impaired assets. The general reserve, which is dealt with in profit distribution and forms part of the owners' equity, shall, in principal, be no less than 1.5% of the total risk assets at the end of the period.

23. Net interest (expense) / income

	The Group		*The Company*	
	Jan - Jun 2018	*Jan - Jun 2017*	*Jan - Jun 2018*	*Jan - Jun 2017*
Interest income from finance lease	2,370,984	2,697,601	2,141,594	2,442,397
Interest income from bank deposits	187,509	93,369	532,058	502,104
Interest income from deposits and placements with banks and other financial insititutions	1,241	-	1,241	-
Sub-total	2,559,734	2,790,970	2,674,893	2,944,501
Interest expense on borrowings	(2,108,310)	(2,179,156)	(1,812,648)	(1,907,822)
Interest expense of repurchase agreements	(499,493)	(161,851)	(480,271)	(161,314)
Sub-total	(2,607,803)	(2,341,007)	(2,292,919)	(2,069,136)
Net interest (expense) / income	(48,069)	449,963	381,974	875,365

The interest income from entrusted loans is included in the interest income from bank deposits.

24. Net operating lease income / (expense)

	The Group		*The Company*	
	Jan - Jun 2018	*Jan - Jun 2017*	*Jan - Jun 2018*	*Jan - Jun 2017*
Operating lease income	1,675,489	1,628,310	17,459	9,745
Sub-total	1,675,489	1,628,310	17,459	9,745
Cost of operating lease				
Depreciation of operating lease assets	(761,562)	(683,549)	(18,484)	(17,008)
Sub-total	(761,562)	(683,549)	(18,484)	(17,008)
Net operating lease income / (expense)	913,927	944,761	(1,025)	(7,263)

25. Net fee and commission income

	The Group		The Company	
	Jan - Jun 2018	*Jan - Jun 2017*	*Jan - Jun 2018*	*Jan - Jun 2017*
Income from consulting services	288,122	313,974	288,026	313,696
Fee and commission expense	(71,523)	(118,790)	(52,696)	(50,238)
Net fee and commission income	216,599	195,184	235,330	263,458

26. Other income

Pursuant to CAS 16 (2017), a government grant related to the income is re-classified as other income, the government grants incurred this year represented the rebates of income tax, VAT tax relief and financial support fund from Tianjin government.

27. Taxes and surcharges

	The Group		The Company	
	Jan - Jun 2018	*Jan - Jun 2017*	*Jan - Jun 2018*	*Jan - Jun 2017*
City construction tax	17,160	14,453	-	-
Stamp duty	14,663	11,729	15,890	10,085
Education surcharges	12,257	6,195	-	-
Others	2,378	6,161	-	-
Total	46,458	38,538	15,890	10,085

28. Operating and administrative expenses

	The Group		The Company	
	Jan - Jun 2018	*Jan - Jun 2017*	*Jan - Jun 2018*	*Jan - Jun 2017*
Employee benefits	125,846	108,731	125,846	108,731
Rental expenses	21,842	19,561	21,842	19,561
Consulting fees	3,154	5,701	3,153	5,687
Advertisement and entertainment	3,767	4,205	3,767	4,205
Amortisation	2,922	3,021	2,922	3,021
Depreciation	811	1,276	811	1,274
Others	24,953	19,212	23,610	19,166
Total	183,295	161,707	181,951	161,645

29. Impairment (reversals) / losses

	The Group		The Company	
	Jan - Jun 2018	*Jan - Jun 2017*	*Jan - Jun 2018*	*Jan - Jun 2017*
Impairment (reversals) / losses on finance lease receivables	(79,390)	247,828	(63,033)	265,403
Impairment losses on finance lease prepayment	22,775	6,454	22,775	6,454
Impairment losses on debt-repaid assets	4,239	-	4,239	-
Impairment reversals on cash at bank and on hand	(81)	-	(81)	-
Impairment losses on credit commitment	3,165	-	3,165	-
Total	(49,292)	254,282	(32,935)	271,857

30. Income tax expenses

	The Group		The Company	
	Jan - Jun 2018	*Jan - Jun 2017*	*Jan - Jun 2018*	*Jan - Jun 2017*
Current income tax	346,215	326,370	165,154	169,289
Deferred income tax	(21,420)	(63,611)	(22,315)	(49,549)
Total	324,795	262,759	142,839	119,740
Reconciliation of income tax expense applicable to profit before taxation at applicable tax rate to income tax expense:				
Profit before taxation	1,288,023	1,276,934	565,957	608,491
Tax at the applicable income tax rate (25%)	322,006	319,234	141,489	152,123
Effect of using the deductible losses for which no deferred tax asset was recognised in previous period	(9,952)	(31,367)	-	-
Effect of deductible losses for which no deferred tax asset was recognised this year	11,391	8,417	-	-
Effect of non-deductible entertainment expenses	101	206	101	206
Others	1,249	(33,731)	1,249	(32,589)
Income tax expenses	324,795	262,759	142,839	119,740

31. Cash and cash equivalents

Cash and cash equivalents carried in the cash flow statement were as follows:

	The Group		The Company	
	30 June 2018	*30 June 2017*	*30 June 2018*	*30 June 2017*
Cash and bank deposit with original maturity of less than 3 months	3,585,163	1,546,392	2,421,200	864,906

32. Commitments

(1) Capital commitments

	The Group and The Company	
	30 June 2018	*31 December 2017*
Contracted but not provided for	9,602,040	11,481,917

(2) Operating lease commitments

At the end of the reporting period, the Group and the Company`s total future minimum lease payments in respect of non-cancellable operating lease arrangements were as follows:

	30 June 2018	*31 December 2017*
Within 1 year	17,540	37,790
1 to 2 years	3,308	3,308
Over 2 years	1,654	3,308
Total	22,502	44,406

(3) Lease commitments

At the end of the reporting period, the lease commitments of the Group as lessors were as follows:

Lease commitments that are unconditionally irrevocable	*30 June 2018*	*31 December 2017*
Original maturity of less than 1 year	4,184,150	3,943,523
Original maturity of 1 year or above	26,395,567	26,907,171
Total	30,579,717	30,850,694

33. Risk management

The Group's business activities are exposed to a variety of financial risks. The Group's risk management is largely geared to analyse, evaluate and manage risks of varying degrees or their combinations. The Group aims to strike a balance between risk and return and minimise potential adverse effects on its financial position and operating results.

(1) Credit risk

(a) Credit risk management

The Group is exposed to credit risk, which is the risk of suffering financial loss, should any of its counterparties fail to fulfill their contractual obligations or commitments. Credit risk is the most important risk for the Group's business activities; management therefore carefully manages its exposure to credit risk. Credit risk arises mainly from leasing activities. Currently, the Group's Risk Management Committee is responsible for decision-making and centralised coordination in credit risk management, and manages credit risk through a number of measures, including industry-standard credit assessment, legal compliance, asset management and operation.

Under CBRC's *Guidelines for Risk Classification of Assets of Non-bank Financial Institutions (Trial)*, the Group classifies finance lease receivables and prepayments for finance leased assets into five categories, namely pass, special mention, sub-standard, doubtful and loss.

The Group performs credit risk management during pre-lease investigation, lease approval, and post-lease management. The Group carries out continuous monitoring of leasing projects, and strengthens risk surveillance over key industries, regions, products and customers. The Group controls its credit risk through, among other necessary measures, regular analyses of customers' ability to repay interests and principals and appropriate adjustments to their credit limits. The Group employs a range of policies to mitigate credit risk, primarily through taking collaterals and security deposit, obtaining guarantees from companies or individuals, and taking out insurance on leased assets.

In order to minimise credit risk, the Group will seek additional collaterals from counterparties or require additional guarantors once impairment indications are identified for a lease facility.

(b) Impairment analyses and provisioning policies

The Group classifies lease assets into three categories and makes provisions for expected credit losses accordingly, depending on whether there has been a significant increase in the credit risk of a lease asset since it was first recognised.

The three stages are defined as follows:

Stage 1: A lease asset of which the credit risk has not seen a significant increase since it was first recognised is classified into this category. The amount of expected credit loss on the lease asset in the next twelve months is recognised.

Stage 2: A lease asset with a significant increase in credit risk since it was first recognised but with no objective evidence of impairment is classified into this category. The amount of expected credit loss on the lease asset over its full lifetime is recognised.

Stage 3: A lease asset with objective evidence of impairment on the balance sheet date is classified into this category. The amount of expected credit loss on the lease asset over its full lifetime is recognised.

Significant increase in credit risk

The Group assesses whether there has been a significant increase in the credit risk of relevant lease assets since it was first recognised at least on a quarterly basis. The Group takes into consideration all reasonable and evidence-based information (including forward-looking information) that reflects whether there has been a significant change in credit risk when it classifies lease assets based on losses. The main considerations are regulatory and operating environment, internal and external credit ratings, debt-servicing capacity, operating capabilities, contractual terms, and repayment track records. The Group compares the risk of default of a single lease asset or a combination of lease assets with similar credit risk characteristics on the balance sheet date and its risk of default on the date of initial recognition to determine changes in the risk of default during the lifetime of a lease asset or a combination of lease assets. The Group determines whether there has been a significant increase in the credit risk of a lease asset since it was first recognised by considering factors indicating a significant increase in credit risk, e.g. whether the probability of default has risen sharply, whether the lease asset has been overdue for more than 30 days, whether the market price has been falling.

Objective evidence that a lease asset is impaired includes:

- Lease asset has been overdue for more than ninety days;

- Significant financial difficulty of the lessee;

- A breach of contract by the lessee, such as default or delinquency in interest or principal payments;

- Concession to the lessee, for economic or legal reasons relating to the lessee's financial difficulty that the lessor would not otherwise consider;

- Probability that the lessee will become bankrupt or undergo other financial reorganisations.

Description of parameters, assumptions, and estimation techniques

Except for impaired lease assets, the Group measures provisions for expected credit loss on different assets over the next twelve months or over the full lifetime, depending on whether there has been a significant increase in credit risk and whether an asset has been impaired. By considered the currency's time value, expected credit loss is the product of the probability of default (PD), loss given default (LGD) and exposure at default (EAD). The relevant definitions are as follows:

PD is the possibility that a customer will default on its assets within a certain period of time in light of forward-looking information.

LGD refers to the proportion of losses expected to arise from a default in the exposures in light of forward-looking information.

EAD refers to the total amount of on and off balance sheet exposures at the time when a default is expected, and is determined based on the historical repayment records.

The Group monitors and reviews assumptions related to the calculation of expected credit losses on a quarterly basis, including changes in PD and LGD under different maturities.

During the reporting period, there were no significant changes in estimation techniques or key assumptions.

The impairment loss on Stage 3 lease assets applied cash flow discount method, if there is objective evidence that an impairment loss on a lease asset or advance has incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The allowance for impairment loss is deducted in the carrying amount. The impairment loss is recognised in the statement of profit or loss. In determining allowances on an individual basis, the following factors are considered:

- The sustainability of the lessee's business plan;

- The lessee's ability to improve performance once a financial difficulty has arisen;

- Projected receipts and the expected payout should bankruptcy ensue;

- The availability of other financial support and the realisable value of collateral; and

- The timing of the expected cash flows.

It may not be possible to identify a single, discrete event that caused the impairment, but it may be possible to identify impairment through the combined effect of several events. The impairment losses are evaluated at the end of each reporting period, unless unforeseen circumstances require more careful attention.

(c) Maximum credit risk exposure

The maximum exposure to credit risk at the balance sheet date without taking into consideration of any collateral held or other credit enhancement is represented by the carrying value of each lease asset in the balance sheet after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	The Group	
	30 June 2018	*31 December 2017*
Credit risk exposure relating to balance sheet items:		
Cash at bank and on hand	21,806,284	11,954,657
Deposits with the central bank	17,853	20,325
Prepayments	7,519,223	3,047,126
Finance lease receivables	97,862,333	104,808,112
Interest receivable	160,830	102,094
Operating lease receivables	495,848	328,052
Other assets	1,517,527	1,521,639
Sub - total	129,379,898	121,782,005
Lease commitments	30,579,717	30,850,694
Maximum credit risk exposure	159,959,615	152,632,699

(d) Concentration of finance lease receivables

Credit risk increases when counter-parties are concentrated in certain specific industries or geographical regions, or they share certain economic characteristics. The Group conducts its leasing business within China, and is not exposed to any significant geographical concentration risk. The customers of the Group concentrate in a number of key industries, each with their own unique characteristics in economic development, which therefore presents different credit risks to the Group.

	The Group	
	30 June 2018	*31 December 2017*
Transportation, storage and postal service	51,299,766	57,030,450
Production and supply of electricity, gas and water	15,077,973	12,750,633
Water, environment and public utility management	14,753,349	15,711,425
Leasing and commercial services	7,483,936	7,349,002
Mining	5,468,935	6,599,775
Culture, sports and entertainment	2,096,108	2,217,661
Finance	1,906,871	1,762,077
Manufacturing	1,284,728	1,476,836
Construction	791,162	1,418,361
Health, social security and social welfare	386,351	463,842
Information transmission, computer service and software	361,813	489,299
Total	100,910,992	107,269,361

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices. Market risk arises from both the Group's trading and non-trading business.

The Group is exposed to primarily structural interest rate risk arising from leasing business and position risk arising from treasury transactions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of assets and liabilities. The Group's foreign exchange risk mainly includes foreign exchange exposure arising from a currency structure imbalance between foreign currency assets and foreign currency liabilities. As at the balance sheet date, the Group's business is primarily conducted in RMB and US dollar. Sensitivity analysis, interest rate gap analysis and foreign exchange risk concentration analysis are the main market risk management tools used by the Group to monitor the market risk of its overall businesses.

(a) Interest rate risk

The Group's interest rate risk arises from the differences in timing between contractual maturities and repricing of interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB. The PBOC establishes RMB benchmark interest rates which include a floor for RMB loan rates.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may impact the PBOC benchmark interest rates;
- optimising the differences in timing between contractual maturities and repricing of interest-generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net interest income.

The sensitivity of the net interest income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the financial assets and financial liabilities held at period end subject to re-pricing within the coming year.

Change in basis points	The Group 30 June 2018	31 December 2017
+100 basis points	(701,008)	(703,512)
-100 basis points	701,008	703,512

(b) Exchange rate risk

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against the RMB, with all other variables held constant, on net profit. A negative amount in the table reflects a potential net reduction in net profit, while a positive amount reflects a potential net increase.

This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the period end are kept unchanged and, therefore, have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk. The following table presents the effect after removing the fixed assets, construction in progress and intangible assets.

Currency	*Change in exchange rate (%)*	*Impact on net profit as at 30 June 2018*	*Impact on net profit as at 31 December 2017*
USD	(1%)	386,301	353,486

While the table above indicates the effect on net profit of 1% depreciation of USD, there will be an opposite effect with the same amount if the currency appreciates by the same percentage.

(3) Liquidity risk

Liquidity risk is the risk that the Group is unable to provide funds for maturing liabilities through asset realisation at reasonable prices on a timely basis.

The Group is exposed to specific daily calls on its available cash resources, including release of security deposit and repayment of fixed-term borrowings. The Group sets certain limits on funds available to meet such calls and on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Risk Management Committee (the "RM" Committee) under the board of Directors of the Group is responsible for formulating liquidity risk management policies. The Financial Market Department under the RM Committee is responsible for the daily liquidity risk management.

(4) Fair value of financial assets and financial liabilities

(a) Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because they are short-term in nature or repriced to current market rates regularly, are as follows:

Assets	*Liabilities*
Cash at bank and on hand	Borrowings
Deposit with the central bank	Repurchase agreements
Finance lease receivables	Other financial liabilities
Other financial assets	

(5) Capital management

The capital management of the Group focuses on capital adequacy ratios and returns on capital so as to enable the Group to meet the requirements for regulatory compliance, credit rating, risk compensation and shareholders' return. This also facilitates the Group's risk management, ensures the orderly expansion of the asset size and enhances its operational structure and business model.

The Group calculates and discloses its capital adequacy ratio in line with the *Administrative Measures for Financial Leasing Companies* issued by CBRC in 2014, and CBRC's *Administrative Measures for Capital Management of Commercial Banks* (Trial), and *Administrative Measures for Capital Adequacy Ratios of Commercial Banks* and other relevant rules and regulations. The Group has communicated with regulators on accounting treatments specific to the industry.

The capital adequacy ratios and related components of the Group are calculated in accordance the statutory financial statements of the Group prepared under PRC GAAP. During the period, the Group has complied in full with all its externally imposed capital requirements.

As at 30 June 2018, the Group's core Tier 1 capital adequacy ratio, Tier-1 capital adequacy ratio and capital adequacy ratio calculated in line with *Administrative Measures for Capital Management of Commercial Banks (Trial)* and other relevant rules and regulations are as follows:

The Group

	30 June 2018	31 December 2017
Core tier 1 Capital adequacy ratio	13.70%	14.01%
Tier 1 Capital adequacy ratio	13.70%	14.01%
Capital adequacy ratio	14.61%	14.70%

34. Related party relationships and transactions

(1) Information on the Company's subsidiaries is disclosed in Note III 5.

(2) Information on the parent company:

Name of the parent company	*Registered capital*	*Place of registration*	*Principal activities*	*% of equity interest held*	*Nature or type of operation*	*Name of chairman*
Industrial and Commercial Bank of China Limited	RMB 356.4 billion	Beijing	Financial services	100%	Commercial bank	Yi Huiman

(3) Nature of related-party relationship where no control exists:

Name of company	*Relationship with the Company*
ICBC International Leasing Company Limited ("ICBC International Leasing")	Controlled by the parent company The Company and ICBC International Investment Management Limited conduct important financial and operating decisions together according to the contract

(4) Balances and transactions with related parties

Significant balances between the Group and the parent company:

Balance at the end of the period / year	*30 June 2018*	*31 December 2017*
Cash at bank and on hand	2,057,739	1,529,734
Borrowings	38,517,794	37,800,000
Repurchase agreements*	23,215,608	19,871,621
Interest payable	92,909	75,720

* The amount pertains to the recourse factoring arrangement entered into by the Group and the parent company. Under the arrangement, the Group transferred certain finance lease receivables to the parent company, and the parent company has the right to request the Group to repurchase all uncollected finance lease receivables when the factoring arrangement has been operating for one year or there are some circumstances that have adverse impact on the repayment of finance lease receivables. The Group did not derecognise these finance lease receivables.

Transaction during the period	*Jan - Jun 2018*	*Jan - Jun 2017*
Interest income	3,590	8,361
Fee and commission income	-	293
Interest expense	1,296,026	985,447
Fee and commission expense	32,898	31,543

(5) Transactions between the Company and its subsidiaries

The related parties over which the Company has controls are the subsidiaries of the Company. For details of the subsidiaries of the Company, please refer to Note III 5. All the significant balances and transactions between the Company and its subsidiaries are eliminated in the consolidated financial statements. Details of the material transactions are as follows:

Balance at the end of the period / year	*30 June 2018*	*31 December 2017*
Other assets		
Entrusted loan	18,943,033	18,517,990
Receivables due to assets transfer transaction	6,751,808	6,414,857
Operating lease receivables	67,058	66,223
Interest receivable	1,536,150	1,213,459
Borrowings	5,868,188	4,294,749
Interest payable	506,292	388,786

Transaction during the period	*Jan - Jun 2018*	*Jan - Jun 2017*
Interest income	344,820	397,506
Interest expense	116,179	31,339

The fixed assets under operating leases which have been sold by the Company to the subsidiaries during this accounting period amounted to RMB 576,226,000 (Jan - Jun 2017: RMB 567,547,000).

(6) Related transaction between the Group and ICBC International Leasing

Significant transactions between the Group and ICBC International Leasing during this accounting period are as follows:

Balance at the end of the period / year	*30 June 2018*	*31 December 2017*
Borrowings	148,212	216,480
Receivables due to assets transfer transaction	208,098	208,098
Finance lease receivables	133,550	128,756
Trade and other payables	53	53
Interest payable	1,357	1,093
Leased assets payables	612,103	409,913

Transaction during the period	*Jan - Jun 2018*	*Jan - Jun 2017*
Interest expense	264	612
Income from finance lease	3,576	3,871

The Group purchased fixed assets under operating leases from ICBC Internatinal Leasing during this accounting period amounted to RMB 193,108,000 (Jan - Jun 2017: Nil).

The Group did not transfer fixed assets under operating leases to ICBC International Leasing during this accounting period (Jan- Jun 2017:book value RMB 206,847,000 with no gain from the transaction).

As at 30 June 2018, ICBC International Leasing provided joint guarantees to the Group, which amounted to RMB 4,655,400,000, the guarantee credit amounted to RMB 4,655,400,000 had been used (31 December 2017 : RMB 3,085,400,000).

35. Non-adjusting post balance sheet events

On 6 March 2018, the plan to increase registered capital by transferring retained earnings amounting to RMB 7 billion was approved and adopted through the Shareholders’ meeting. On 20 August 2018, the Company’s registered capital was increased from RMB 11 billion to RMB 18 billion after the registered capital change procedure was completed.

36. Contingencies

The Company entered into agreements with ICBC Asia, ICBC Singapore branch, ICBC Europe, ICBC Dubai branch and ICBC Sidney branch to undertake a remarketing service commitment to resell assets pledged for foreign currency loans extended to its related companies by the above counterparties.

As at 30 June 2018, the Company provided joint guarantees to thirty of its domestic subsidiaries and one overseas related company for their borrowings, which amounted to RMB 21.7 billion (31 December 2017: RMB 23.2 billion).

37. Comparative figures

Certain data of the comparative period was reclassified to conform to this period’s presentation in respect of these financial statements. The said reclassification had no significant effect on the operating results and financial condition of the Group and the Company in the comparative period.

IV. Approval of the financial statements

These financial statements were approved by the Company on 12 September 2018.

ICBC FINANCIAL LEASING CO., LTD.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Independent Auditors' Report
To the Shareholders of ICBC Financial Leasing Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the financial statements of ICBC Financial Leasing Co., Ltd. ("the Company") set out on pages 1 to 69, which comprise the consolidated balance sheet and balance sheet as at 31 December 2017, the consolidated income statement and income statement, the consolidated cash flow statement and cash flow statement, the consolidated statement of changes in owners' equity and the statement of changes in owners' equity for the year then ended, and notes to the consolidated financial statements, including significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position and financial position of the Company as at 31 December 2017, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended in accordance with Accounting Standards for Business Enterprises promulgated by the Ministry of Finance of the People's Republic of China.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditors' Report

Responsibilities of the directors for the consolidated financial statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China, 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 Company'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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements (continued)

- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company 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.

We communicate with those charged with governance 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.

Certified Public Accountants
8th Floor, Tower E2, Oriental Plaza
1 East Chang An Avenue
Beijing 100738, China

31 March 2018

ICBC FINANCIAL LEASING CO., LTD.
Consolidated balance sheet and balance sheet
31 December 2017
(In RMB '000, unless otherwise stated)

		The Group		The Company	
	Note V	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Assets					
Cash at bank and on hand	1	11,954,657	14,082,041	11,130,055	13,239,816
Deposits with the central bank	2	20,325	25,057	20,325	25,057
Prepayments	3	3,047,126	2,258,319	3,047,126	2,258,319
Finance lease receivables	4	104,808,112	97,938,729	92,772,512	84,264,122
Financial assets at fair value through profit or loss		-	1,014,820	-	1,014,820
Long-term equity investments	5	-	-	10,500	8,600
Fixed assets	6	37,935,159	35,510,397	934,784	941,553
Construction in progress	7	8,790,681	5,919,697	8,790,681	5,919,697
Intangible assets	8	15,745	17,994	15,745	17,994
Deferred tax assets	9	496,658	419,380	479,776	404,036
Other assets	10	2,672,011	8,306,995	29,084,158	34,377,420
Total assets		169,740,474	165,493,429	146,285,662	142,471,434

The notes on pages 11 to 69 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Consolidated balance sheet and balance sheet (continued)
31 December 2017
(In RMB '000, unless otherwise stated)

	Note V	The Group 31 December 2017	The Group 31 December 2016	The Company 31 December 2017	The Company 31 December 2016
Liabilities and Equity					
Liabilities					
Borrowings	*11*	114,427,545	126,192,328	98,093,954	108,987,922
Repurchase agreements	*12*	22,357,274	8,597,497	21,135,936	8,597,497
Advances from customers	*13*	2,177,075	2,282,245	1,734,971	1,852,498
Long-term payables	*14*	3,117,446	3,726,560	-	-
Employee benefits payable	*15*	190,288	228,395	190,288	228,395
Taxes payable	*16(3)*	308,731	480,281	129,661	274,499
Security deposit payable	*17*	261,549	264,869	166,212	197,185
Other payables	*18*	2,312,164	966,405	2,615,728	1,105,442
Total liabilities		145,152,072	142,738,580	124,066,750	121,243,438
Equity					
Paid-in capital	*19*	11,000,000	11,000,000	11,000,000	11,000,000
Other comprehensive income	*20*	20,093	151,542	-	-
Surplus reserve	*21*	1,427,329	1,174,989	1,122,114	1,023,023
General reserve	*22*	2,750,042	2,750,042	2,550,260	2,550,260
Retained earnings		9,390,938	7,678,276	7,546,538	6,654,713
Total equity		24,588,402	22,754,849	22,218,912	21,227,996
Total liabilities and equity		169,740,474	165,493,429	146,285,662	142,471,434

Chairman	Deputy Chief Financial Officer	General Manager of Finance Department	(Company stamp)

The notes on pages 11 to 69 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Consolidated income statement and income statement
Year ended 31 December 2017
(In RMB '000, unless otherwise stated)

	Note V	The Group 2017	The Group 2016	The Company 2017	The Company 2016
Net interest income					
Interest income	*23*	5,478,831	5,750,180	5,755,685	6,208,300
Interest expense	*23*	(5,212,278)	(4,393,293)	(4,532,622)	(3,957,742)
		266,553	1,356,887	1,223,063	2,250,558
Net operating lease income / (losses)					
Operating lease income	*24*	3,367,676	2,869,387	23,770	32,684
Operating lease expenses	*24*	(1,402,314)	(1,188,520)	(32,817)	(34,183)
		1,965,362	1,680,867	(9,047)	(1,499)
Net fee and commission income					
Fee and commission income	*25*	808,218	416,023	807,837	414,985
Fee and commission expenses	*25*	(123,112)	(345,968)	(73,283)	(145,970)
		685,106	70,055	734,554	269,015
Investment income		214,031	300,144	214,031	300,144
Losses from changes in fair value		(178,659)	(157,707)	(178,659)	(157,707)
Exchanges (losses) / gains		(253,657)	200,595	(238,087)	239,975
(Losses) / gains from asset disposal		(78,007)	48,721	(6,312)	396
Other income	*29*	465,367	-	1,490	-
Operating income		3,086,096	3,499,562	1,741,033	2,900,882
Taxes and surcharges	*26*	(85,381)	(96,369)	(25,865)	(40,990)
Operating and administrative expenses	*27*	(353,714)	(353,694)	(349,292)	(349,398)
Impairment losses	*28*	(125,078)	(210,443)	(122,068)	(116,303)
Operating expenses		(564,173)	(660,506)	(497,225)	(506,691)
Operating profit		2,521,923	2,839,056	1,243,808	2,394,191
Add: Non-operating income	*29*	476	253,270	98	888
Less: Non-operating expenses		(335)	(244)	(269)	(224)
Profit before taxation		2,522,064	3,092,082	1,243,637	2,394,855
Less: Income tax expense	*30*	(557,062)	(824,419)	(252,721)	(601,923)
Profit for the year		1,965,002	2,267,663	990,916	1,792,932

The notes on pages 11 to 69 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Consolidated income statement and income statement (continued)
Year ended 31 December 2017
(In RMB '000, unless otherwise stated)

		The Group		*The Company*	
	Note V	*2017*	*2016*	*2017*	*2016*
Other comprehensive income, net of tax					
Items that may be reclassified to profit or loss:					
Translation differences arising from translation of foreign currency financial statements		(131,449)	106,808	-	-
Total comprehensive income for the year		1,833,553	2,374,471	990,916	1,792,932

The notes on pages 11 to 69 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Consolidated cash flow statement and cash flow statement
Year ended 31 December 2017
(In RMB '000, unless otherwise stated)

	Note V	The Group 2017	The Group 2016	The Company 2017	The Company 2016
1. Cash flows from operating activities:					
Net decrease in finance lease receivables and prepayments		-	12,359,466	-	11,785,213
Cash received from interest, fee and commission		6,310,909	6,361,735	6,994,554	6,361,822
Cash received from operating lease income		3,287,969	2,742,071	33,081	22,790
Net decrease in placements with bank and other financial institutions		-	6,887,600	-	-
Net increase in repurchase agreements		13,759,777	1,404,377	12,538,439	4,482,348
Net decrease in deposits with the central bank		4,732	-	4,732	-
Cash received relating to other operating activities		4,387,492	1,728,324	2,154,890	188,906
Sub-total of cash inflows		27,750,879	31,483,573	21,725,706	22,841,079
Net increase in finance lease receivables and prepayments		(7,916,471)	-	(9,456,223)	-
Net decrease in short-term borrowings		(8,439,952)	(27,137,510)	(9,181,849)	(20,570,386)
Net increase in deposits with the central bank		-	(390)	-	(390)
Payments of Interest expense on short-term borrowings, fee and commission expenses		(4,572,945)	(4,687,624)	(4,394,441)	(4,059,044)
Payments of on behalf of employees		(269,045)	(228,131)	(269,045)	(228,131)
Payments of taxes		(891,271)	(1,078,858)	(499,164)	(589,307)
Payments for other operating activities		(364,644)	(805,872)	(414,079)	(660,975)
Sub-total of cash outflows		(22,454,328)	(33,938,385)	(24,214,801)	(26,108,233)
Net cash inflow / (outflow) from operating activities		5,296,551	(2,454,812)	(2,489,095)	(3,267,154)

The notes on pages 11 to 69 form part of these financial statements.

(In RMB '000, unless otherwise stated)

		The Group		The Company	
	Note V	*2017*	*2016*	*2017*	*2016*
2. Cash flows from investing activities:					
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		621,932	1,539,312	58,872	8,205
Proceeds from sale and redemption of financial investments		1,050,192	1,463,839	1,050,192	1,958,621
Proceeds from other investing activities		12,593,215	796,464	13,415,217	524,052
Sub-total of cash inflows		14,265,339	3,799,615	14,524,281	2,490,878
Payment for acquisition of fixed assets, intangible assets and other long-term assets		(10,155,308)	(12,402,858)	(5,000,006)	(3,939,417)
Payment for other investing activities		(9,711,629)	(7,720,377)	(9,713,529)	(7,265,350)
Sub-total of cash outflows		(19,866,937)	(20,123,235)	(14,713,535)	(11,204,767)
Net cash outflow from investing activities		(5,601,598)	(16,323,620)	(189,254)	(8,713,889)
3. Cash flows from financing activities					
Proceed from long-term borrowings		3,495,627	9,093,926	727,994	-
Sub-total of cash inflows		3,495,627	9,093,926	727,994	-
Repayments of long-term borrowings		(6,820,458)	(4,031,446)	(2,440,113)	(547,688)
Payment for interest of long-term borrowings		(712,222)	(206,399)	(152,136)	(32,261)
Sub-total of cash outflows		(7,532,680)	(4,237,845)	(2,592,249)	(579,949)
Net cash (outflow) / inflow from financing activities		(4,037,053)	4,856,081	(1,864,255)	(579,949)
4. Effect of foreign exchange rate changes on cash and cash equivalents		(232,463)	519,549	(14,336)	252,146

The notes on pages 11 to 69 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Consolidated cash flow statement and cash flow statement (continued)
Year ended 31 December 2017
(In RMB '000, unless otherwise stated)

	Note V	The Group 2017	The Group 2016	The Company 2017	The Company 2016
5. Net decrease in cash and cash equivalents		(4,574,563)	(13,402,802)	(4,556,940)	(12,308,846)
Add: cash and cash equivalents at the beginning of the year		6,817,591	20,220,393	5,975,366	18,284,212
6. Cash and cash equivalents at the end of the year	31	2,243,028	6,817,591	1,418,426	5,975,366

The notes on pages 11 to 69 form part of these financial statements.

(In RMB '000, unless otherwise stated)

Supplementary information

1 Reconciliation of net profit to cash flows from operating activities:

	The Group		*The Company*	
	2017	*2016*	*2017*	*2016*
Profit for the year	1,965,002	2,267,663	990,916	1,792,932
Add: Impairment losses	125,078	210,443	122,068	116,303
Depreciation of fixed assets	1,404,654	1,191,445	35,155	37,103
Amortisation of intangible assets	3,089	3,217	3,089	3,217
Losses / (Gains) on asset disposal	78,007	(48,721)	6,312	(396)
(Increase) / Decrease in long-term deferred expenses	(1,250)	1,245	(1,250)	1,245
(Increase) / Decrease in deferred expenses	(5,770)	1,124	(5,773)	(192)
Exchanges losses / (gains)	253,657	(200,595)	238,087	(239,975)
Investment income	(214,031)	(300,144)	(214,031)	(300,144)
Losses from changes in fair value	178,659	157,707	178,659	157,707
Increase in deferred tax assets	(77,278)	(94,321)	(75,740)	(95,571)
(Increase) / Decrease in operating receivables	(4,626,133)	21,250,099	(8,105,034)	11,650,382
Increase / (Decrease) in operating payables	6,212,867	(26,893,974)	4,338,447	(16,389,765)
Net cash inflows / (outflows) from operating activities	5,296,551	(2,454,812)	(2,489,095)	(3,267,154)

2 Movement of cash and cash equivalents:

	The Group		*The Company*	
	2017	*2016*	*2017*	*2016*
Cash and cash equivalents at the end of the year	2,243,028	6,817,591	1,418,426	5,975,366
Less: Cash and cash equivalents at the beginning of the year	6,817,591	20,220,393	5,975,366	18,284,212
Net decrease in cash and cash equivalents	(4,574,563)	(13,402,802)	(4,556,940)	(12,308,846)

The notes on pages 11 to 69 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Consolidated statement of changes in owners' equity
Year ended 31 December 2017
(In RMB '000, unless otherwise stated)

	Note V	2017 Paid-in capital	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
Balance at 1 January 2017		11,000,000	151,542	1,174,989	2,750,042	7,678,276	22,754,849
Changes in equity for the year							
1. Profit for the year		-	-	-	-	1,965,002	1,965,002
2. Other comprehensive income		-	(131,449)	-	-	-	(131,449)
3. Appropriation to surplus reserve	21	-	-	252,340	-	(252,340)	-
Sub-total		-	(131,449)	252,340	-	1,712,662	1,833,553
Balance at 31 December 2017		11,000,000	20,093	1,427,329	2,750,042	9,390,938	24,588,402

	Note V	2016 Paid-in capital	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
Balance at 1 January 2016		11,000,000	44,734	983,922	2,750,042	5,601,680	20,380,378
Changes in equity for the year							
1. Profit for the year		-	-	-	-	2,267,663	2,267,663
2. Other comprehensive income		-	106,808	-	-	-	106,808
3. Appropriation to surplus reserve	21	-	-	191,067	-	(191,067)	-
Sub-total		-	106,808	191,067	-	2,076,596	2,374,471
Balance at 31 December 2016		11,000,000	151,542	1,174,989	2,750,042	7,678,276	22,754,849

The notes on pages 11 to 69 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Statement of changes in owners' equity
Year ended 31 December 2017
(In RMB '000, unless otherwise stated)

		2017				
	Note V	*Paid-in capital*	*Surplus reserve*	*General reserve*	*Retained earnings*	*Total*
Balance at 1 January 2017		11,000,000	1,023,023	2,550,260	6,654,713	21,227,996
Changes in equity for the year						
1. Profit for the year		-	-	-	990,916	990,916
2. Appropriation to surplus reserve	*21*	-	99,091	-	(99,091)	-
Sub-total		-	99,091	-	891,825	990,916
Balance at 31 December 2017		11,000,000	1,122,114	2,550,260	7,546,538	22,218,912

		2016				
	Note V	*Paid-in capital*	*Surplus reserve*	*General reserve*	*Retained earnings*	*Total*
Balance at 1 January 2016		11,000,000	843,730	2,550,260	5,041,074	19,435,064
Changes in equity for the year						
1. Profit for the year		-	-	-	1,792,932	1,792,932
2. Appropriation to surplus reserve	*21*	-	179,293	-	(179,293)	-
Sub-total		-	179,293	-	1,613,639	1,792,932
Balance at 31 December 2016		11,000,000	1,023,023	2,550,260	6,654,713	21,227,996

The notes on pages 11 to 69 form part of these financial statements.

I Company status

ICBC Financial Leasing Co., Ltd. (the “Company”) is a wholly-owned subsidiary of Industrial and Commercial Bank of China Limited (“ICBC”). It obtained the approval Yin Jian Fu [2007] No. 407 from the China Banking Regulatory Commission (the “CBRC”) on 18 September 2007 and was incorporated in Tianjin on 26 November 2007.

The Company obtained its financial permit No. M0011H212000001 from the CBRC. The Company obtained its business licence with unified social credit code 91120116710935177L from the State Administration for Industry and Commerce of the People’s Republic of China (the “PRC”). The legal representative is Zhao Guicai, and the registered office is located at No. 20 Guangchang East Road, Tianjin Economic-Technological Development Area. As at 31 December 2017, the Company has a registered capital of RMB 11,000,000,000.

The principal activities of the Company and its subsidiaries (the “Group”) comprise the provision of financial leasing services, disposal of leased assets, import and export trade, economic consultancy services and other services as approved by the CBRC.

II Basis of preparation

The financial statements have been prepared on the going concern basis.

1 Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards (“CAS”) issued by MOF. These financial statements present truly and completely the consolidated financial position and financial position of the Company as at 31 December 2017, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

2 Accounting year

The accounting year of the Group is from 1 January to 31 December.

3 Functional currency and presentation currency

The Company’s functional currency is Renminbi (“RMB”) and these financial statements are presented in Renminbi. Functional currency is determined by the Company and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled. Some of the Group’s subsidiaries have functional currencies that are different from the Company’s functional currency. Their financial statements have been translated based on the accounting policy set out in Note III.2.

III Significant accounting policies and accounting estimates

1 Business combinations and consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

When preparing consolidated financial statements, the accounting policies or accounting period of a subsidiary shall be the same as those of the Company.

Intra-group balances and transactions, and any unrealised profit arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

When the Group loses control of over a subsidiary, derecognises assets, liabilities, non-controlling interests and other related items in owners' equity in relation to that subsidiary. any resulting disposal gains or losses are recognised as investment income for the current period.

2 Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or rates that approximate the spot exchange rates on the dates of the transactions. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, such as the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the balance sheet date. The resulting exchange differences are recognised in profit or loss. Non-monetary items that are measured at historical cost in foreign currencies are translated to RMB using the exchange rate at the transaction date.

Some of the Group's subsidiaries have functional currencies that are different from the Company's functional currency. Assets and liabilities of foreign operations are translated to RMB at the spot exchange rate at the balance sheet date. Equity items, excluding "Retained earnings", are translated to RMB at the spot exchange rates at the transaction dates.Income and expenses of foreign operations are translated to RMB at the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income. The translation differences accumulated in owners' equity with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdrawn on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

4 Financial instruments

(a) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets or financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets or financial liabilities, any related directly attributable transaction costs are included in their initial costs. Subsequent to initial recognition, financial assets and liabilities are measured as follows:

- Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

- Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

- Available-for-sale investments in equity instruments whose fair value cannot be measured reliably are measured at cost. Other available-for-sale financial assets are measured at fair value and changes therein are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses from monetary financial assets which are recognised directly in profit or loss. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Dividend income is recognised in profit or loss when the investee approves the dividends. Interest is recognised in profit or loss using the effective interest method (see Note III.15(a)).

- Financial liabilities other than those at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Other financial liabilities mainly include borrowings from banks, repurchase agreements, security deposit payable, interest payable, other payables and advances from customers, and are measured at amortisation cost

By the end of the period, the Group has no financial liabilities at fair value through profit or loss.

(b) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- the Group has a legal right to set off the recognised amounts and the legal right is currently enforceable; and

- the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(c) Derecognition of financial assets and financial liabilities

A financial asset is derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers substantially all the risks and rewards of ownership of the financial asset to another party.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred

- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged.

5 Impairment of assets

Except for impairment of assets set out in Note III.14, impairment of assets is accounted for using the following principles:

(a) Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised.

– Receivables

Receivables is assessed for impairment on an individual basis and on a collective group basis.

By the end of the year, the Group's receivables include finance lease receivables, prepayment for finance lease assets, operating lease receivables, interest receivable and other receivables, etc.

Individual assessment

Receivables, which are considered individually significant, are assessed individually for impairment. If there is objective evidence that an impairment loss on receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and recognised in profit or loss.

Impairment losses relating to receivables are not discounted if the effect of discounting is immaterial. The present value of the estimated future cash flows of a collateralised receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective assessment

Same groups of receivables which are considered individually insignificant and individually assessed receivables with no objective evidence of impairment are assessed for impairment losses on a collective basis. If there is 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 financial assets, the impairment is recognised and recorded in profit or loss. The collective impairment loss is assessed after taking into account: (i) historical loss experience in portfolios of similar credit risk characteristics; (ii) the period between a loss occurring and that loss being identified; and (iii) the current economic and credit environments and the judgement from the Group on the actual level of inherent losses based on its historical experience.

Individually assessed receivables with no objective evidence of impairment are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss.

Collective assessment covers those receivables that were impaired at the balance sheet date but was not individually identified as such until some time in the future. As soon as there is an objective evidence of impairment on individual assets in a pool, those assets are removed from the pool of financial assets.

Impairment reversal and receivables written-off

If, after an impairment loss has been recognised on receivables, there is a recovery in the value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal, had the impairment not been recognised.

When the Group determines that a receivable has no reasonable prospect of recovery after the Group has completed all the necessary legal or other proceedings, the receivable is written off against its allowance for impairment losses. If in a subsequent period the receivable written off is recovered, the amount recovered will be recognised in profit or loss through impairment losses.

– Available-for-sale financial assets

Available-for-sale financial assets are assessed for impairment on an individual basis and on a collective group basis.

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that has been recognised directly in equity is reclassified to profit or loss even though the financial asset has not been derecognised.

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. An impairment loss recognised for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. The impairment loss on an investment in unquoted instrument whose fair value cannot be reliably measured is not reversed.

(b) Impairment of non-financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on the internal and external sources of information to determine whether there is any indication of impairment:

– fixed assets
– intangible assets
– construction in progress
– Long-term deferred expenses
– long-term equity investments
– other assets

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

The recoverable amount of an asset is the higher of its fair value (see Note III.12) less costs to sell and its present value of expected future cash flows.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate, after considering various factors including the estimated future cash flows, the useful lives and the discount rate of the asset.

If the estimated result indicates the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to profit or loss for the current period. A provision for impairment of the asset is recognised accordingly. For impairment losses related to an asset group or a set of asset groups, the carrying amount of assets in the asset group or set of asset groups will be reduced on a pro rata basis. However, the carrying amount of an impaired asset will not be lower than the greatest amount of its individual fair value less costs to sell (if determinable), the present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

6 Lease

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(a) Assets leased out under finance leases

At the commencement of the lease term, the Group recognises the aggregate of the minimum lease receipts determined at the inception of a lease and the initial direct costs as finance lease receivable (total), and recognises unguaranteed residual value at the same time. The difference between the aggregate of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the aggregate of their present value is recognised as unearned finance income.

Unearned finance income is allocated to each accounting period during the lease term using the effective interest method. At the balance sheet date, finance lease receivables (total), net of unearned finance income, are presented as finance lease receivables in the balance sheet.

(b) Assets acquired under finance leases

When the Group acquires an asset under a finance lease, the asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, each determined at the inception of the lease. At the commencement of the lease term, the minimum lease payments are recorded as long-term payables. The difference between the carrying amount of the leased assets and the minimum lease payments is accounted for as unrecognised finance charges. Initial direct costs attributable to a finance lease that are incurred by the Group are added to the carrying amount of the leased asset. Depreciation and impairment losses are accounted for in accordance with the accounting policies described in Note III.8 and III.5(b), respectively.

Unrecognised finance charges arising from a finance lease are recognised using an effective interest method over the lease term. The amortisation is accounted for in accordance with the principles of borrowing costs.

(c) Assets leased out under operating leases

Income derived from operating leases is recognised in profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately.

(d) Operating lease charges

Rental payments under operating leases are recognised as the cost or expense of a related asset on a straight-line basis over the lease term.

7 Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries.

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note III.1.

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by subsidiaries as investment income in the current period. The investments in subsidiaries are stated in the balance sheet at cost less impairment losses (see Note III.5(b)).

8 Fixed assets and construction in progress

Fixed assets represent the tangible assets held by the Group for rental to others or for administrative purposes with useful lives over one accounting year. The Group's fixed assets comprise buildings, motor vehicles, computer and electronic equipment and office equipment. etc.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note III.5(b)). Construction in progress is stated in the balance sheet at cost less impairment losses (see Note III.5(b)).

The initial cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The initial cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note III.11), and any other costs directly attributable to bringing the asset to working condition for its intended use.

Construction in progress is transferred to fixed assets when it is ready for its intended use. No depreciation is provided against construction in progress.

If different depreciation rates or methods have been applied to the related parts of an item of fixed assets with different useful lives or providing benefits to the Company in different ways, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the fixed asset is classified as held for sale. The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

	Estimated useful life	*Estimated net residual value*	*Depreciation rate*
Office equipment and computer	3 - 5 years	-	20.00% - 33.33%
Motor vehicle	4 - 6 years	-	16.67% - 25.00%

The fixed assets under operating lease of the Group are aircrafts and ships. The estimated useful life of the aircrafts is 25 years and the estimated net residual values expressed as a percentage of cost is 15%. The estimated useful life of the ships is 25 years and the estimated net residual values expressed as a percentage of cost is 5%.

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

9 Intangible assets

Intangible assets are software, and measured at cost. They are amortised on the straight-line basis over their approved useful life and contractual period. Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note III.5(b)).

The amortisation years for the Group's intangible assets are 10 years.

For an intangible asset with a finite useful life, its useful life and amortisation method are reviewed and adjusted at each year-end.

10 Long-term deferred expenses

Expenditure incurred with beneficial period over one year is recognised as long-term deferred expenses. Long-term deferred expenses are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see Note III.5(b)).

11 Borrowing cost

Borrowing cost incurred directly attributable to the acquisition and construction of a qualifying asset are capitalised as part of the cost of the asset.

Expect for the above, other borrowing costs are recognised in profit or loss when incurred.

12 Fair value measurement

Unless otherwise specified, the Group determines fair value measurement as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

13 Employee benefits

(a) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accured at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(b) Post-employment benefits - defined contribution plans

Pursuant to the relevant laws and regulations of the People’s Republic of China, the Group participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

14 Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible tax losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss).

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates enacted at the reporting date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and liabilities are offset if all the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and assets, and

- they relate to income taxes levied by the same tax authority on either:

  - the same taxable entity; or

  - different taxable entities which intend either to settle the current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

15 Revenue recognition

Revenue is the gross inflow of economic benefit arising in the course of the Group's ordinary activities when those inflows result in increases in equity, other than increases relating to contributions from owners. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Group, the revenue and costs can be measured reliably and the following respective conditions are met:

(a) Interest income

Interest income from financial assets is recognised in profit or loss based on the duration and the effective interest rate as incurred. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

The effective interest method is a method of calculating the amortised cost and the interest income of a financial asset based on its effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income under finance leases is recognised in profit or loss using the effective interest method over the periods covered by the lease term. Contingent rentals are recognised as income in the accounting period in which they are earned.

(b) Fee and commission income

Fee and commission income is recognised on an accrual basis when the service is rendered or received.

(c) Other income

Other income is recognised on an accrual basis.

16 Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Company will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

A government grant related to an asset that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income or non-operating income in the periods in which the expenses or losses are recognised. Otherwise, the grant is included in other income or non-operating income directly.

17 Segment reporting

Reportable segments are identified and disclosed based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system.

An operating segment is a component of the Group that engages in business activities: (1) from which it may earn revenues and incur expenses; (2) whose financial performance are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance; and (3) for which financial information regarding financial position, financial performance and cash flows is available. Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and a certain more criteria.

The Group focused on leasing business during the year without significant indications of regional risks, therefore it did not manage the business in segment and no segment information is disclosed.

18 Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

19 Significant accounting estimates and judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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 and in any future periods affected.

(a) Impairment of receivables

As described in Note III.5(a), in addition to individually assessing receivables (identified as impaired) for impairment losses, the Group regularly assesses groups of receivables for impairment losses. The Group will judge whether there is any evidence of impairment arising from a decrease in expected future cash flows of the groups of receivables (without signs of any cash flow reduction during individual assessments) in order to determine whether it is necessary to make provisions for impairment losses. Such evidence of impairment includes lessees' likely defaults due to deterioration in their financial conditions or adverse changes of their economic landscapes. The Group then assesses resultant impairment losses after considering factors such as asset profiles, industry risk affecting lessees, and regulatory requirements. To narrow the difference between the actual loss and estimated loss on impaired receivables, the Group regularly assesses the methodologies and assumptions used in estimating the timing and amounts of expected future cash flows.

(b) Impairment of non-financial assets

As described in Note III.5(b), assets such as fixed assets and intangible assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset (asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. Since a market price of the asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of expected future cash flows, significant judgments are exercised over the asset's cash inflow, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of cash inflow, selling price and related operating expenses based on reasonable and supportable assumptions.

(c) Depreciation and amortisation

As described in Note III.8 and III.9, fixed assets and intangible assets are depreciated and amortised on a straight-line basis over their useful lives after taking into account their residual value. The useful lives of the assets are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives of the assets are determined based on historical experience of similar assets and the estimated technical changes. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised prospectively.

(d) 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 tax. 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.

IV Description and reasons of changes in accounting policies

The MOF issued the *Accounting Standards for Business Enterprises No. 42– Non-current Assets or Disposal Groups Held for Sale and Discontinued Operations* ("CAS 42") and the revised *Accounting Standards for Business Enterprises No. 16 – Government Grants* ("CAS 16 (2017)") respectively in April and May 2017. The effective dates of CAS 42 and CAS 16 (2017) are 28 May 2017 and 12 June 2017 respectively.

In addition, the MOF issued the *"Notice on Revision of the Illustrative Financial Statements"* (Caikuai [2017] No.30) in December 2017. The Group has prepared financial statements for the year ended 31 December 2017 in accordance with this document.

Impact of the adoption of the above accounting standards and regulation is as follows.

(1) Held for sale and discontinued operations

Pursuant to the requirements of CAS 42 relating to the classification, measurement and presentation of non-current assets or disposal groups held for sale and the presentation of discontinued operations, the Group has revisited the existing non-current assets or disposal groups held for sale and discontinued operations as of 28 May 2017 and applied the related accounting policies prospectively The adoption of CAS 42 has no material effect on the financial position and financial performance of the Group.

(2) Government grants

Pursuant to CAS 16 (2017), the Group has revisited the existing government grants as of 1 January 2017 and applied the related accounting policies prospectively.

The impact of adoption of CAS 16 (2017) is a government grant related to income previously recognised as non-operating income is reclassified as other income.

(3) Gains from asset disposals

The Group has prepared financial statements for the year ended 31 December 2017 in accordance with Caikuai [2017] No.30. Comparative figures have been adjusted retrospectively.

According to this regulation, the Group has added a separate line item "Gains from asset disposals" in the income statement. Gains or losses from disposals of non-current assets (excluding financial instruments, long-term equity investment and investment properties) or disposal groups classified as held for sale, and gains or losses from disposals of fixed assets, construction in progress, bearer biological assets and intangible assets not classified as held for sale are included in this item.The above gains or losses were previously presented in "Non-operating income" or "Non-operating expenses".

Except the new or modified accounting standards stated above, the accounting policies of the financial statements for the year ended 31 December 2016 are still applied.

V Notes to the consolidated financial statements and financial statements

1 Cash at bank and on hand

	The Group		*The Company*	
	31 December 2017	*31 December 2016*	*31 December 2017*	*31 December 2016*
Deposits with banks	11,954,657	14,082,041	11,130,055	13,239,816

2 Deposits with the central bank

	The Group and the Company	
	31 December 2017	*31 December 2016*
Deposits with the central bank	20,325	25,057

In accordance with the *People's Bank of China's Circular on Including Security Deposit in the Scope of Deposit Reserve (Yin Fa [2011] No.209)*, the Company set aside deposit reserve for security deposit. The deposit reserve cannot be used for the Company's day-to-day operations.

3 Prepayments

	The Group		*The Company*	
	31 December 2017	*31 December 2016*	*31 December 2017*	*31 December 2016*
Prepayments for finance lease assets	3,092,243	2,305,205	3,092,243	2,305,205
Less: Provision for impairment - collectively assessed	(45,117)	(46,886)	(45,117)	(46,886)
Total	3,047,126	2,258,319	3,047,126	2,258,319

	The Group		*The Company*	
	2017	*2016*	*2017*	*2016*
Changes in provision for impairment				
At 1 January	46,886	122,766	46,886	120,386
Reversal for the year	(1,769)	(75,880)	(1,769)	(73,500)
At 31 December	45,117	46,886	45,117	46,886

	The Group		*The Company*	
	31 December 2017	*31 December 2016*	*31 December 2017*	*31 December 2016*
Within 1 year (inclusive)	2,393,151	1,472,526	2,393,151	1,472,526
1 to 2 years (inclusive)	20,805	415,878	20,805	415,878
2 to 3 years (inclusive)	415,749	4,263	415,749	4,263
Over 3 years	262,538	412,538	262,538	412,538
	3,092,243	2,305,205	3,092,243	2,305,205
Less: provision for impairment -collectively assessed	(45,117)	(46,886)	(45,117)	(46,886)
Carrying amount	3,047,126	2,258,319	3,047,126	2,258,319

4 Finance lease receivables

	The Group		The Company	
	31 December 2017	*31 December 2016*	*31 December 2017*	*31 December 2016*
Finance lease receivables	124,393,430	114,813,682	110,544,076	99,240,295
Less: unearned finance income	(17,124,069)	(14,465,764)	(15,513,283)	(12,774,692)
	107,269,361	100,347,918	95,030,793	86,465,603
Less: provision for impairment				
-collectively assessed	(1,984,202)	(1,774,033)	(1,781,234)	(1,566,325)
- individually assessed	(477,047)	(635,156)	(477,047)	(635,156)
Carrying amount	104,808,112	97,938,729	92,772,512	84,264,122

(i) The following table presents the Group's and the Company's contracted minimum lease receipts for future accounting years:

	The Group		The Company	
	31 December 2017	*31 December 2016*	*31 December 2017*	*31 December 2016*
Within 1 year (inclusive)	27,882,968	24,175,433	25,683,874	23,013,773
1 to 2 years (inclusive)	22,704,632	20,674,665	20,575,384	18,395,909
2 to 3 years (inclusive)	19,057,608	17,681,815	17,069,849	15,604,830
Over 3 years or undated	54,748,222	52,281,769	47,214,969	42,225,783
Total	124,393,430	114,813,682	110,544,076	99,240,295

(ii) The movement of provision for impairment of finance lease receivables:

	The Group		The Company	
	2017	*2016*	*2017*	*2016*
Changes in provision for impairment				
At 1 January	2,409,189	2,235,921	2,201,481	2,022,123
Additions during the year	416,381	431,685	370,117	412,556
Reversal during the year	(364,321)	(258,417)	(313,317)	(233,198)
At 31 December	2,461,249	2,409,189	2,258,281	2,201,481

(iii) As at 31 December 2017, finance lease receivables which had been pledged for the Group's borrowings and repurchase agreements amounted to RMB 38,174 million (31 December 2016: RMB 9,887 million).

5 Long-term equity investments and scope of consolidated financial statements

	The Group		*The Company*	
	31 December 2017	*31 December 2016*	*31 December 2017*	*31 December 2016*
Long-term equity investments	-	-	10,500	8,600

As at 31 December 2017, the consolidated subsidiaries included the following:

	Place of registration	*Registered capital RMB*	*Nature of business*	*% of equity interest held by the Company*	*% of voting right held by the Company*
ICBC Financial Leasing (Beijing) Co., Ltd.	Beijing	1 million	Finance Lease	100%	100%
ICBC Financial Leasing (Tianjin) Co., Ltd.	Tianjin	1 million	Finance Lease	100%	100%
Tian Lang (Tianjin) Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Hai Ju (Tianjin) Ship Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Yin (Tianjin) Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Shu (Tianjin) Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Ji (Tianjin) Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Hai Hui (Tianjin) Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Guang (Tianjin) Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Shang (Tianjin) Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Hai Xing (Tianjin) Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Hai Wang (Tianjin) Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Hai Jin (Tianjin) Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Jiao (Tianjin) Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Kang (Tianjin) Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Yue (Tianjin) Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Qing (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Rong (Tianjin) Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Lu (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Shen (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Jin (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Peng (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Kai (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Shun (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Pu (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Yuan Kang (Tianjin) Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Yun De (Tianjin) Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Yun Long (Tianjin) Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Chang (Shanghai) Aircraft Leasing Co., Ltd.	Shanghai	0.1 million	Finance Lease	100%	100%
Tian Hong (Shanghai) Aircraft Leasing Co., Ltd.	Shanghai	0.1 million	Finance Lease	100%	100%
Tian Jia (Shanghai) Aircraft Leasing Co., Ltd.	Shanghai	0.1 million	Finance Lease	100%	100%
Tian Li (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Yan (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Pu (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Shuang (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Ping (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Xing (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Ji (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Yang (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Song (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Gang (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Chong (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Yu (Xiamen) Aircraft Leasing Co., Ltd.	Xiamen	0.1 million	Finance Lease	100%	100%
Hai Jiang (Tianjin) Ship Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Hai Tao (Tianjin) Ship Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Hai Peng (Tianjin) Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Qian (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Yi (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Chuan (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Qi (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Chen (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Quan (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Gongyinwuju (Tianjin) Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Zhen (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Chi (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Xiao (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Yong (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Hui (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Min (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Hai Lu (Tianjin) Ship Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Xu (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Ao (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%

	Place of registration	Registered capital	Nature of business	% of equity interest held by the Company	% of voting right held by the Company
Tian Mu (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Yun (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Xi (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Xuan (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Yuan (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Lan (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Meng (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Lian (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Jiu (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Shan (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Dan (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Ling (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Xuan (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Yi (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Ming (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Jun (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Hu (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Bing (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Jun (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Mao (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Miao (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Han (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Feng (Tianjin) Aircraft Leasing Co., Ltd.	Tianjin	0.1 million	Finance Lease	100%	100%
Tian Jing (Xiamen) Aircraft Leasing Co., Ltd.	Xiamen	0.1 million	Finance Lease	100%	100%
Tian Ye (Xiamen) Aircraft Leasing Co., Ltd.	Xiamen	0.1 million	Finance Lease	100%	100%

As at 31 December 2017, the paid-in capital of the above subsidiaries amounted to RMB 10,300,000 (31 December 2016: RMB 8,100,000).

6 Fixed assets

The Group

	Office equipment and computers	*Motor vehicle*	*Operating lease assets*	*Total*
Cost				
At 1 January 2016	18,459	4,470	30,770,643	30,793,572
Additions during the year	1,629	-	9,272,919	9,274,548
Transfers from construction in progress	-	-	3,717,606	3,717,606
Transfer to accounts receivable	-	-	(1,662,679)	(1,662,679)
Disposals during the year	-	-	(1,663,520)	(1,663,520)
Foreign currency translation differences	-	-	(1,483,625)	(1,483,625)
At 31 December 2016 and 1 January 2017	20,088	4,470	38,951,344	38,975,902
Additions during the year	1,988	232	4,661,340	4,663,560
Transfers from construction in progress	-	-	2,010,811	2,010,811
Transfer to accounts receivable	-	-	(161,985)	(161,985)
Disposals during the year	-	-	(1,261,383)	(1,261,383)
Foreign currency translation differences	-	-	(2,032,796)	(2,032,796)
At 31 December 2017	22,076	4,702	42,167,331	42,194,109
Accumulated depreciation				
At 1 January 2016	(13,652)	(4,293)	(1,965,937)	(1,983,882)
Charge for the year	(2,749)	(176)	(1,188,520)	(1,191,445)
Written off on disposals	-	-	158,269	158,269
Foreign currency translation differences	-	-	(161,146)	(161,146)
At 31 December 2016 and 1 January 2017	(16,401)	(4,469)	(3,157,334)	(3,178,204)
Charge for the year	(2,340)	-	(1,402,314)	(1,404,654)
Written off on disposals	-	-	370,084	370,084
Foreign currency translation differences	-	-	72,625	72,625
At 31 December 2017	(18,741)	(4,469)	(4,116,939)	(4,140,149)

	Office equipment and computers	Motor vehicle	Operating lease assets	Total
Provision for impairment				
At 1 January 2016	-	-	(202,599)	(202,599)
Charge for the year	-	-	(113,055)	(113,055)
Written off on disposals	-	-	14,660	14,660
Foreign currency translation differences	-	-	13,693	13,693
At 31 December 2016 and 1 January 2017	-	-	(287,301)	(287,301)
Charge for the year	-	-	(31,550)	(31,550)
Written off on disposals	-	-	191,360	191,360
Foreign currency translation differences	-	-	8,690	8,690
	-	-	(118,801)	(118,801)
Net book value				
At 31 December 2016	3,687	1	35,506,709	35,510,397
At 31 December 2017	3,335	233	37,931,591	37,935,159

The Company

	Office equipment and computers	Motor vehicle	Operating lease assets	Total
Cost				
At 1 January 2016	18,444	4,470	977,106	1,000,020
Additions during the year	1,629	-	110,946	112,575
Transfers from construction in progress	-	-	3,717,606	3,717,606
Transfer to accounts receivable	-	-	(3,636,173)	(3,636,173)
Disposals during the year	-	-	(23,548)	(23,548)
At 31 December 2016 and 1 January 2017	20,073	4,470	1,145,937	1,170,480
Additions during the year	1,988	232	115,152	117,372
Transfers from construction in progress	-	-	2,010,811	2,010,811
Transfer to accounts receivable	-	-	(2,010,811)	(2,010,811)
Disposals during the year	-	-	(213,372)	(213,372)
At 31 December 2017	22,061	4,702	1,047,717	1,074,480
Accumulated depreciation				
At 1 January 2016	(13,644)	(4,293)	(37,321)	(55,258)
Charge for the year	(2,744)	(176)	(34,183)	(37,103)
Written off on disposals	-	-	1,079	1,079
At 31 December 2016 and 1 January 2017	(16,388)	(4,469)	(70,425)	(91,282)
Charge for the year	(2,338)	-	(32,817)	(35,155)
Written off on disposals	-	-	17,211	17,211
At 31 December 2017	(18,726)	(4,469)	(86,031)	(109,226)

	equipment and computers	Motor vehicle	Operating lease assets	Total
Provision for impairment				
At 1 January 2016	-	-	(141,860)	(141,860)
Charge for the year	-	-	(10,445)	(10,445)
Written off on disposals	-	-	14,660	14,660
At 31 December 2016 and 1 January 2017	-	-	(137,645)	(137,645)
Charge for the year	-	-	(23,800)	(23,800)
Written off on disposals	-	-	130,975	130,975
	-	-	(30,470)	(30,470)
Net book value				
At 31 December 2016	3,685	1	937,867	941,553
At 31 December 2017	3,335	233	931,216	934,784

As at 31 December 2017, fixed assets under operating lease which had been pledged as collateral for the Group's borrowings amounted to RMB 17,384 million (31 December 2016: RMB 9,927 million).

7 Construction in progress

	The Group and the Company	
	2017	*2016*
At 1 January	5,919,697	5,818,057
Additions during the year	4,881,795	3,819,246
Transferred to fixed assets	(2,010,811)	(3,717,606)
At 31 December	8,790,681	5,919,697

As at 31 December 2017, the Group's and the Company's construction in progress is aircrafts under construction.

	The Group and the Company	
	2017	*2016*
Borrowing costs capitalised	177,801	111,016

The interest rate per annum, at which the borrowing costs were capitalised for the current year by the Group and the Company, was 1.76% - 3.58% (2016: 1.31% - 3.36%)

8 Intangible assets

The Group and the Company

	Computer software
Cost	
At 1 January 2016	22,630
Additions during the year	7,595
At 31 December 2016 and 1 January 2017	30,225
Additions during the year	840
At 31 December 2017	31,065
Accumulated amortisation	
At 1 January 2016	(9,014)
Charge for the year	(3,217)
At 31 December 2016 and 1 January 2017	(12,231)
Charge for the year	(3,089)
At 31 December 2017	(15,320)
Net book value	
At 31 December 2016	17,994
At 31 December 2017	15,745

9 Deferred tax assets

The Group

	31 December 2017		*31 December 2016*	
	Deferred tax assets	*Deductible temporary difference*	*Deferred tax assets / (liabilities)*	*Deductible / (Taxable) temporary difference*
Provision for impairment losses	382,859	1,531,436	390,430	1,561,720
Accrued staff costs	41,513	166,052	52,053	208,212
Change in fair value of financial instruments at fair value through profit or loss	-	-	(44,665)	(178,660)
Others	72,286	289,144	21,562	86,248
Total	496,658	1,986,632	419,380	1,677,520

	2017			
	Balance at the beginning of the year	*Charged to income statement*	*Charged to equity*	*Balance at the end of the year*
Provision for impairment losses	390,430	(7,571)	-	382,859
Accrued staff costs	52,053	(10,540)	-	41,513
Change in fair value of financial instruments at fair value through profit or loss	(44,665)	44,665	-	-
Others	21,562	50,724	-	72,286
Total	419,380	77,278	-	496,658

	2016			
	Balance at the beginning of the year	*Charged to income statement*	*Charged to equity*	*Balance at the end of the year*
Provision for impairment losses	335,351	55,079	-	390,430
Accrued staff costs	54,591	(2,538)	-	52,053
Change in fair value of financial instruments at fair value through profit or loss	(84,092)	39,427	-	(44,665)
Others	19,209	2,353	-	21,562
Total	325,059	94,321	-	419,380

As at 31 December 2017, the deductible tax losses of subsidiaries which amounted to RMB 348,401,000 (31 December 2016: RMB 471,022,000) were not recognized as deferred income tax assets, as the management considered that it was not probable that there would be sufficient taxable profit against which the above deductible losses could be utilized in the foreseeable future. The deductible tax losses expire within 5 years from the year when such losses were incurred under current tax law.

The Company

	31 December 2017		31 December 2016	
	Deferred tax assets	*Deductible temporary difference*	*Deferred tax assets / (liabilities)*	*Deductible / (Taxable) temporary difference*
Provision for impairment losses	364,901	1,459,604	374,331	1,497,324
Accrued staff costs	41,513	166,052	52,053	208,212
Change in fair value of financial instruments at fair value through profit or loss	-	-	(44,665)	(178,660)
Others	73,362	293,448	22,317	89,268
Total	479,776	1,919,104	404,036	1,616,144

	2017			
	Balance at the beginning of the year	*Changed to income statement*	*Changed to equity statement*	*Balance at the end of the year*
Provision for impairment losses	374,331	(9,430)	-	364,901
Accrued staff costs	52,053	(10,540)	-	41,513
Change in fair value of financial instruments at fair value through profit or loss	(44,665)	44,665	-	-
Others	22,317	51,045	-	73,362
Total	404,036	75,740	-	479,776

	2016			
	Balance at the beginning of the year	*Changed to income statement*	*Changed to equity statement*	*Balance at the end of the year*
Provision for impairment losses	317,593	56,738	-	374,331
Accrued staff costs	54,591	(2,538)	-	52,053
Change in fair value of financial instruments at fair value through profit or loss	(84,092)	39,427	-	(44,665)
Others	20,373	1,944	-	22,317
Total	308,465	95,571	-	404,036

10 Other assets

	The Group		The Company	
	31 December 2017	*31 December 2016*	*31 December 2017*	*31 December 2016*
Entrusted loans	-	-	18,517,990	19,405,635
Receivables due to assets transfer transaction	1,354,638	6,521,418	8,465,763	12,605,720
Deductible input VAT	449,615	1,030,403	418,308	992,247
Operating lease receivables	328,052	248,345	66,394	75,705
Prepayments of borrowing cost	148,988	203,900	35,079	63,604
Interest receivable	102,094	82,913	1,315,226	1,065,401
Repossessed assets	60,758	-	60,758	-
Security deposit	11,039	29,158	11,039	29,158
Deferred expenses	7,258	1,488	7,194	1,421
Continuing involvement in assets	6,974	33,739	6,974	33,739
Long-term deferred expenses	1,377	127	1,377	127
Other receivables	201,218	155,504	178,056	104,663
Total	2,672,011	8,306,995	29,084,158	34,377,420

11 Borrowings

	The Group		The Company	
	31 December 2017	*31 December 2016*	*31 December 2017*	*31 December 2016*
Analysed by duration:				
Short-term	93,850,235	102,290,187	93,820,587	103,002,436
Long-term	20,577,310	23,902,141	4,273,367	5,985,486
Total	114,427,545	126,192,328	98,093,954	108,987,922
Analysed by counterparty:				
Domestic banks	92,229,635	113,023,428	76,731,654	100,809,249
Overseas banks	22,197,910	13,168,900	21,362,300	8,178,673
Total	114,427,545	126,192,328	98,093,954	108,987,922

12 Repurchase agreements

	The Group		The Company	
	31 December 2017	*31 December 2016*	*31 December 2017*	*31 December 2016*
Factoring	22,357,274	8,597,497	21,135,939	8,597,497
Total	22,357,274	8,597,497	21,135,939	8,597,497
Domestic banks	22,357,274	8,597,497	21,135,939	8,597,497

13 Advances from customers

	The Group		The Company	
	31 December 2017	*31 December 2016*	*31 December 2017*	*31 December 2016*
Rental fee received in advance	1,695,267	1,927,172	1,253,965	1,510,216
Others	481,808	355,073	481,006	342,282
Total	2,177,075	2,282,245	1,734,971	1,852,498

14 Long-term payables

	The Group		The Company	
	31 December 2017	*31 December 2016*	*31 December 2017*	*31 December 2016*
Financial lease payables	1,958,388	2,308,818	-	-
Acquisition of fixed assets	1,159,058	1,417,742	-	-
Total	3,117,446	3,726,560	-	-

The following table presents the Group's and the Company's contracted minimum lease payables for future accounting years:

	The Group		The Company	
	31 December 2017	*31 December 2016*	*31 December 2017*	*31 December 2016*
Within 1 year (inclusive)	255,754	267,667	-	-
1 to 2 years (inclusive)	256,953	268,886	-	-
2 to 3 years (inclusive)	251,620	270,147	-	-
Over 3 years	1,394,109	1,751,918	-	-
Sub-total	2,158,436	2,558,618	-	-
Less: Unrecognised finance charges	(200,048)	(249,800)	-	-
Carrying amount	1,958,388	2,308,818	-	-

15 Employee benefits payable

		The Group and the Company	
	Note	*31 December 2017*	*31 December 2016*
Short-term employee benefits	*(1)*	190,288	228,395
Post-employment benefits - defined contribution plans	*(2)*	-	-
Total		190,288	228,395

(1) Short-term employee benefits

	The Group and the Company			
	Balance at 1 January 2017	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2017*
Salaries, bonuses, allowances and subsidies	217,259	173,557	(214,932)	175,884
Staff welfare	-	11,211	(11,211)	-
Social insurance	-	8,473	(8,473)	-
Medical insurance	-	7,654	(7,654)	-
Work-related injury insurance	-	223	(223)	-
Maternity insurance	-	596	(596)	-
Housing fund	-	10,619	(10,619)	-
Labour union fee, staff and workers' education fee	11,136	8,019	(4,751)	14,404
Total	228,395	211,879	(249,986)	190,288

	The Group and the Company			
	Balance at 1 January 2016	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2016*
Salaries, bonuses, allowances and subsidies	216,786	184,873	(184,400)	217,259
Staff welfare	-	8,478	(8,478)	-
Social insurance	-	7,000	(7,000)	-
Medical insurance	-	6,316	(6,316)	-
Work-related injury insurance	-	188	(188)	-
Maternity insurance	-	496	(496)	-
Housing fund	-	8,741	(8,741)	-
Labour union fee, staff and workers' education fee	9,668	8,170	(6,702)	11,136
Total	226,454	217,262	(215,321)	228,395

(2) Post-employment benefits - defined contribution plans

	The Group and the Company			
	Balance at 1 January 2017	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2017*
Basic pension insurance	-	14,438	(14,438)	-
Unemployment insurance	-	599	(599)	-
Enterprise pension	-	4,022	(4,022)	-
Total	-	19,059	(19,059)	-

	The Group and the Company			
	Balance at 1 January 2016	Accrued during the year	Paid during the year	Balance at 31 December 2016
Basic pension insurance	-	12,194	(12,194)	-
Unemployment insurance	-	556	(556)	-
Total	-	12,750	(12,750)	-

16 Taxation

(1) The types of taxes applicable to the Group's rendering of services include value added tax (VAT), city construction tax, education surcharges and etc.

Tax name	*Tax basis and applicable rate*
VAT	Output VAT is 3%-17% of income from leasing business based on tax laws. The basis for VAT payable is to deduct input VAT from the output VAT for the period
City construction tax	1% - 7% of VAT payable
Education surcharges	3% of VAT payable
Local education surcharges	2% of VAT payable
Flood control expenses	1% of VAT payable

(2) The statutory income tax rate applicable to the Group and the Company was 25% in 2017 (2016: 25%).

(3) Taxes payable

	The Group		The Company	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Income tax payable	262,917	418,033	121,350	271,458
VAT and surcharges payable	37,386	59,145	8	8
Withholding of individual income tax payable	2,798	1,800	2,798	1,800
Others	5,630	1,303	5,505	1,233
Total	308,731	480,281	129,661	274,499

17 Security deposit payable

	The Group		The Company	
	31 December 2017	*31 December 2016*	*31 December 2017*	*31 December 2016*
Security deposit for leasing purpose	261,549	264,869	166,212	197,185

18 Other payable

	The Group		The Company	
	31 December 2017	*31 December 2016*	*31 December 2017*	*31 December 2016*
Interest payable	590,283	595,065	869,385	803,542
Leased assets payables	447,519	39,133	14,267	14,354
Rent collected from factoring business	42,241	38,004	42,241	38,004
Continuing involvement in liabilities	6,974	33,739	6,974	33,739
Others	1,225,147	260,464	1,682,861	215,803
Total	2,312,164	966,405	2,615,728	1,105,442

19 Paid-in capital

The Group and the Company

	31 December 2017		*31 December 2016*	
	Amount	*Percentage (%)*	*Amount*	*Percentage (%)*
Industrial and Commercial Bank of China Limited	11,000,000	100.00%	11,000,000	100.00%

20 Other comprehensive income

The Group's other comprehensive income on 31 December 2017 represents the translation differences arising from translation of foreign currency financial statements.

21 Surplus reserve

In accordance with the *Company Law of the People's Republic of China* and the Company's and the subsidiaries' Articles of Association, the Company and the subsidiaries shall appropriate 10% of its annual net profit to its statutory surplus reserve. The statutory surplus reserve can be used to make up for the loss or increase the paid-in capital upon approval.

22 General reserve

In accordance with the *Administrative Measures for Provisions by Financial Institutions* (Cai Jin [2012] No. 20) issued by the Ministry of Finance, the Company and the subsidiaries set aside a general reserve for possible unrecognised losses on risk assets, as part of the provisions for impaired assets. The general reserve, which is dealt with in profit distribution and forms part of the owners' equity, shall, in principal, be no less than 1.5% of the total risk assets at the end of the period.

23 Net interest income

	The Group		The Company	
	2017	*2016*	*2017*	*2016*
Interest income from finance lease	5,210,295	5,587,307	4,692,409	5,116,889
Interest income from bank deposits	268,536	691	1,063,276	1,091,393
Interest income from placements with banks and other financial institutions	-	162,182	-	18
Sub-total	5,478,831	5,750,180	5,755,685	6,208,300
Interest expense of borrowings	(4,535,234)	(4,148,169)	(4,293,610)	(3,748,848)
Interest expense of repurchase agreements	(489,859)	(120,208)	(51,827)	(83,978)
Interbank interest expense	(187,185)	(124,916)	(187,185)	(124,916)
Sub-total	(5,212,278)	(4,393,293)	(4,532,622)	(3,957,742)
Net interest income	266,553	1,356,887	1,223,063	2,250,558

The Interest income from bank deposit include interest income from the entrusted loan by the Company and the interest income arising from cash pool.

24 Net operating lease income / (losses)

	The Group		The Company	
	2017	*2016*	*2017*	*2016*
Operating lease income	3,367,676	2,869,387	23,770	32,684
Sub-total	3,367,676	2,869,387	23,770	32,684
Cost of operating lease				
Depreciation of operating lease assets	(1,402,314)	(1,188,520)	(32,817)	(34,183)
Sub-total	(1,402,314)	(1,188,520)	(32,817)	(34,183)
Net operating lease income / (losses)	1,965,362	1,680,867	(9,047)	(1,499)

25 Net fee and commission income

	The Group		The Company	
	2017	*2016*	*2017*	*2016*
Income from consulting services	808,218	416,023	807,837	414,985
Fee and commission expense	(123,112)	(345,968)	(73,283)	(145,970)
Net fee and commission income	685,106	70,055	734,554	269,015

26 Taxes and surcharges

	The Group		*The Company*	
	2017	*2016*	*2017*	*2016*
City construction tax	30,359	27,240	-	1,863
Education surcharge	21,690	11,697	-	798
Business tax	-	34,876	-	26,609
Others	33,332	22,556	25,865	11,720
Total	85,381	96,369	25,865	40,990

27 Operating and administrative expenses

	The Group		*The Company*	
	2017	*2016*	*2017*	*2016*
Employee benefits	230,938	230,012	230,938	230,012
Rental expenses	33,942	31,650	33,942	31,650
Consulting fees	16,607	17,354	13,362	16,167
Advertisement and entertainment	11,220	10,720	11,220	10,720
Amortisation	6,506	5,480	6,506	5,480
Supervision charges	4,983	10,616	4,983	10,616
Depreciation	2,340	2,925	2,338	2,920
Stamp duty	-	6,870	-	5,143
Others	47,178	38,067	46,003	36,690
Total	353,714	353,694	349,292	349,398

28 Impairment losses

	The Group		*The Company*	
	2017	*2016*	*2017*	*2016*
Impairment losses on finance lease receivables	52,060	173,268	56,800	179,358
Reversal of impairment losses on prepayments for finance lease	(1,769)	(75,880)	(1,769)	(73,500)
Impairment losses on operating lease assets	31,550	113,055	23,800	10,445
Impairment losses on repossessed assets	43,237	-	43,237	-
Total	125,078	210,443	122,068	116,303

29 Other income

Pursuant to CAS 16 (2017), a government grant related to the income is re-classified as other income, the government grants incurred this year represented the rebates of income tax, VAT tax relief and rewards of lease projects from Tianjin government. The government grants incurred in 2016 is still disclosed in non-operating income.

30 Income tax expense

	The Group		*The Company*	
	2017	*2016*	*2017*	*2016*
Current income tax expense	673,283	918,740	367,404	697,494
Deferred income tax credit	(77,278)	(94,321)	(75,740)	(95,571)
Tax filing differences	(38,943)	-	(38,943)	-
Total	557,062	824,419	252,721	601,923
Reconciliation of income tax expense applicable to profit before taxation at applicable tax rate to income tax expense:				
Profit before taxation	2,522,064	3,092,082	1,243,637	2,394,855
Tax at the applicable income tax rate (25%)	630,516	773,021	310,909	598,714
Effect of unrecognised deferred income tax assets for deductible loss	28,315	34,000	-	-
Effect of using the deductible losses for which no deferred tax asset was recognised in previous period	(30,655)	-	-	-
Non-deductible entertainment expenses	404	598	404	598
Others	(32,575)	16,800	(19,649)	2,611
Income tax expense	596,005	824,419	291,664	601,923

31 Cash and cash equivalents

Cash and cash equivalents carried in the cash flow statement were as follows:

	The Group		*The Company*	
	31 December 2017	*31 December 2016*	*31 December 2017*	*31 December 2016*
Cash and bank deposits with original maturity of less than 3 months	2,243,028	6,817,591	1,418,426	5,975,366

32 Commitments

(1) Capital commitments

	The Group and the Company	
	31 December 2017	*31 December 2016*
Contracted but not provided for	11,481,917	28,160,370

(2) Operating lease commitments

At the end of the reporting period, the total future minimum lease payments in respect of non-cancellable operating lease arrangements were as follows:

	31 December 2017	*31 December 2016*
Within 1 year (inclusive)	37,790	43,681
1 to 2 years (inclusive)	3,308	35,936
Over 2 years	3,308	848
Total	44,406	80,465

(3) Lease commitments

At the end of the reporting period, the Group's lease commitments as lessor were as follows:

Lease commitments that are unconditionally irrevocable	*31 December 2017*	*31 December 2016*
Original maturity of less than 1 year	3,943,523	2,344,049
Original maturity of 1 year or above	26,907,171	18,557,426
Total	30,850,694	20,901,475

33 Risk management

The Group's business activities are exposed to a variety of financial risks. The Group's risk management is largely geared to analyse, evaluate and manage risks of varying degrees or their combinations. The Group aims to strike a balance between risk and return and minimise potential adverse effects on its financial position and operating results.

(1) Credit risk

(a) Credit risk management

The Group is exposed to credit risk, which is the risk of suffering financial loss, should any of its counterparties fail to fulfill their contractual obligations or commitments. Credit risk is the most important risk for the Group's business activities; management therefore carefully manages its exposure to credit risk. Credit risk arises mainly from leasing activities. Currently, the Group's Risk Management Committee is responsible for decision-making and centralised coordination in credit risk management, and manages credit risk through a number of measures, including industry-standard credit assessment, legal compliance, asset management and operation.

Under CBRC's *Guidelines for Risk Classification of Assets of Non-bank Financial Institutions (Trial)*, the Group classifies finance lease receivables and prepayments for finance leased assets into five categories, namely pass, special mention, sub-standard, doubtful and loss.

The Group performs credit risk management during pre-lease investigation, lease approval, and post-lease management. The Group carries out continuous monitoring of leasing projects, and strengthens risk surveillance over key industries, regions, products and customers. The Group controls its credit risk through, among other necessary measures, regular analyses of customers' ability to repay interests and principals and appropriate adjustments to their credit limits. The Group employs a range of policies to mitigate credit risk, primarily through taking collaterals and security deposit, obtaining guarantees from companies or individuals, and taking out insurance on leased assets.

In order to minimise credit risk, the Group will seek additional collaterals from counterparties or require additional guarantors once impairment indications are identified for a lease facility.

(b) Impairment analyses and provisioning policies

In accordance with the accounting policies stated in Note III.5(a), if there is objective evidence that indicates future cash flows for a particular financial asset are expected to decrease, and that the amounts can be estimated, the financial asset is recorded as an impaired asset, with provisions made for the impairment loss.

Objective evidence that a financial asset is impaired includes:

- Significant financial difficulty of the lessee;

- A breach of contract by the lessee, such as default or delinquency in interest or principal payments;

- Concession to the lessee, for economic or legal reasons relating to the lessee's financial difficulty that the lessor would not otherwise consider;

- Probability that the lessee will become bankrupt or undergo other financial reorganisations.

The Group regularly reviews the quality of its leased assets. For assets individually assessed for impairment, the allowance for impairment loss is determined through individual evaluation of incurred loss at the balance sheet date. In the evaluation, the Group considers the value of collaterals held and expected future cash flows. Allowance for impairment losses is provided collectively for individually insignificant asset portfolios with similar credit risk characteristics; and individually significant assets where losses are incurred but not identified. In the evaluation, the Group considers the possibility of default and the historical trend of losses, as well as current economic environment that has impacts on the inherent losses of the portfolio.

(c) Maximum credit risk exposure

The maximum exposure to credit risk at the balance sheet date without taking into consideration of any collateral held or other credit enhancement is represented by the carrying value of each financial asset in the balance sheet after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	The Group	
	31 December 2017	*31 December 2016*
Credit risk exposure relating to balance sheet items:		
Cash at bank and on hand	11,954,657	14,082,041
Deposits with the central bank	20,325	25,057
Prepayments	3,047,126	2,258,319
Finance lease receivables	104,808,112	97,938,729
Financial assets at fair value through profit or loss	-	1,014,820
Interest receivable	102,094	82,913
Operating lease receivables	328,052	248,345
Other assets	1,521,639	6,788,215
Sub-total	121,782,005	122,438,439
Lease commitments	30,850,694	20,901,475
Maximum credit risk exposure	152,632,699	143,339,914

(d) Risk concentration

Credit risk increases when counter-parties are concentrated in certain specific industries or geographical regions, or they share certain economic characteristics. The Group conducts its leasing business within China, and is not exposed to any significant geographical concentration risk. The customers of the Group concentrate in a number of key industries, each with their own unique characteristics in economic development, which therefore presents different credit risks to the Group.

	The Group	
	31 December 2017	*31 December 2016*
Transportation, storage and postal service	57,030,450	49,343,902
Production and supply of electricity, gas and water	12,750,633	17,009,185
Water, environment and public utility management	15,711,425	11,215,367
Mining	6,599,775	6,302,352
Manufacturing	1,476,836	2,187,022
Leasing and commercial services	7,349,002	6,069,361
Finance	1,762,077	2,279,008
Culture, sports and entertainment	2,217,661	2,414,609
Construction	1,418,361	2,131,105
Information transmission, computer service and software	489,299	709,846
Health, social security and social welfare	463,842	686,161
Total	107,269,361	100,347,918

(e) Quality of finance lease receivables

As at the balance sheet date, the credit risk exposures of the Group's finance lease receivables are listed as below:

	The Group	
	31 December 2017	*31 December 2016*
Neither overdue nor impaired	104,007,718	95,945,456
Overdue but not impaired	1,912,751	3,087,413
Past due within 3 months (inclusive)	1,912,751	3,087,413
Impaired	1,348,892	1,315,049
Total	107,269,361	100,347,918
Less: Impairment provision	(2,461,249)	(2,409,189)
Neither past due nor impaired	(1,859,338)	(1,595,375)
Overdue but not impaired	(124,864)	(178,658)
Impaired	(477,047)	(635,156)
Net amount	104,808,112	97,938,729

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices. Market risk arises from both the Group's trading and non-trading business.

The Group is exposed to primarily structural interest rate risk arising from leasing business and position risk arising from treasury transactions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of assets and liabilities. The Group's foreign exchange risk mainly includes foreign exchange exposure arising from a currency structure imbalance between foreign currency assets and foreign currency liabilities. As at the balance sheet date, the Group's business is primarily conducted in RMB and US dollar. Sensitivity analysis, interest rate gap analysis and foreign exchange risk concentration analysis are the main market risk management tools used by the Group to monitor the market risk of its overall businesses.

(a) Interest rate risk

The following table presents the Group's exposures to interest rate risk, with financial instruments stated at net carrying amounts, based on the earlier of contractual repricing dates or maturity dates.

At 31 December 2017	*Within 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Non-interest bearing*	*Total*
Assets:						
Cash at bank and on hand	2,243,028	9,711,629	-	-	-	11,954,657
Deposits with central bank	20,325	-	-	-	-	20,325
Prepayments	3,031,996	15,130	-	-	-	3,047,126
Finance lease receivables	34,372,653	14,259,323	39,357,511	15,949,346	869,279	104,808,112
Fixed assets, construction in progress and intangible assets	-	-	-	-	46,741,585	46,741,585
Others	-	-	-	-	3,168,669	3,168,669
Total assets	39,668,002	23,986,082	39,357,511	15,949,346	50,779,533	169,740,474
Liabilities:						
Borrowings	65,541,564	46,106,407	418,252	2,361,322	-	114,427,545
Repurchase agreements	3,998,812	18,358,462	-	-	-	22,357,274
Security deposit payable	-	-	-	-	261,549	261,549
Others	3,117,446	-	-	-	4,988,258	8,105,704
Total liabilities	72,657,822	64,464,869	418,252	2,361,322	5,249,807	145,152,072
Interest rate sensitivity gap	(32,989,820)	(40,478,787)	38,939,259	13,588,024	N/A	N/A

At 31 December 2016	*Within 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Non-interest bearing*	*Total*
Assets:						
Cash at bank and on hand	7,817,591	6,264,450	-	-	-	14,082,041
Deposits with central bank	25,057	-	-	-	-	25,057
Prepayments	1,273,832	984,487	-	-	-	2,258,319
Finance lease receivables	70,317,579	14,167,518	4,429,569	8,344,170	679,893	97,938,729
Fixed assets, construction in progress and intangible assets	-	-	-	-	41,448,088	41,448,088
Others	-	-	-	-	9,741,195	9,741,195
Total assets	79,434,059	21,416,455	4,429,569	8,344,170	51,869,176	165,493,429
Liabilities:						
Borrowings	84,105,324	39,018,100	381,103	2,687,801	-	126,192,328
Repurchase agreements	2,538,387	6,059,110	-	-	-	8,597,497
Security deposit payable	-	-	-	-	264,869	264,869
Others	3,726,560	-	-	-	3,957,326	7,683,886
Total liabilities	90,370,271	45,077,210	381,103	2,687,801	4,222,195	142,738,580
Interest rate sensitivity gap	(10,936,212)	(23,660,755)	4,048,466	5,656,369	N/A	N/A

The Group's interest rate risk arises from the differences in timing between contractual maturities and repricing of interest-bearing assets and liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB. The PBOC establishes RMB benchmark interest rates which include a floor for RMB loan rates.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may impact the PBOC benchmark interest rates;
- optimising the differences in timing between contractual maturities and repricing of interest-generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net interest income.

The sensitivity of the net interest income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the financial assets and financial liabilities held at period end subject to re-pricing within the coming year.

	The Group	
Change in basis points	*31 December 2017*	*31 December 2016*
+100 basis points	(703,512)	(308,704)
- 100 basis points	703,512	308,704

(b) Exchange rate risk

The Group	31 December 2017			31 December 2016		
	RMB	*USD (RMB equivalent)*	*Total*	*RMB*	*USD (RMB equivalent)*	*Total*
Assets:						
Cash at bank and on hand	1,630,934	10,323,723	11,954,657	7,011,283	7,070,758	14,082,041
Deposits with central bank	19,684	641	20,325	24,377	680	25,057
Prepayments	3,047,126	-	3,047,126	2,258,319	-	2,258,319
Finance lease receivables	95,260,631	9,547,481	104,808,112	84,027,125	13,911,604	97,938,729
Fixed assets, construction in progress and intangible assets	12,120,337	34,621,248	46,741,585	9,362,583	32,085,505	41,448,088
Others	2,288,294	880,375	3,168,669	3,741,143	6,000,052	9,741,195
Total assets	114,367,006	55,373,468	169,740,474	106,424,830	59,068,599	165,493,429
Liabilities:						
Borrowings	68,708,055	45,719,490	114,427,545	80,435,515	45,756,813	126,192,328
Repurchase agreements	15,613,652	6,743,622	22,357,274	700,000	7,897,497	8,597,497
Security deposit payable	166,212	95,337	261,549	197,185	67,684	264,869
Others	4,583,046	3,522,658	8,105,704	3,043,731	4,640,155	7,683,886
Total liabilities	89,070,965	56,081,107	145,152,072	84,376,431	58,362,149	142,738,580
Net long position	25,296,041	(707,639)	24,588,402	22,048,399	706,450	22,754,849
Off-balance sheet credit commitment	290,595	30,560,099	30,850,694	2,566,496	18,334,979	20,901,475

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against the RMB, with all other variables held constant, on net profit. A negative amount in the table reflects a potential net reduction in net profit, while a positive amount reflects a potential net increase.

This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the year end are kept unchanged and, therefore, have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk. The following table presents the effect after removing the fixed assets, construction in progress and intangible assets.

Currency	*Change in exchange rate (%)*	*Impact on net profit as at 31 December 2017*	*Impact on net profit as at 31 December 2016*
USD	(1%)	353,289	313,791

While the table above indicates the effect on net profit of 1% depreciation of USD, there will be an opposite effect with the same amount if the currency appreciates by the same percentage.

(3) Liquidity risk

Liquidity risk is the risk that the Group is unable to provide funds for maturing liabilities through asset realisation at reasonable prices on a timely basis.

The Group is exposed to specific daily calls on its available cash resources, including release of security deposit and repayment of fixed-term borrowings. The Group sets certain limits on funds available to meet such calls and on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Risk Management Committee (the "RM" Committee) under board of Directors of Group is responsible for formulating liquidity risk management policies. The Financial Market Department under the RM Committee is responsible for the daily liquidity risk management.

The maturity analysis of assets and liabilities of the Group as at 31 December 2017 is as follows:

	Overdue/ repayable on demand	*Within 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Undated*	*Total*
Assets:								
Cash at bank and on hand	993,028	1,250,000	-	9,711,629	-	-	-	11,954,657
Deposits with central bank	-	-	-	-	-	-	20,325	20,325
Prepayments	83,090	2,989	2,240,592	49,230	671,225	-	-	3,047,126
Finance lease receivables	1,787,886	2,974,492	4,332,234	15,765,283	56,848,306	22,101,876	998,035	104,808,112
Fixed assets, construction in progress and intangible assets	-	-	-	-	-	-	46,741,585	46,741,585
Others	-	-	430,146	2,005,471	-	6,974	726,078	3,168,669
Total assets	2,864,004	4,227,481	7,002,972	27,531,613	57,519,531	22,108,850	48,486,023	169,740,474
Liabilities:								
Borrowings	-	26,861,770	19,141,021	51,170,411	2,569,310	14,685,033	-	114,427,545
Repurchase agreements	-	-	3,513,159	18,358,462	-	485,653	-	22,357,274
Security deposit payable	-	-	5,276	35,832	140,769	79,672	-	261,549
Others	-	175,485	1,873,696	1,174,918	2,951,510	1,930,095	-	8,105,704
Total liability	-	27,037,255	24,533,152	70,739,623	5,661,589	17,180,453	-	145,152,072
Net liquidity gap	2,864,004	(22,809,774)	(17,530,180)	(43,208,010)	51,857,942	4,928,397	48,486,023	24,588,402

The maturity analysis of assets and liabilities of the Group as at 31 December 2016 is as follows:

	Overdue/ repayable on demand	*Within 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Undated*	*Total*
Assets:								
Cash at bank and on hand	1,517,591	5,300,000	1,000,000	6,264,450	-	-	-	14,082,041
Deposits with central bank	-	-	-	-	-	-	25,057	25,057
Prepayments	213,096	-	1,378,282	666,941	-	-	-	2,258,319
Finance lease receivables	2,908,539	1,483,637	5,374,745	14,543,846	71,664,546	1,283,523	679,893	97,938,729
Fixed assets, construction in progress and intangible assets	-	-	-	-	-	-	41,448,088	41,448,088
Others	-	-	535,158	8,723,633	127	33,739	448,538	9,741,195
Total assets	4,639,226	6,783,637	8,288,185	30,198,870	71,664,673	1,317,262	42,601,576	165,493,429
Liabilities:								
Borrowings	-	17,941,424	38,620,339	47,385,049	5,568,765	16,676,751	-	126,192,328
Repurchase agreements	-	-	1,873,059	6,724,438	-	-	-	8,597,497
Security deposit payable	-	-	5,343	36,286	142,556	80,684	-	264,869
Others	-	55,109	1,627,037	642,730	2,385,205	2,973,805	-	7,683,886
Total liability	-	17,996,533	42,125,778	54,788,503	8,096,526	19,731,240	-	142,738,580
Net liquidity gap	4,639,226	(11,212,896)	(33,837,593)	(24,589,633)	63,568,147	(18,413,978)	42,601,576	22,754,849

The table below summarises the maturity profile of the Group's financial instruments and operating lease payments based on the contractual undiscounted cash flows as at 31 December 2017. The balances of some accounts in the below table will be different to the balances on the balance sheet as the table incorporates all cash flows relating to both principal and interest.

	Overdue/ repayable on demand	*Within 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Undated*	*Total*
Assets:								
Cash at bank and on hand	993,028	1,251,592	-	9,951,988	-	-	-	12,196,608
Deposits with central bank	-	-	-	-	-	-	20,325	20,325
Prepayments	84,320	3,033	2,273,769	49,957	681,164	-	-	3,092,243
Finance lease receivables	2,360,504	3,223,314	4,973,747	18,886,134	66,032,154	27,052,778	1,864,799	124,393,430
Others	-	-	430,146	1,555,856	-	6,974	229,422	2,222,398
Total assets	3,437,852	4,477,939	7,677,662	30,443,935	66,713,318	27,059,752	2,114,546	141,925,004
Liabilities:								
Borrowings	-	26,902,426	19,260,391	52,448,952	2,897,604	18,324,186	-	119,833,559
Repurchase agreements	-	-	3,547,779	18,765,707	-	655,811	-	22,969,297
Others	-	179,511	1,381,042	1,205,945	3,113,633	2,032,371	-	7,912,502
Total liabilities	-	27,081,937	24,189,212	72,420,604	6,011,237	21,012,368	-	150,715,358

The table below summarises the maturity profile of the Group's financial instruments and operating lease payments based on the contractual undiscounted cash flows as at 31 December 2016. The balances of some accounts in the below table will be different to the balances on the balance sheet as the table incorporates all cash flows relating to both principal and interest.

	Overdue/ repayable on demand	*Within 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Undated*	*Total*
Assets:								
Cash at bank and on hand	1,517,591	5,307,838	1,042,817	6,418,398	-	-	-	14,286,644
Deposits with central bank	-	-	-	-	-	-	25,057	25,057
Prepayments	227,755	-	1,414,315	693,522	-	-	-	2,335,592
Finance lease receivables	3,739,087	1,666,027	6,081,768	16,242,420	84,063,925	1,465,935	1,554,520	114,813,682
Others	-	-	535,158	7,693,230	127	33,739	29,158	8,291,412
Total assets	5,484,433	6,973,865	9,074,058	31,047,570	84,064,052	1,499,674	1,608,735	139,752,387
Liabilities:								
Borrowings	-	17,959,850	38,792,955	48,129,257	5,874,106	18,893,995	-	129,650,163
Repurchase agreements	-	-	1,878,335	6,826,320	-	-	-	8,704,655
Others	-	55,109	323,295	642,731	2,385,205	2,940,066	-	6,346,406
Total liabilities	-	18,014,959	40,994,585	55,598,308	8,259,311	21,834,061	-	144,701,224

(4) Fair value of financial assets and financial liabilities

(a) Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because they are short-term in nature or reprice to current market rates regularly, are as follows:

Assets	*Liabilities*
Cash at bank and on hand	Borrowings
Deposits with the central bank	Repurchase agreements
Finance lease receivables	Other financial liabilities
Other financial assets	

Financial assets designated at fair value through profit and loss are presented at fair value.

(b) Fair value hierarchy

The following table presents the fair value information and the fair value hierarchy, at the end of the current reporting period, of the Group's and the Company's assets and liabilities which are measured at fair value at each balance sheet date on a recurring or non-recurring basis. The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels of inputs are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

The Group and the Company

	31 December 2017			
	Level 1	*Level 2*	*Level 3*	*total*
Assets				
Financial assets at fair value through profit or loss				
- Asset management plan	-	-	-	-
Total	-	-	-	-

	31 December 2016			
	Level 1	*Level 2*	*Level 3*	*total*
Assets				
Financial assets at fair value through profit or loss				
- Asset management plan	-	-	1,014,820	1,014,820
Total	-	-	1,014,820	1,014,820

There were no transfers, between Level 1 and Level 2, or between Level 2 and Level 3, of the Group's and the Company's above assets and liabilities which are measured at fair value on a recurring basis. The Group and the Company recognise transfers between different levels at the end of the current reporting period during which such transfers are made.

(c) Level 3 fair value measurement

Financial assets valued using valuation technique include wealth management products and asset management plans. The underlying assets under the Group's asset management plans are mostly bonds denominated in RMB, convertible bonds and assets under sale and repurchase agreements. The Group adopts both observable data and unobservable data when discounting cash flows in valuation models for these investments; observable valuation parameters include the assumption of the current interest rate; unobservable valuation parameters include assumptions of expected rate of return, prepayment rate and market liquidity.

Reconciliation between the beginning balance and closing balance of assets measured at Level 3 fair value on a recurring basis:

The Group and the Company

2017	*1 January 2017*	*Total gain or loss for the year*		*Acquisition, issuance, sale and settlement*		*31 December 2017*	*Unrealised loss charged to P/L for assets held or liabilities assumed at the end of the year*
		Charged to P/L	*Charged to OCI*	*Acquisition*	*Settlement*		
Financial assets							
Financial assets at fair value through profit or loss							
- Asset management plans	1,014,820	(178,659)	-	-	(836,161)	-	-
Sub-total	1,014,820	(178,659)	-	-	(836,161)	-	-
Total	1,014,820	(178,659)	-	-	(836,161)	-	-

2016	*1 January 2016*	*Total gain or loss for the year*		*Acquisition, issuance, sale and settlement*		*31 December 2016*	*Unrealised loss charged to P/L for assets held or liabilities assumed at the end of the year*
		Charged to P/L	*Charged to OCI*	*Acquisition*	*Settlement*		
Financial assets							
Financial assets at fair value through profit or loss							
- Asset management plans	2,636,366	(157,707)	-	-	(1,463,839)	1,014,820	157,707
Sub-total	2,636,366	(157,707)	-	-	(1,463,839)	1,014,820	157,707
Total	2,636,366	(157,707)	-	-	(1,463,839)	1,014,820	157,707

Note: Gain or loss recognised by the Group and the Company in profit or loss, or other comprehensive income are as follows:

	The Group and the Company	
	Item	*Amount*
Realised gain charged to profit or loss for the year	Investment income	214,031
Unrealised loss charged to profit or loss for the year	Losses from changes in fair value	-
Total		214,031
Gain or loss charged to other omprehensive income		-

(5) Capital management

The capital management of the Group focuses on capital adequacy ratios and returns on capital so as to enable the Group to meet the requirements for regulatory compliance, credit rating, risk compensation and shareholder's return. This also facilitates the Group's risk management, ensures the orderly expansion of the asset size and enhances its operational structure and business model.

The Group calculates and discloses its capital adequacy ratio in line with the *Administrative Measures for Financial Leasing Companies* issued by CBRC in 2014, and CBRC's *Administrative Measures for Capital Management of Commercial Banks(Trial),* and *Administrative Measures for Capital Adequacy Ratios of Commercial Banks* and other relevant rules and regulations. The Group has communicated with regulators on accounting treatments specific to the industry.

The capital adequacy ratios and related components of the Group are calculated in accordance with the statutory financial statements of the Group prepared under PRC GAAP. During the year, the Group has complied in full with all its externally imposed capital requirements.

As at 31 December 2017, the Group's core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio calculated in line with *Administrative Measures for Capital Management of Commercial Banks (Trial)* and other relevant rules and regulations are as follows:

The Group

	2017	*2016*
Core tier 1 capital adequacy ratio	14.01%	13.55%
Tier 1 capital adequacy ratio	14.01%	13.55%
Capital adequacy ratio	14.70%	14.22%

34 Related party relationships and transactions

(1) Information on the Company's subsidiaries is disclosed in Note V.5.

(2) Information on the parent company:

Name of the parent company	*Registered capital*	*Place of registration*	*Principal activities*	*% of equity interest held*	*Nature or type of operation*	*Name of chairman*
Industrial and Commercial Bank of China Limited	RMB 356.4 billion	Beijing	Financial services	100%	Commercial bank	Yi Huiman

(3) Nature of related-party relationship where no control exists:

Name of companies	*Relationship with the Company*
Industrial and Commercial Bank of China (Asia) Limited	Controlled by the parent company
ICBC International Leasing Company Limited ("ICBC International Leasing")	Controlled by the parent company The Company and ICBC International Investment Management Limited conduct important financial and operating decisions together according to the contract

The Company entered into agreements with Industrial and Commercial Bank of China (Asia) (*ICBC Asia*), Brussels Branch of Industrial and Commercial Bank of China (Europe) S.A., Singapore Branch of Industrial and Commercial Bank of China, and Dubai Branch of Industrial and Commercial Bank of China, to undertake a remarketing service commitment to resell assets pledged for foreign currency loans extended to its related companies. Please refer to Note V.36. Contingencies.

(4) Balances and transactions with related parties

Significant balances between the Group and the parent company:

At 31 December	*2017*	*2016*
Cash at bank and on hand	1,529,734	14,082,041
Borrowings	37,800,000	39,727,783
Repurchase agreements*	19,871,621	8,597,497
Interest payable	75,720	132,614

* The amount pertains to the recourse factoring arrangement entered into by the Group and the parent company. Under the arrangement, the Group transferred certain finance lease receivables to the parent company, and the parent company has the right to request the Group to repurchase all uncollected finance lease receivables when the factoring arrangement has been operating for one year or there are some circumstances that have adverse impact on the repayment of finance lease receivables. The Group did not derecognise these finance lease receivables.

Transaction during the year	*2017*	*2016*
Interest income	13,002	11,487
Fee and commission income	293	2,043
Interest expense	2,296,676	1,632,566
Fee and commission fee	14,903	37,764

(5) Transactions between the Company and its subsidiaries

The related parties over which the Company has controls are the holding subsidiaries of the Company. For details of the holding subsidiaries of the Company, please refer to Note V.5. All the significant balances and transactions between the Company and its holding subsidiaries are eliminated in the consolidated financial statements. Details of the material transactions are as follows:

At 31 December	*2017*	*2016*
Other assets		
Entrusted loan	18,517,990	19,703,635
Receivables due to assets transfer transaction	6,414,857	1,291,399
Operating lease receivables	66,223	75,705
Interest receivable	1,213,459	982,815
Borrowings	4,294,749	1,010,249
Interest payable	388,786	346,161

Transaction during the year	*2017*	*2016*
Interest income	796,033	459,037
Interest expense	113,963	1,080,729

The fixed assets under operating leases which have been sold by the Company to the subsidiaries during this accounting period amounted to RMB 1,849 million (2016: RMB 1,973 million).

(6) Related transaction between the Group and ICBC International Leasing

Significant transactions between the Group and ICBC International Leasing during this accounting period are as follows:

At 31 December	*2017*	*2016*
Borrowing	216,480	114,114
Receivables due to assets transfer transaction	208,098	5,384,133
Finance lease receivables	128,756	443,126
Trade and other payables	53	-
Account receipts in advance	-	773
Interest receivable	-	8,301
Interest payable	1,093	25,655
Leased assets payables	409,913	-

Transaction during the year	*2017*	*2016*
Interest Income	-	164,903
interest expense	991	24,323
Income from finance lease	7,766	8,530

Fixed assets under operating leases were transferred by the Group to ICBC International Leasing at book value for the amount of RMB 733,457,000 during this accounting year with loss of RMB 72,708,000 from this transaction (2016: book value RMB 1,321,114,000 with no gain from the transaction).

As at 31 December 2017, the ICBC International Leasing provided joint guarantees to the group for their borrowings, which amounted to RMB 3,085,400,000, the guarantee credit amounted to RMB 3,085,400,000 had been used (2016: Nil).

35 Non-adjusting post balance sheet events

The group has no non-adjusting post balance sheet event need to be disclosed.

36 Contingencies

The Company entered into agreements with ICBC Asia, Brussels Branch of Industrial and Commercial Bank of China (Europe) S.A., Singapore Branch of Industrial and Commercial Bank of China, Dubai Branch of Industrial and Commercial Bank of China, and New York Branch of China Construction Bank to undertake a remarketing service commitment to resell assets pledged for foreign currency loans extended to its related companies by the above counterparties.

As at 31 December 2017, the Company provided joint guarantees to twenty-eight of its domestic subsidiaries and one overseas related company for their borrowings, which amounted to RMB billion 23.2 (31 December 2016: RMB 29.4 billion).

37 Other important matters

The impact of new financial instrument standards

Till the issuance of the financial statement, the MOF has issued the following new accounting standards: *CAS No.22-Financial instruments: recognition and measurement (Revised), CAS No.23-Transfer of financial assets (Revised), CAS No.24-Hedge accounting (Revised)*, and *CAS No.37-Presentation and disclosures of financial instruments (Revised)* (which collectively referred to herein as the "New financial instruments standards"). The new financial instrument standards introduce new requirements for classification and measurement of financial assets, measurement of impairment for financial assets and hedge accounting. On the other hand, the new financial instrument standards incorporate without substantive changes the requirements of the current standards for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

The new financial instrument standards are effective for annual periods beginning on or after 1 January 2018 on a retrospective basis and includes an exception from the requirement to restate comparative information. The group plans to use the exemption from restating comparative information and will recognise any impact on accumulated profit or loss, capital reserve, other comprehensive income, surplus reserve, and general reserve against the opening balance of retained profits, capital reserve, other comprehensive income, surplus reserve, and general reserve at 1 January 2018.

(1) Classification and measurement

The new financial instrument standards contain three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. On initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL. If a debt instrument is classified as FVOCI then interest revenue, impairment, foreign exchange gains/losses and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVOCI. If an equity security is designated as FVOCI then only dividend income on that security will be recognised in profit or loss. Gains and losses on that security will be recognised in other comprehensive income without recycling.

The classification and measurement requirements for financial liabilities under the new financial instruments standards are largely unchanged from the current standards, except that the new financial instrument standards require the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss).

Based on a preliminary assessment, if the group were to adopt the new classification and measurement requirements on financial assets at 31 December 2017, the Group's net assets would not be significantly impacted as compared with that recognised under the current standards.

(2) Impairment

The new impairment model in the new financial instrument standards replaces the "incurred loss" model in the current standards with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances, which will result in earlier recognition of credit losses. Based on a preliminary assessment, if the group were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss would increase primarily attributed to an increase in accumulated impairment losses of Finance Lease Receivables and Prepayments and credit commitments, and the Group's net assets would decrease as compared with that recognised under the current standards.

(3) Hedge accounting

The new financial instrument standards do not fundamentally change the requirements relating to measuring and recognising ineffectiveness under the current standards. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The group has assessed that its current hedge relationships will qualify as continuing hedges upon the adoption of the new financial instrument standards and therefore it expects that the accounting for its hedging relationships will not be significantly impacted.

(4) Disclosure

The new financial instrument standards will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit loss. The Group has updated the system and controls that it believes will be necessary to disclose the required data.

(5) Transition

The Group is required to adopt the new financial instrument standards from 1 January 2018. The Group will change its accounting policies from the beginning of 2018 and disclose its financial statements in accordance with the new financial instrument standards since the first quarterly report of 2018. The Group will use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of net assets at 1 January 2018.

Based on a preliminary assessment, if the group were to adopt the new financial instrument standards at 31 December 2017, the Group's net assets would decrease by less than 2.50% arising from the new requirements on classification and measurement, impairment and hedge accounting as compared with that recognised under the current standards.

38 Comparative figures

Certain data of the comparative period was reclassified to conform to this period's presentation in respect of these financial statements. The said reclassification had no significant effect on the operating results and financial condition of the Group in the comparative period.

VI Approval of the financial statements

These financial statements were approved by the Company on 31 March 2018.

ICBC FINANCIAL LEASING CO., LTD.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Independent Auditors' Report
To the Shareholders of ICBC Financial Leasing Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the financial statements of ICBC Financial Leasing Co., Ltd. ("the Company") set out on pages 1 to 66, which comprise the consolidated balance sheet and balance sheet as at 31 December 2016, the consolidated income statement and income statement, the consolidated cash flow statement and cash flow statement, the consolidated statement of changes in owners' equity and statement of changes in owners' equity for the year then ended, and notes to the consolidated financial statements, including significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position and financial position of the Company as at 31 December 2016, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended in accordance with Accounting Standards for Business Enterprises promulgated by the Ministry of Finance of the People's Republic of China.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditors' Report

Responsibilities of the directors for the consolidated financial statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China, 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 Company'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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

Independent Auditors' Report

Auditor's responsibilities for the audit of the financial statements (continued)

- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company 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.

We communicate with those charged with governance 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.

Certified Public Accountants
8th Floor, Tower E2, Oriental Plaza
1 East Chang An Avenue
Beijing 100738, China

30 June 2017

ICBC FINANCIAL LEASING CO., LTD.
Consolidated balance sheet and balance sheet
31 December 2016
(In RMB '000, unless otherwise stated)

		The Group		The Company	
	Note IV	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Assets					
Cash at bank and on hand	1	14,082,041	20,715,175	13,239,816	18,778,994
Deposits with the central bank	2	25,057	24,667	25,057	24,667
Placements with bank and other financial institutions	3	-	6,887,600	-	-
Prepayments	4	2,258,319	4,487,455	2,258,319	4,331,204
Finance lease receivables	5	97,938,729	108,166,447	84,264,122	94,082,308
Financial assets at fair value through profit or loss		1,014,820	2,636,366	1,014,820	2,636,366
Long-term equity investments	6	-	-	8,600	7,700
Fixed assets	7	35,510,397	28,607,091	941,553	802,902
Construction in progress	8	5,919,697	5,818,057	5,919,697	5,818,057
Intangible assets	9	17,994	13,616	17,994	13,616
Deferred income tax assets	10	419,380	325,059	404,036	308,465
Other assets	11	8,306,995	6,702,455	34,377,420	30,849,645
Total assets		165,493,429	184,383,988	142,471,434	157,653,924

The notes on pages 12 to 66 form part of these financial statements.

(In RMB '000, unless otherwise stated)

		The Group		*The Company*	
	Note IV	*31 December 2016*	*31 December 2015*	*31 December 2016*	*31 December 2015*
Liabilities and Equity					
Liabilities					
Borrowings	*12*	126,192,328	148,267,358	108,987,922	130,105,996
Repurchase agreements	*13*	8,597,497	7,193,120	8,597,497	4,115,149
Advances from customers	*14*	2,282,245	2,992,921	1,852,498	2,104,164
Long-term payables	*15*	3,726,560	3,369,593	-	-
Employee benefits payable	*16*	228,395	226,454	228,395	226,454
Taxes payable	*17(3)*	480,281	355,077	274,499	120,812
Security deposit payable	*18*	264,869	296,892	197,185	225,943
Other payable	*19*	966,405	1,302,195	1,105,442	1,320,342
Total liabilities		142,738,580	164,003,610	121,243,438	138,218,860

The notes on pages 12 to 66 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Consolidated balance sheet and balance sheet (continued)
31 December 2016
(In RMB '000, unless otherwise stated)

		The Group		The Company	
	Note IV	*31 December 2016*	*31 December 2015*	*31 December 2016*	*31 December 2015*
Liabilities and Equity (continued)					
Equity					
Paid-in capital	*20*	11,000,000	11,000,000	11,000,000	11,000,000
Other comprehensive income	*21*	151,542	44,734	-	-
Surplus reserve	*22*	1,174,989	983,922	1,023,023	843,730
General reserve	*23*	2,750,042	2,750,042	2,550,260	2,550,260
Retained earnings		7,678,276	5,601,680	6,654,713	5,041,074
Total equity		22,754,849	20,380,378	21,227,996	19,435,064
Total liabilities and equity		165,493,429	184,383,988	142,471,434	157,653,924

Chairman	Deputy Chief Financial Officer	General Manager of Finance Department	(Company stamp)

The notes on pages 12 to 66 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Consolidated income statement and income statement
Year ended 31 December 2016
(In RMB '000, unless otherwise stated)

		The Group		The Company	
	Note IV	*2016*	*2015*	*2016*	*2015*
Net interest income					
Interest income	*24*	5,750,180	6,107,948	6,208,300	6,307,046
Interest expense	*24*	(4,393,293)	(5,174,972)	(3,957,742)	(5,042,370)
		1,356,887	932,976	2,250,558	1,264,676
Net operating lease income					
Operating lease income		2,869,387	2,185,802	32,684	18,752
Operating lease expense		(1,188,520)	(883,853)	(34,183)	(29,275)
		1,680,867	1,301,949	(1,499)	(10,523)
Net fee and commission income					
Fee and commission income	*25*	416,023	416,333	414,985	416,333
Fee and commission expense	*25*	(345,968)	(282,858)	(145,970)	(220,347)
		70,055	133,475	269,015	195,986
Investment income		300,144	60,882	300,144	34,191
(Losses) / gains from changes in fair value		(157,707)	248,547	(157,707)	248,547
Exchanges gains		200,595	28,853	239,975	130,102
Operating income		3,450,841	2,706,682	2,900,486	1,862,979
Taxes and surcharges	*26*	(96,369)	(135,615)	(40,990)	(53,137)
Operating and administrative expenses	*27*	(353,694)	(368,015)	(349,398)	(358,461)
Impairment losses	*28*	(210,443)	(133,290)	(116,303)	(175,107)
Operating expenses		(660,506)	(636,920)	(506,691)	(586,705)
Operating profit		2,790,335	2,069,762	2,393,795	1,276,274
Add: Non-operating income	*29*	301,991	1,027,073	1,284	631,364
Less: Non-operating expenses		(244)	(32,896)	(224)	(32,896)
Profit before taxation		3,092,082	3,063,939	2,394,855	1,874,742
Less: Income tax expenses	*30*	(824,419)	(823,249)	(601,923)	(490,614)
Profit for the year		2,267,663	2,240,690	1,792,932	1,384,128

The notes on pages 12 to 66 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Consolidated income statement and income statement (continued)
Year ended 31 December 2016
(In RMB ’000, unless otherwise stated)

	The Group		*The Company*	
	2016	*2015*	*2016*	*2015*
Other comprehensive income, net of tax				
Items that may be reclassified to profit or loss:				
Translation differences arising from translation of foreign currency financial statements	106,808	46,802	-	-
Total comprehensive income for the year	2,374,471	2,287,492	1,792,932	1,384,128

The notes on pages 12 to 66 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Consolidated cash flow statement and cash flow statement
Year ended 31 December 2016
(In RMB '000, unless otherwise stated)

	The Group		The Company	
	2016	*2015*	*2016*	*2015*
1. Cash flows from operating activities:				
Net decrease in finance lease receivables and prepayments	12,359,466	10,770,311	11,785,213	6,870,792
Cash received from interest, fee and commission	6,361,735	6,464,475	6,361,822	7,025,193
Cash received from operating lease income	2,742,071	2,145,842	22,790	14,956
Net increase in short-term borrowings	-	2,397,849	-	-
Net decrease in placements with bank and other financial institutions	6,887,600	-	-	-
Net increase in repurchase agreements	1,404,377	1,320,343	4,482,348	-
Net decrease in deposit with the central bank	-	52,294	-	52,294
Cash received relating to other operating activities	1,728,324	1,097,263	188,906	9,812,210
Sub-total of cash inflows	31,483,573	24,248,377	22,841,079	23,775,445
Net increase in placements with bank and other financial institutions	-	(6,887,600)	-	-
Net decrease in short-term borrowings	(27,137,510)	-	(20,570,386)	(2,658,632)
Net decrease in repurchase agreements	-	-	-	(1,757,628)
Net increase in deposits with the central bank	(390)	-	(390)	-
Interest expense, fee and commission expense paid	(4,687,624)	(4,916,768)	(4,059,044)	(4,931,239)
Cash paid to and on behalf of employees	(228,131)	(183,486)	(228,131)	(183,486)
Taxes paid	(1,078,858)	(1,284,233)	(589,307)	(1,024,389)
Cash paid for other operating activities	(805,872)	(1,218,374)	(660,975)	(181,921)
Sub-total of cash outflows	(33,938,385)	(14,490,461)	(26,108,233)	(10,737,295)
Net cash (outflow) / inflow from operating activities	(2,454,812)	9,757,916	(3,267,154)	13,038,150

The notes on pages 12 to 66 form part of these financial statements.

(In RMB '000, unless otherwise stated)

	The Group		*The Company*	
	2016	*2015*	*2016*	*2015*
2. Cash flows from investing activities:				
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets	1,539,312	2,818,475	8,205	17,200
Proceeds from sale and redemption of financial investments	1,463,839	200,200	1,958,621	200,200
Proceeds from other investing activities	796,464	3,452,424	524,052	2,509,731
Sub-total of cash inflows	3,799,615	6,471,099	2,490,878	2,727,131
Payment for acquisition of fixed assets, intangible assets and other long-term assets	(12,402,858)	(10,731,210)	(3,939,417)	(4,122,475)
Payment for other investing activities	(7,720,377)	(500,000)	(7,265,350)	(501,300)
Sub-total of cash outflows	(20,123,235)	(11,231,210)	(11,204,767)	(4,623,775)
Net cash outflow from investing activities	(16,323,620)	(4,760,111)	(8,713,889)	(1,896,644)
3. Cash flows from financing activities				
Net increase in long-term borrowing	5,062,480	1,281,286	-	-
Sub-total of cash inflows	5,062,480	1,281,286	-	-
Net decrease in long-term borrowing	-	-	(547,688)	(403,007)
Payment for interest of long-term borrowing	(206,399)	(484,353)	(32,261)	(188,921)
Sub-total of cash outflows	(206,399)	(484,353)	(579,949)	(591,928)
Net cash inflow / (outflow) from financing activities	4,856,081	796,933	(579,949)	(591,928)
4. Effect of foreign exchange rate changes on cash and cash equivalents	519,549	1,660,821	252,146	238,828

The notes on pages 12 to 66 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Consolidated cash flow statement and cash flow statement (continued)
Year ended 31 December 2016
(In RMB '000, unless otherwise stated)

		The Group		The Company	
	Note IV	*2016*	*2015*	*2016*	*2015*
5. Net (decrease) / increase in cash and cash equivalents		(13,402,802)	7,455,559	(12,308,846)	10,788,406
Add: cash and cash equivalents at the beginning of the year		20,220,393	12,764,834	18,284,212	7,495,806
6. Cash and cash equivalents at the end of the year	*31*	6,817,591	20,220,393	5,975,366	18,284,212

The notes on pages 12 to 66 form part of these financial statements.

(In RMB '000, unless otherwise stated)

Supplementary information

1 Reconciliation of net profit to cash flows from operating activities:

	The Group		*The Company*	
	2016	*2015*	*2016*	*2015*
Profit for the year	2,267,663	2,240,690	1,792,932	1,384,128
Add: Impairment losses	210,443	133,290	116,303	175,107
Depreciation of fixed assets	1,191,445	886,587	37,103	32,004
Amortisation of intangible assets	3,217	2,505	3,217	2,505
(Gains) / losses on disposal of fixed assets	(48,721)	(6,862)	(396)	39,017
Decrease / (increase) in long-term deferred expenses	1,245	(441)	1,245	(441)
Decrease / (increase) in deferred expenses	1,124	206	(192)	(75)
Exchanges gains	(200,595)	(28,853)	(239,975)	(130,102)
Investment income	(300,144)	(60,882)	(300,144)	(34,191)
Losses / (gains) from changes in fair value	157,707	(248,547)	157,707	(248,547)
(Increase) / decrease in deferred income tax assets	(94,321)	18,002	(95,571)	10,866
Decrease in operating receivables	21,250,099	4,770,021	11,650,382	15,925,054
(Decrease) / increase in operating payables	(26,893,974)	2,052,200	(16,389,765)	(4,117,175)
Net cash flows from operating activities	(2,454,812)	9,757,916	(3,267,154)	13,038,150

2 Movement of cash and cash equivalents:

	The Group		*The Company*	
	2016	*2015*	*2016*	*2015*
Cash and cash equivalents at the end of the year	6,817,591	20,220,393	5,975,366	18,284,212
Less: Cash and cash equivalents at the beginning of the year	20,220,393	12,764,834	18,284,212	7,495,806
Net (decrease) / increase in cash and cash equivalents	(13,402,802)	7,455,559	(12,308,846)	10,788,406

The notes on pages 12 to 66 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Consolidated statement of changes in owners' equity
Year ended 31 December 2016
(In RMB '000, unless otherwise stated)

		2016					
	Note IV	*Paid-in capital*	*Other comprehensive income*	*Surplus reserve*	*General reserve*	*Retained earnings*	*Total*
Balance at 1 January 2016		11,000,000	44,734	983,922	2,750,042	5,601,680	20,380,378
Changes in equity for the year							
1. Profit for the year		-	-	-	-	2,267,663	2,267,663
2. Other comprehensive income		-	106,808	-	-	-	106,808
3. Appropriation to surplus reserve	*22*	-	-	191,067	-	(191,067)	-
4. Appropriation to general reserve	*23*	-	-	-	-	-	-
Sub-total		-	106,808	191,067	-	2,076,596	2,374,471
Balance at 31 December 2016		11,000,000	151,542	1,174,989	2,750,042	7,678,276	22,754,849

		2015					
	Note IV	*Paid-in capital*	*Other comprehensive income*	*Surplus reserve*	*General reserve*	*Retained earnings*	*Total*
Balance at 1 January 2015		11,000,000	(2,068)	729,691	2,494,592	3,870,811	18,093,026
Changes in equity for the year							
1. Profit for the year		-	-	-	-	2,240,690	2,240,690
2. Other comprehensive income		-	46,802	-	-	-	46,802
3. Appropriation to surplus reserve	*22*	-	-	254,371	-	(254,371)	-
4. Appropriation to general reserve	*23*	-	-	-	255,450	(255,450)	-
5. Business combinations involving enterprises under common control		-	-	(140)	-	-	(140)
Sub-total		-	46,802	254,231	255,450	1,730,869	2,287,352
Balance at 31 December 2015		11,000,000	44,734	983,922	2,750,042	5,601,680	20,380,378

The notes on pages 12 to 66 form part of these financial statements.

ICBC FINANCIAL LEASING CO., LTD.
Statement of changes in owners' equity
Year ended 31 December 2016
(In RMB '000, unless otherwise stated)

		2016				
	Note IV	*Paid-in capital*	*Surplus reserve*	*General reserve*	*Retained earnings*	*Total*
Balance at 1 January 2016		11,000,000	843,730	2,550,260	5,041,074	19,435,064
Changes in equity for the year						
1. Profit for the year		-	-	-	1,792,932	1,792,932
2. Appropriation to surplus reserve	*22*	-	179,293	-	(179,293)	-
Sub-total		-	179,293	-	1,613,639	1,792,932
Balance at 31 December 2016		11,000,000	1,023,023	2,550,260	6,654,713	21,227,996

		2015				
	Note IV	*Paid-in capital*	*Surplus reserve*	*General reserve*	*Retained earnings*	*Total*
Balance at 1 January 2015		11,000,000	705,317	2,294,809	4,050,810	18,050,936
Changes in equity for the year						
1. Profit for the year		-	-	-	1,384,128	1,384,128
2. Appropriation to surplus reserve	*22*	-	138,413	-	(138,413)	-
3. Appropriation to general reserve	*23*	-	-	255,451	(255,451)	-
Sub-total		-	138,413	255,451	990,264	1,384,128
Balance at 31 December 2015		11,000,000	843,730	2,550,260	5,041,074	19,435,064

The notes on pages 12 to 66 form part of these financial statements.

I Company status

ICBC Financial Leasing Co., Ltd. (the “Company”) is a wholly-owned subsidiary of Industrial and Commercial Bank of China Limited (“ICBC”). It obtained the approval Yin Jian Fu [2007] No. 407 from the China Banking Regulatory Commission (the “CBRC”) on 18 September 2007 and was incorporated in Tianjin on 26 November 2007.

The Company obtained its financial permit No. M0011H212000001 from the CBRC. The Company obtained its business licence with unified social credit code 91120116710935177L from the State Administration for Industry and Commerce of the People’s Republic of China (the “PRC”). The legal representative is Zhao Guicai, and the registered office is located at No. 20 Guangchang East Road, Tianjin Economic-Technological Development Area. As at 31 December 2016, the Company has a registered capital of RMB 110,000,000,000.

The principal activities of the Company and its subsidiaries (the “Group”) comprise the provision of financial leasing services, disposal of leased assets, import and export trade, economic consultancy services and other services as approved by the CBRC.

II Basis of preparation

The financial statements have been prepared on the going concern basis.

1 Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards (“CAS”) issued by MOF. These financial statements present truly and completely the consolidated financial position and financial position of the Company as at 31 December 2016, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

2 Accounting year

The accounting year of the Group is from 1 January to 31 December.

3 Functional currency and presentation currency

The Company’s functional currency is Renminbi (“RMB”) and these financial statements are presented in Renminbi. Functional currency is determined by the Company and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled. Some of the Group’s subsidiaries have functional currencies that are different from the Company’s functional currency. Their financial statements have been translated based on the accounting policy set out in Note III.2.

III Significant accounting policies and accounting estimates

1 Business combinations and consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

When preparing consolidated financial statements, the accounting policies or accounting period of a subsidiary shall be the same as those of the Company.

Intra-group balances and transactions, and any unrealised profit arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

When the Group loses control of over a subsidiary, derecognises assets, liabilities, non-controlling interests and other related items in owners' equity in relation to that subsidiary. any resulting disposal gains or losses are recognised as investment income for the current period.

2 Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or rates that approximate the spot exchange rates on the dates of the transactions. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, such as the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the balance sheet date. The resulting exchange differences are recognised in profit or loss. Non-monetary items that are measured at historical cost in foreign currencies are translated to RMB using the exchange rate at the transaction date.

Some of the Group's subsidiaries have functional currencies that are different from the Company's functional currency. Assets and liabilities of foreign operations are translated to RMB at the spot exchange rate at the balance sheet date. Equity items, excluding "Retained earnings", are translated to RMB at the spot exchange rates at the transaction dates.Income and expenses of foreign operations are translated to RMB at the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income. The translation differences accumulated in owners' equity with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdrawn on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

4 Financial instruments

(a) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets or financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets or financial liabilities, any related directly attributable transaction costs are included in their initial costs. Subsequent to initial recognition, financial assets and liabilities are measured as follows:

– Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

– Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

– Available-for-sale investments in equity instruments whose fair value cannot be measured reliably are measured at cost. Other available-for-sale financial assets are measured at fair value and changes therein are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses from monetary financial assets which are recognised directly in profit or loss. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Dividend income is recognised in profit or loss when the investee approves the dividends. Interest is recognised in profit or loss using the effective interest method (see Note III.15(a)).

– Financial liabilities other than those at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Other financial liabilities mainly include borrowings from banks, repurchase agreements, security deposit payable, interest payable, other payables and advances from customers, and are measured at amortisation cost

By the end of the period, the Group has no financial liabilities at fair value through profit or loss.

(b) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

– the Group has a legal right to set off the recognised amounts and the legal right is currently enforceable; and

– the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(c) Derecognition of financial assets and financial liabilities

A financial asset is derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers substantially all the risks and rewards of ownership of the financial asset to another party.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

– the carrying amount of the financial asset transferred

– the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged.

5 Impairment of assets

Except for impairment of assets set out in Note III.14, impairment of assets is accounted for using the following principles:

(a) Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised.

– Receivables

Receivables is assessed for impairment on an individual basis and on a collective group basis.

By the end of the year, the Group's receivables include finance lease receivables, prepayment for finance lease assets, operating lease receivables, interest receivable and other receivables, etc.

Individual assessment

Receivables, which are considered individually significant, are assessed individually for impairment. If there is objective evidence that an impairment loss on receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and recognised in profit or loss.

Impairment losses relating to receivables are not discounted if the effect of discounting is immaterial. The present value of the estimated future cash flows of a collateralised receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective assessment

Same groups of receivables which are considered individually insignificant and individually assessed receivables with no objective evidence of impairment are assessed for impairment losses on a collective basis. If there is 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 financial assets, the impairment is recognised and recorded in profit or loss. The collective impairment loss is assessed after taking into account: (i) historical loss experience in portfolios of similar credit risk characteristics; (ii) the period between a loss occurring and that loss being identified; and (iii) the current economic and credit environments and the judgement from the Group on the actual level of inherent losses based on its historical experience.

Individually assessed receivables with no objective evidence of impairment are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss.

Collective assessment covers those receivables that were impaired at the balance sheet date but was not individually identified as such until some time in the future. As soon as there is an objective evidence of impairment on individual assets in a pool, those assets are removed from the pool of financial assets.

Impairment reversal and receivables written-off

If, after an impairment loss has been recognised on receivables, there is a recovery in the value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal, had the impairment not been recognised.

When the Group determines that a receivable has no reasonable prospect of recovery after the Group has completed all the necessary legal or other proceedings, the receivable is written off against its allowance for impairment losses. If in a subsequent period the receivable written off is recovered, the amount recovered will be recognised in profit or loss through impairment losses.

– Available-for-sale financial assets

Available-for-sale financial assets are assessed for impairment on an individual basis and on a collective group basis.

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that has been recognised directly in equity is reclassified to profit or loss even though the financial asset has not been derecognised.

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. An impairment loss recognised for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. The impairment loss on an investment in unquoted instrument whose fair value cannot be reliably measured is not reversed.

(b) Impairment of non-financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on the internal and external sources of information to determine whether there is any indication of impairment:

– fixed assets
– intangible assets
– construction in progress
– Long-term deferred expenses
– long-term equity investments
– other assets

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

The recoverable amount of an asset is the higher of its fair value (see Note III.12) less costs to sell and its present value of expected future cash flows.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate, after considering various factors including the estimated future cash flows, the useful lives and the discount rate of the asset.

If the estimated result indicates the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to profit or loss for the current period. A provision for impairment of the asset is recognised accordingly. For impairment losses related to an asset group or a set of asset groups, the carrying amount of assets in the asset group or set of asset groups will be reduced on a pro rata basis. However, the carrying amount of an impaired asset will not be lower than the greatest amount of its individual fair value less costs to sell (if determinable), the present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

6 Lease

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(a) Assets leased out under finance leases

At the commencement of the lease term, the Group recognises the aggregate of the minimum lease receipts determined at the inception of a lease and the initial direct costs as finance lease receivable (total), and recognises unguaranteed residual value at the same time. The difference between the aggregate of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the aggregate of their present value is recognised as unearned finance income.

Unearned finance income is allocated to each accounting period during the lease term using the effective interest method. At the balance sheet date, finance lease receivables (total), net of unearned finance income, are presented as finance lease receivables in the balance sheet.

(b) Assets acquired under finance leases

When the Group acquires an asset under a finance lease, the asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, each determined at the inception of the lease. At the commencement of the lease term, the minimum lease payments are recorded as long-term payables. The difference between the carrying amount of the leased assets and the minimum lease payments is accounted for as unrecognised finance charges. Initial direct costs attributable to a finance lease that are incurred by the Group are added to the carrying amount of the leased asset. Depreciation and impairment losses are accounted for in accordance with the accounting policies described in Note III.8 and III.5(b), respectively.

Unrecognised finance charges arising from a finance lease are recognised using an effective interest method over the lease term. The amortisation is accounted for in accordance with the principles of borrowing costs.

(c) Assets leased out under operating leases

Income derived from operating leases is recognised in profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately.

(d) Operating lease charges

Rental payments under operating leases are recognised as the cost or expense of a related asset on a straight-line basis over the lease term.

7 Long-term equity investments

Long-term equity investments comprise the Company’s long-term equity investments in its subsidiaries.

In the Group’s consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note III.1.

In the Company’s separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by subsidiaries as investment income in the current period. The investments in subsidiaries are stated in the balance sheet at cost less impairment losses (see Note III.5(b)).

8 Fixed assets and construction in progress

Fixed assets represent the tangible assets held by the Group for rental to others or for administrative purposes with useful lives over one accounting year. The Group’s fixed assets comprise buildings, motor vehicles, computer and electronic equipment and office equipment. etc.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note III.5(b)). Construction in progress is stated in the balance sheet at cost less impairment losses (see Note III.5(b)).

The initial cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The initial cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note III.11), and any other costs directly attributable to bringing the asset to working condition for its intended use.

Construction in progress is transferred to fixed assets when it is ready for its intended use. No depreciation is provided against construction in progress.

If different depreciation rates or methods have been applied to the related parts of an item of fixed assets with different useful lives or providing benefits to the Company in different ways, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the [straight-line] [sum-of-the-years-digit] [double-declining-balance] [unit-of-production] method over its estimated useful life, unless the fixed asset is classified as held for sale The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

	Estimated useful life	*Estimated net residual value*	*Depreciation rate*
Office equipment and computer	3 - 5 years	-	20.00% - 33.33%
Motor vehicle	4 - 6 years	-	16.67% - 25.00%

The fixed assets under operating lease of the Group are aircrafts and ships. The estimated useful life of the aircrafts is 25 years and the estimated net residual values expressed as a percentage of cost is 15%. The estimated useful life of the ships is 25 years and the estimated net residual values expressed as a percentage of cost is 5%.

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

9 Intangible assets

Intangible assets are software, and measured at cost. They are amortised on the straight-line basis over their approved useful life and contractual period. Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note III.5(b)).

The amortisation years for the Group's intangible assets are 10 years.

For an intangible asset with a finite useful life, its useful life and amortisation method are reviewed and adjusted at each year-end.

10 Long-term deferred expenses

Expenditure incurred with beneficial period over one year is recognised as long-term deferred expenses. Long-term deferred expenses are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see Note III.5(b)).

11 Borrowing cost

Borrowing cost incurred directly attributable to the acquisition and construction of a qualifying asset are capitalised as part of the cost of the asset.

Expect for the above, other borrowing costs are recognised in profit or loss when incurred.

12 Fair value measurement

Unless otherwise specified, the Group determines fair value measurement as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

13 Employee benefits

(a) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accured at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(b) Post-employment benefits - defined contribution plans

Pursuant to the relevant laws and regulations of the People's Republic of China, the Group participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

14 Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible tax losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss).

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates enacted at the reporting date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and liabilities are offset if all the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and assets, and

- they relate to income taxes levied by the same tax authority on either:

  - the same taxable entity; or

  - different taxable entities which intend either to settle the current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

15 Revenue recognition

Revenue is the gross inflow of economic benefit arising in the course of the Group's ordinary activities when those inflows result in increases in equity, other than increases relating to contributions from owners. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Group, the revenue and costs can be measured reliably and the following respective conditions are met:

(a) Interest income

Interest income from financial assets is recognised in profit or loss based on the duration and the effective interest rate as incurred. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

The effective interest method is a method of calculating the amortised cost and the interest income of a financial asset based on its effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income under finance leases is recognised in profit or loss using the effective interest method over the periods covered by the lease term.

Contingent rentals are recognised as income in the accounting period in which they are earned.

(b) Fee and commission income

Fee and commission income is recognised on an accrual basis when the service is rendered or received.

(c) Other income

Other income is recognised on an accrual basis.

16 Segment reporting

Reportable segments are identified and disclosed based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system.

An operating segment is a component of the Group that engages in business activities (1) from which it may earn revenues and incur expenses; (2) whose financial performance are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance; and (3) for which financial information regarding financial position, financial performance and cash flows is available. Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and a certain more criteria.

The Group focused on leasing business during the year without significant indications of regional risks, therefore it did not manage the business in segment and no segment information is disclosed.

17 Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

18 Significant accounting estimates and judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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 and in any future periods affected.

(a) Impairment of receivables

As described in Note III.5(a), in addition to individually assessing receivables (identified as impaired) for impairment losses, the Group regularly assesses groups of receivables for impairment losses. The Group will judge whether there is any evidence of impairment arising from a decrease in expected future cash flows of the groups of receivables (without signs of any cash flow reduction during individual assessments) in order to determine whether it is necessary to make provisions for impairment losses. Such evidence of impairment includes lessees' likely defaults due to deterioration in their financial conditions or adverse changes of their economic landscapes. The Group then assesses resultant impairment losses after considering factors such as asset profiles, industry risk affecting lessees, and regulatory requirements. To narrow the difference between the actual loss and estimated loss on impaired receivables, the Group regularly assesses the methodologies and assumptions used in estimating the timing and amounts of expected future cash flows.

(b) Impairment of non-financial assets

As described in Note III.5(b), assets such as fixed assets and intangible assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset (asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. Since a market price of the asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of expected future cash flows, significant judgments are exercised over the asset's cash inflow, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of cash inflow, selling price and related operating expenses based on reasonable and supportable assumptions.

(c) Depreciation and amortisation

As described in Note III.8 and III.9, fixed assets and intangible assets are depreciated and amortised on a straight-line basis over their useful lives after taking into account their residual value. The useful lives of the assets are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives of the assets are determined based on historical experience of similar assets and the estimated technical changes. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised prospectively.

(d) Income taxes

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.

IV Notes to the consolidated financial statements and financial statements

1 Cash at bank and on hand

	The Group		*The Company*	
	31 December 2016	*31 December 2015*	*31 December 2016*	*31 December 2015*
Deposits with banks	14,082,041	20,715,175	13,239,816	18,778,994

2 Deposits with the central bank

	The Group and the Company	
	31 December 2016	*31 December 2015*
Deposits with the central bank	25,057	24,667

In accordance with the *People's Bank of China's Circular on Including Security Deposit in the Scope of Deposit Reserve (Yin Fa [2011] No.209)*, the Company set aside deposit reserve for security deposit. The deposit reserve cannot be used for the Company's day-to-day operations.

3 Placements with bank and other financial institutions

	The Group		*The Company*	
	31 December 2016	*31 December 2015*	*31 December 2016*	*31 December 2015*
Other financial institutions	-	6,887,600	-	-

4 Prepayments

	The Group		The Company	
	31 December 2016	*31 December 2015*	*31 December 2016*	*31 December 2015*
Prepayments for finance lease assets	2,305,205	4,610,221	2,305,205	4,451,590
Less: Provision for impairment - collectively assessed	(46,886)	(122,766)	(46,886)	(120,386)
Total	2,258,319	4,487,455	2,258,319	4,331,204

	The Group		The Company	
	2016	*2015*	*2016*	*2015*
Changes in provision for impairment				
At 1 January	122,766	200,818	120,386	139,565
Reversal for the year	(75,880)	(78,052)	(73,500)	(19,179)
At 31 December	46,886	122,766	46,886	120,386

	The Group		The Company	
	31 December 2016	*31 December 2015*	*31 December 2016*	*31 December 2015*
Within 1 year (inclusive)	1,472,526	1,379,595	1,472,526	1,220,964
1 to 2 years (inclusive)	415,878	1,991,958	415,878	1,991,958
2 to 3 years (inclusive)	4,263	642,538	4,263	642,538
Over 3 years	412,538	596,130	412,538	596,130
	2,305,205	4,610,221	2,305,205	4,451,590
Less: provision for impairment -collectively assessed	(46,886)	(122,766)	(46,886)	(120,386)
Carrying amount	2,258,319	4,487,455	2,258,319	4,331,204

5 Finance lease receivables

	The Group		The Company	
	31 December 2016	*31 December 2015*	*31 December 2016*	*31 December 2015*
Finance lease receivables	114,813,682	128,722,217	99,240,295	112,765,079
Less: unearned finance income	(14,465,764)	(18,319,849)	(12,774,692)	(16,660,648)
	100,347,918	110,402,368	86,465,603	96,104,431
Less: provision for impairment				
-collectively assessed	(1,774,033)	(1,671,796)	(1,566,325)	(1,457,998)
- individually assessed	(635,156)	(564,125)	(635,156)	(564,125)
Carrying amount	97,938,729	108,166,447	84,264,122	94,082,308

(i) The following table presents the Group's and the Company's contracted minimum lease receipts for future accounting years:

	The Group		The Company	
	31 December 2016	*31 December 2015*	*31 December 2016*	*31 December 2015*
Within 1 year (inclusive)	24,175,433	25,109,790	23,013,773	22,896,833
1 to 2 years (inclusive)	20,674,665	22,492,761	18,395,909	20,377,564
2 to 3 years (inclusive)	17,681,815	19,203,459	15,604,830	17,229,310
Over 3 years or undated	52,281,769	61,916,207	42,225,783	52,261,372
Total	114,813,682	128,722,217	99,240,295	112,765,079

(ii) The movement of provision for impairment of finance lease receivables:

	The Group		*The Company*	
	2016	*2015*	*2016*	*2015*
Changes in provision for impairment				
At 1 January	2,235,921	2,141,608	2,022,123	1,926,634
Additions during the year	431,685	403,168	412,556	343,045
Reversal during the year	(258,417)	(276,388)	(233,198)	(233,321)
Transferred-out provision for impairment of subsidiaries no longer consolidated	-	(18,230)	-	-
Written off during the year	-	(14,237)	-	(14,235)
At 31 December	2,409,189	2,235,921	2,201,481	2,022,123

(iii) As at 31 December 2016, finance lease receivables which had been pledged for the Group's borrowings and repurchase agreements amounted to RMB 9,886,910,000 (31 December 2015: RMB 5,820,580,000).

6 Long-term equity investments and scope of consolidated financial statements

	The Group		*The Company*	
	31 December 2016	*31 December 2015*	*31 December 2016*	*31 December 2015*
Long-term equity investments	-	-	8,600	7,700

As at 31 December 2016, the consolidated subsidiaries included the following:

	Place of registration	*Registered capital*	*Nature of business*	*% of equity interest held by the Company*	*% of voting right held by the Company*
ICBC Financial Leasing (Beijing) Co., Ltd	Beijing	1 million	financial leasing	100%	100%
ICBC Financial Leasing (Tianjin) Co., Ltd	Tianjin	1 million	financial leasing	100%	100%
Tian Lang (Tianjin) Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Hai Ju (Tianjin) Ship Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Yin (Tianjin) Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Shu (Tianjin) Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Ji (Tianjin) Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Hai Hui (Tianjin) Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Guang (Tianjin) Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Shang (Tianjin) Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Hai Xing (Tianjin) Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Hai Wang (Tianjin) Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Hai Jin (Tianjin) Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Jiao (Tianjin) Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Kang (Tianjin) Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Yue (Tianjin) Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Qing (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Rong (Tianjin) Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Lu (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Shen (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Jin (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Peng (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Kai (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Shun (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Pu (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Yuan Kang (Tianjin) Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Yun De (Tianjin) Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Yun Long (Tianjin) Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Chang (Shanghai) Aircraft Leasing Co., Ltd	Shanghai	0.1 million	financial leasing	100%	100%
Tian Hong (Shanghai) Aircraft Leasing Co., Ltd	Shanghai	0.1 million	financial leasing	100%	100%
Tian Jia (Shanghai) Aircraft Leasing Co., Ltd	Shanghai	0.1 million	financial leasing	100%	100%
Tian Li (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Yan (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Pu (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Shuang (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Ping (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Xing (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Ji (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Yang (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Song (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Gang (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Chong (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Yu (Xiamen) Aircraft Leasing Co., Ltd	Xiamen	0.1 million	financial leasing	100%	100%
Hai Jiang (Tianjin) Ship Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Hai Tao (Tianjin) Ship Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Hai Peng (Tianjin) Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Qian (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Yi (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Chuan (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Qi (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Chen (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Quan (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Gongyinwuju (Tianjin) Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Zhen (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Chi (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Xiao (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Yong (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Hui (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Min (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Hai Lu (Tianjin) Ship Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Xu (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Ao (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Mu (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Yun (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Xi (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Xuan (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Yuan (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%
Tian Lan (Tianjin) Aircraft Leasing Co., Ltd	Tianjin	0.1 million	financial leasing	100%	100%

As at 31 December 2016, the paid-in capital of the above subsidiaries amounted to RMB 8,100,000 (31 December 2015: RMB 7,700,000).

7 Fixed assets

The Group

	Office equipment and computers	*Motor vehicle*	*Operating lease assets*	*Total*
Cost				
At 1 January 2016	18,459	4,470	30,770,643	30,793,572
Additions during the year	1,629	-	9,272,919	9,274,548
Transfers from construction in progress	-	-	3,717,606	3,717,606
Transfer to accounts receivable	-	-	(1,662,679)	(1,662,679)
Disposals during the year	-	-	(1,663,520)	(1,663,520)
Foreign currency translation differences	-	-	(1,483,625)	(1,483,625)
At 31 December 2016	20,088	4,470	38,951,344	38,975,902
Accumulated depreciation				
At 1 January 2016	(13,652)	(4,293)	(1,965,937)	(1,983,882)
Charge for the year	(2,749)	(176)	(1,188,520)	(1,191,445)
Written off on disposals	-	-	158,269	158,269
Foreign currency translation differences	-	-	(161,146)	(161,146)
At 31 December 2016	(16,401)	(4,469)	(3,157,334)	(3,178,204)
Provision for impairment				
At 1 January 2016	-	-	(202,599)	(202,599)
Charge for the year	-	-	(113,055)	(113,055)
Written off on disposals	-	-	14,660	14,660
Foreign currency translation differences	-	-	13,693	13,693
At 31 December 2016	-	-	(287,301)	(287,301)
Net book value				
At 31 December 2015	4,807	177	28,602,107	28,607,091
At 31 December 2016	3,687	1	35,506,709	35,510,397

The Company

	Office equipment and computers	*Motor vehicle*	*Operating lease assets*	*Total*
Cost				
At 1 January 2016	18,444	4,470	977,106	1,000,020
Additions during the year	1,629	-	110,946	112,575
Transfers from construction in progress	-	-	3,717,606	3,717,606
Transfer to accounts receivable	-	-	(3,636,173)	(3,636,173)
Disposals during the year	-	-	(23,548)	(23,548)
At 31 December 2016	20,073	4,470	1,145,937	1,170,480
Accumulated depreciation				
At 1 January 2016	(13,644)	(4,293)	(37,321)	(55,258)
Charge for the year	(2,744)	(176)	(34,183)	(37,103)
Written off on disposals	-	-	1,079	1,079
At 31 December 2016	(16,388)	(4,469)	(70,425)	(91,282)
Provision for impairment				
At 1 January 2016	-	-	(141,860)	(141,860)
Charge for the year	-	-	(10,445)	(10,445)
Written off on disposals	-	-	14,660	14,660
Foreign currency translation differences	-	-	-	-
At 31 December 2016	-	-	(137,645)	(137,645)
Net book value				
At 31 December 2015	4,800	177	797,925	802,902
At 31 December 2016	3,685	1	937,867	941,553

As at 31 December 2016, fixed assets under operating lease which had been pledged as collateral for the Group's borrowings amounted to RMB 9,927,225,000 (31 December 2015: RMB 11,060,532,000).

8 Construction in progress

	The Group and the Company	
	2016	*2015*
At 1 January	5,818,057	6,626,139
Additions during the year	3,819,246	3,742,208
Transferred to fixed assets	(3,717,606)	(4,550,290)
At 31 December	5,919,697	5,818,057

As at 31 December 2016, the Group's and the Company's construction in progress is aircrafts under construction.

	The Group and the Company	
	31 December 2016	*31 December 2015*
Borrowing costs capitalised	111,016	131,859

The interest rate per annum, at which the borrowing costs were capitalised for the current year by the Group and the Company, was 1.31- 3.36% (2015: 0.84% - 5.53%).

9 Intangible assets

The Group and the Company

	Computer software
Cost	
At 1 January 2016	22,630
Additions during the year	7,595
At 31 December 2016	30,225
Accumulated amortisation	
At 1 January 2016	(9,014)
Charge for the year	(3,217)
At 31 December 2016	(12,231)
Net book value	
At 31 December 2015	13,616
At 31 December 2016	17,994

10 Deferred income tax assets

The Group

	31 December 2016		31 December 2015	
	Deferred income tax assets / (liabilities)	*Deductible / (Taxable) temporary difference*	*Deferred income tax assets / (liabilities)*	*Deductible / (Taxable) temporary difference*
Provision for impairment losses	390,430	1,561,720	335,351	1,341,404
Accrued staff costs	52,053	208,212	54,591	218,364
Change in fair value of financial instruments at fair value through profit or loss	(44,665)	(178,660)	(84,092)	(336,368)
Others	21,562	86,248	19,209	76,836
Total	419,380	1,677,520	325,059	1,300,236

	2016			
	Balance at the beginning of the year	*Charged to income statement*	*Charged to equity*	*Balance at the end of the year*
Provision for impairment losses	335,351	55,079	-	390,430
Accrued staff costs	54,591	(2,538)	-	52,053
Change in fair value of financial instruments at fair value through profit or loss	(84,092)	39,427	-	(44,665)
Others	19,209	2,353	-	21,562
Total	325,059	94,321	-	419,380

As at 31 December 2016, the deductible tax losses of subsidiaries which amounted to RMB 124,055,000 (31 December 2015: RMB 161,292,000) were not recognized as deferred income tax assets, as the management considered that it was not probable that there would be sufficient taxable profit against which the above deductible losses could be utilized in the foreseeable future. The deductible tax losses expire within 5 years from the year when such losses were incurred under current tax law.

The Company

	31 December 2016		31 December 2015	
	Deferred income tax assets / (liabilities)	*Deductible / (Taxable) temporary difference*	*Deferred income tax assets / (liabilities)*	*Deductible / (Taxable) temporary difference*
Provision for impairment losses	374,331	1,497,324	317,593	1,270,373
Accrued staff costs	52,053	208,212	54,591	218,366
Change in fair value of financial instruments at fair value through profit or loss	(44,665)	(178,660)	(84,092)	(336,366)
Others	22,317	89,268	20,373	81,486
Total	404,036	1,616,144	308,465	1,233,859

	2016			
	Balance at the beginning of the year	*Changed to income statement*	*Changed to equity statement*	*Balance at the end of the year*
Provision for impairment losses	317,593	56,738	-	374,331
Accrued staff costs	54,591	(2,538)	-	52,053
Change in fair value of financial instruments at fair value through profit or loss	(84,092)	39,427	-	(44,665)
Others	20,373	1,944	-	22,317
Total	308,465	95,571	-	404,036

11 Other assets

	The Group		The Company	
	31 December 2016	*31 December 2015*	*31 December 2016*	*31 December 2015*
Entrusted loans	-	-	19,405,635	19,354,710
Receivables due to assets transfer transaction	6,521,418	4,744,377	12,605,720	9,193,455
Deductible input VAT	1,030,403	1,120,266	992,247	1,096,627
Interest receivable	82,913	278,445	1,065,401	803,722
Prepayments of borrowing cost	203,900	160,569	63,604	62,165
Operating lease receivables	248,345	121,030	75,705	65,811
Security deposit	29,158	27,664	29,158	27,664
Deferred expenses	1,488	2,612	1,421	1,229
Long-term deferred expenses	127	1,372	127	1,372
Other receivables	155,504	194,500	104,663	191,270
Continuing involvement in assets	33,739	51,620	33,739	51,620
Total	8,306,995	6,702,455	34,377,420	30,849,645

12 Borrowings

	The Group		*The Company*	
	31 December 2016	*31 December 2015*	*31 December 2016*	*31 December 2015*
Analysed by duration:				
Short-term	102,290,187	129,427,697	103,002,436	123,572,822
Long-term	23,902,141	18,839,661	5,985,486	6,533,174
Total	126,192,328	148,267,358	108,987,922	130,105,996
Analysed by counterparty:				
Domestic banks	113,023,428	140,348,025	100,809,249	123,707,759
Overseas banks	13,168,900	7,919,333	8,178,673	6,398,237
Total	126,192,328	148,267,358	108,987,922	130,105,996

13 Repurchase agreements

	The Group		*The Company*	
	31 December 2016	*31 December 2015*	*31 December 2016*	*31 December 2015*
Factoring	8,597,497	7,193,120	8,597,497	4,115,149
Total	8,597,497	7,193,120	8,597,497	4,115,149
Domestic banks	8,597,497	7,193,120	8,597,497	4,115,149

14 Advances from customers

	The Group		*The Company*	
	31 December 2016	*31 December 2015*	*31 December 2016*	*31 December 2015*
Rental fee received in advance	1,927,172	2,040,839	1,510,216	1,752,971
Others	355,073	952,082	342,282	351,193
Total	2,282,245	2,992,921	1,852,498	2,104,164

15 Long-term payables

	The Group		*The Company*	
	31 December 2016	*31 December 2015*	*31 December 2016*	*31 December 2015*
Financial lease payables	2,308,818	1,875,520	-	-
Acquisition of fixed assets	1,417,742	1,494,073	-	-
Total	3,726,560	3,369,593	-	-

The following table presents the Group's and the Company's contracted minimum lease payables for future accounting years:

	The Group		*The Company*	
	31 December 2016	*31 December 2015*	*31 December 2016*	*31 December 2015*
Within 1 year (inclusive)	267,667	190,629	-	-
1 to 2 years (inclusive)	268,886	198,083	-	-
2 to 3 years (inclusive)	270,147	199,088	-	-
Over 3 years	1,751,918	1,495,917	-	-
Sub-total	2,558,618	2,083,717	-	-
Less: Unrecognised finance charges	(249,800)	(208,197)	-	-
Carrying amount	2,308,818	1,875,520	-	-

16 Employee benefits payable

		The Group and the Company	
	Note	*31 December 2016*	*31 December 2015*
Short-term employee benefits	*(1)*	228,395	226,454
Post-employment benefits	*(2)*		
- defined contribution plans		-	-
Total		228,395	226,454

(1) Short-term employee benefits

	The Group and the Company			
	Balance at 1 January 2016	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2016*
Salaries, bonuses, allowances and subsidies	216,786	184,873	(184,400)	217,259
Staff welfare	-	8,478	(8,478)	-
Social insurance	-	7,000	(7,000)	-
Medical insurance	-	6,316	(6,316)	-
Work-related injury insurance	-	188	(188)	-
Maternity insurance	-	496	(496)	-
Housing fund	-	8,741	(8,741)	-
Labour union fee, staff and workers' education fee	9,668	8,170	(6,702)	11,136
Total	226,454	217,262	(215,321)	228,395

	The Group and the Company			
	Balance at 1 January 2015	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2015*
Salaries, bonuses, allowances and subsidies	175,147	179,867	(138,228)	216,786
Staff welfare	-	10,922	(10,922)	-
Social insurance	-	5,638	(5,638)	-
Medical insurance	-	5,080	(5,080)	-
Work-related injury insurance	-	154	(154)	-
Maternity insurance	-	404	(404)	-
Housing fund	-	6,850	(6,850)	-
Labour union fee, staff and workers' education fee	7,971	12,954	(11,257)	9,668
Total	183,118	216,231	(172,895)	226,454

(2) Post-employment benefits - defined contribution plans

	The Group and the Company			
	Balance at 1 January 2016	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2016*
Basic pension insurance	-	12,194	(12,194)	-
Unemployment insurance	-	556	(556)	-
Total	-	12,750	(12,750)	-

	The Group and the Company			
	Balance at 1 January 2015	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2015*
Basic pension insurance	-	10,134	(10,134)	-
Unemployment insurance	-	507	(507)	-
Total	-	10,641	(10,641)	-

17 Taxation

(1) The types of taxes applicable to the Group's rendering of services include business tax, value added tax (VAT), city construction tax, education surcharges and etc.

Tax name	*Tax basis and applicable rate*
Business tax	5% of taxable revenue. According to Caishui [2016] No. 36, jointly issued by MOF and the State Administration of Taxation, all taxpayers subject to business tax in China are included in the scope of the VAT pilot scheme. Effective from 1 May 2016, those taxpayers are required to pay VAT instead of business tax.
VAT	Output VAT is 3%-17% of income from leasing business based on tax laws. The basis for VAT payable is to deduct input VAT from the output VAT for the period
City construction tax	7% of both business tax payable and VAT payable
Education surcharges	3% of both business tax payable and VAT payable
Local education surcharges	2% of both business tax payable and VAT payable
Flood control expenses	1% of both business tax payable and VAT payable

In accordance with the *Circular on the Pilot Scheme on Switching from Business Tax Levy to VAT Levy for Transportation and Certain Modern Services Industries in Eight Provincial Cities Including Beijing* (the "Circular") under ref. Cai Shui [2012] No.71, the tax reform of switching from business tax levy to VAT levy was launched for transportation and certain modern services industries in Tianjin municipality from 1 December 2012. The taxable item of the Group was tangible property leasing service as regulated under the Circular, and therefore, the revenue from the tangible property leasing contracts signed on or after 1 December 2012 is subject to VAT instead of business tax, using the tax rate of 17%. Revenue from the contracts that signed before 1 December 2012 continues to be subject to 5% business tax.

In accordance with the *Circular on Overall Implementation of Pilot Program for Value Added Tax Replacing Business Tax issued by China's Ministry of Finance (MOF) and State Administration of Taxation (SAT)* under ref. Cai Shui [2016] No.36, value added tax replacing the existing business tax has been levied for certain pilot industries, including real estate, construction, financial services, and lifestyle services, since 1 May 2016 on a national-wide basis. The taxable item of the Group was tangible property leasing service and advisory service as regulated under the Circular 36, and therefore, the revenue from the related contracts signed on or after 1 May 2016 is subject to VAT instead of business tax. Rental revenue from the operating leasing contracts that signed before 1 December 2012 convert to be subject to 3% simplified VAT, and Rental revenue from the finance leasing contract contracts that signed before 1 December 2012 convert to be subject to 6% VAT.

(2) The statutory income tax rate applicable to the Group and the Company was 25% in 2016 (2015: 25%).

(3) Taxes payable

	The Group		The Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Income tax payable	418,033	311,658	271,458	117,678
VAT and surcharges payable	4,908	17,903	8	-
Withholding of individual income tax payable	1,800	1,109	1,800	1,109
VAT payable	54,237	21,679	-	-
Others	1,303	2,728	1,233	2,025
Total	480,281	355,077	274,499	120,812

18 Security deposit payable

	The Group		The Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Security deposit for leasing purpose	264,869	296,892	197,185	225,943

19 Other payable

	The Group		The Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Interest payable	595,065	706,820	803,542	784,512
Leased assets payables	39,133	32,210	14,354	9,017
Rent collected from factoring business	38,004	49,386	38,004	49,386
Continuing involvement in liabilities	33,739	51,620	33,739	51,620
Others	260,464	462,159	215,803	425,807
Total	966,405	1,302,195	1,105,442	1,320,342

20 Paid-in capital

The Group and the Company

	31 December 2016		31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Industrial and Commercial Bank of China Limited	11,000,000	100.00%	11,000,000	100.00%

21 Other comprehensive income

The Group's other comprehensive income on 31 December 2016 represents the translation differences arising from translation of foreign currency financial statements.

22 Surplus reserve

In accordance with the *Company Law of the People's Republic of China* and the Company's and the subsidiaries' Articles of Association, the Company and the subsidiaries shall appropriate 10% of its annual net profit to its statutory surplus reserve. The statutory surplus reserve can be used to make up for the loss or increase the paid-in capital upon approval.

23 General reserve

In accordance with the *Administrative Measures for Provisions by Financial Institutions* (Cai Jin [2012] No. 20) issued by the Ministry of Finance, the Company and the subsidiaries set aside a general reserve for possible unrecognised losses on risk assets, as part of the provisions for impaired assets. The general reserve, which is dealt with in profit distribution and forms part of the owners' equity, shall, in principal, be no less than 1.5% of the total risk assets at the end of the period.

24 Net interest income

	The Group		*The Company*	
	2016	*2015*	*2016*	*2015*
Interest income from finance lease	5,587,307	5,778,447	5,116,889	5,371,856
Interest income from bank deposits	691	275,407	1,091,393	934,997
Interest income from placements with banks and other financial institutions	162,182	54,094	18	193
Sub-total	5,750,180	6,107,948	6,208,300	6,307,046
Interest expense of borrowings	(4,148,169)	(4,852,189)	(3,748,848)	(4,748,323)
Interest expense of repurchase agreements	(120,208)	(197,264)	(83,978)	(168,528)
Interbank interest expense	(124,916)	(125,519)	(124,916)	(125,519)
Sub-total	(4,393,293)	(5,174,972)	(3,957,742)	(5,042,370)
Net interest income	1,356,887	932,976	2,250,558	1,264,676

The Interest income from bank deposit include interest income from the entrusted loan by the Company and the interest income arising from cash pool.

25 Net fee and commission income

	The Group		*The Company*	
	2016	*2015*	*2016*	*2015*
Income from consulting services	416,023	416,333	414,985	416,333
Fee and commission expense	(345,968)	(282,858)	(145,970)	(220,347)
Net fee and commission income	70,055	133,475	269,015	195,986

26 Taxes and surcharges

	The Group		*The Company*	
	2016	*2015*	*2016*	*2015*
Business tax	34,876	90,476	26,609	47,023
City construction tax	27,240	24,337	1,863	3,292
Education surcharge	11,697	10,430	798	1,411
Others	22,556	10,372	11,720	1,411
Total	96,369	135,615	40,990	53,137

27 Operating and administrative expenses

	The Group		*The Company*	
	2016	*2015*	*2016*	*2015*
Employee benefits	230,012	226,872	230,012	226,872
Rental expenses	31,650	30,873	31,650	30,873
Stamp duty	6,870	25,452	5,143	22,468
Consulting fees	17,354	17,747	16,167	15,865
Advertisement and entertainment	10,720	12,507	10,720	12,507
Supervision charges	10,616	10,259	10,616	10,259
Amortisation	5,480	4,595	5,480	4,595
Depreciation	2,925	2,734	2,920	2,729
Others	38,067	36,976	36,690	32,293
Total	353,694	368,015	349,398	358,461

28 Impairment losses

	The Group		The Company	
	2016	*2015*	*2016*	*2015*
Impairment losses on finance lease receivables	173,268	126,780	179,358	109,724
Reversal of impairment losses on prepayments for finance lease	(75,880)	(78,052)	(73,500)	(19,179)
Impairment losses on operating lease assets	113,055	84,562	10,445	84,562
Total	210,443	133,290	116,303	175,107

29 Non-operating income

Non-operating income incurred this year represented the rebates of business tax, income tax and VAT tax relief from Tianjin government, financial support from Xiamen government and gain of the disposal of operating lease assets.

30 Income tax expenses

	The Group		The Company	
	2016	*2015*	*2016*	*2015*
Current income tax expense	918,740	801,701	697,494	479,748
Deferred income tax credit	(94,321)	21,548	(95,571)	10,866
Total	824,419	823,249	601,923	490,614
Reconciliation of income tax expense applicable to profit before taxation at applicable tax rate to income tax expense:				
Profit before taxation	3,092,082	3,063,939	2,394,855	1,874,742
Tax at the applicable income tax rate (25%)	773,021	765,985	598,714	468,686
Effect of unrecognised deferred income tax assets for deductible loss	34,000	40,323	-	-
Non-deductible entertainment expenses	598	735	598	735
Others	16,800	16,206	2,611	21,193
Income tax expense	824,419	823,249	601,923	490,614

31 Cash and cash equivalents

Cash and cash equivalents carried in the cash flow statement were as follows:

	The Group		*The Company*	
	31 December 2016	*31 December 2015*	*31 December 2016*	*31 December 2015*
Cash and bank deposits with original maturity of less than 3 months	6,817,591	20,220,393	5,975,366	18,284,212

32 Commitments

(1) Capital commitments

	The Group and the Company	
	31 December 2016	*31 December 2015*
Contracted but not provided for	28,160,370	39,951,377

(2) Operating lease commitments

At the end of the reporting period, the total future minimum lease payments in respect of non-cancellable operating lease arrangements were as follows:

	31 December 2016	*31 December 2015*
Within 1 year (inclusive)	43,681	27,092
1 to 2 years (inclusive)	35,936	779
Over 2 years	848	664
Total	80,465	28,535

(3) Lease commitments

At the end of the reporting period, the Group's lease commitments as lessor were as follows:

Lease commitments that are unconditionally irrevocable	*31 December 2016*	*31 December 2015*
Original maturity of less than 1 year	2,344,049	3,108,100
Original maturity of 1 year or above	18,557,426	24,075,791
Total	20,901,475	27,183,891

33 Risk management

The Group's business activities are exposed to a variety of financial risks. The Group's risk management is largely geared to analyse, evaluate and manage risks of varying degrees or their combinations. The Group aims to strike a balance between risk and return and minimise potential adverse effects on its financial position and operating results.

(1) Credit risk

(a) Credit risk management

The Group is exposed to credit risk, which is the risk of suffering financial loss, should any of its counterparties fail to fulfill their contractual obligations or commitments. Credit risk is the most important risk for the Group's business activities; management therefore carefully manages its exposure to credit risk. Credit risk arises mainly from leasing activities. Currently, the Group's Risk Management Committee is responsible for decision-making and centralised coordination in credit risk management, and manages credit risk through a number of measures, including industry-standard credit assessment, legal compliance, asset management and operation.

Under CBRC's *Guidelines for Risk Classification of Assets of Non-bank Financial Institutions (Trial)*, the Group classifies finance lease receivables and prepayments for finance leased assets into five categories, namely pass, special mention, sub-standard, doubtful and loss.

The Group performs credit risk management during pre-lease investigation, lease approval, and post-lease management. The Group carries out continuous monitoring of leasing projects, and strengthens risk surveillance over key industries, regions, products and customers. The Group controls its credit risk through, among other necessary measures, regular analyses of customers' ability to repay interests and principals and appropriate adjustments to their credit limits. The Group employs a range of policies to mitigate credit risk, primarily through taking collaterals and security deposit, obtaining guarantees from companies or individuals, and taking out insurance on leased assets.

In order to minimise credit risk, the Group will seek additional collaterals from counterparties or require additional guarantors once impairment indications are identified for a lease facility.

(b) Impairment analyses and provisioning policies

In accordance with the accounting policies stated in Note III.5(a), if there is objective evidence that indicates future cash flows for a particular financial asset are expected to decrease, and that the amounts can be estimated, the financial asset is recorded as an impaired asset, with provisions made for the impairment loss.

Objective evidence that a financial asset is impaired includes:

- Significant financial difficulty of the lessee;

- A breach of contract by the lessee, such as default or delinquency in interest or principal payments;

- Concession to the lessee, for economic or legal reasons relating to the lessee's financial difficulty that the lessor would not otherwise consider;

- Probability that the lessee will become bankrupt or undergo other financial reorganisations.

The Group regularly reviews the quality of its leased assets. For assets individually assessed for impairment, the allowance for impairment loss is determined through individual evaluation of incurred loss at the balance sheet date. In the evaluation, the Group considers the value of collaterals held and expected future cash flows. Allowance for impairment losses is provided collectively for individually insignificant asset portfolios with similar credit risk characteristics; and individually significant assets where losses are incurred but not identified. In the evaluation, the Group considers the possibility of default and the historical trend of losses, as well as current economic environment that has impacts on the inherent losses of the portfolio.

(c) Maximum credit risk exposure

The maximum exposure to credit risk at the balance sheet date without taking into consideration of any collateral held or other credit enhancement is represented by the carrying value of each financial asset in the balance sheet after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	The Group	
	31 December 2016	*31 December 2015*
Credit risk exposure relating to balance sheet items:		
Cash at bank and on hand	14,082,041	20,715,175
Deposits with the central bank	25,057	24,667
Placements with bank and other financial institutions	-	6,887,600
Prepayments	2,258,319	4,487,455
Finance lease receivables	97,938,729	108,166,447
Financial assets at fair value through profit or loss	1,014,820	2,636,366
Interest receivable	82,913	278,445
Operating lease receivables	248,345	121,030
Other assets	6,788,215	6,298,997
Sub-total	122,438,439	149,616,182
Lease commitments	20,901,475	27,183,891
Maximum credit risk exposure	143,339,914	176,800,073

(d) Concentration of finance lease receivables

Credit risk increases when counter-parties are concentrated in certain specific industries or geographical regions, or they share certain economic characteristics. The Group conducts its leasing business within China, and is not exposed to any significant geographical concentration risk. The customers of the Group concentrate in a number of key industries, each with their own unique characteristics in economic development, which therefore presents different credit risks to the Group.

	The Group	
	31 December 2016	*31 December 2015*
Transportation, storage and postal service	49,343,902	57,661,217
Production and supply of electricity, gas and water	17,009,185	25,036,129
Water, environment and public utility management	11,215,367	8,489,011
Mining	6,302,352	7,272,334
Manufacturing	2,187,022	4,032,501
Leasing and commercial services	6,069,361	3,024,676
Finance	2,279,008	1,091,687
Culture, sports and entertainment	2,414,609	1,020,479
Construction	2,131,105	956,179
Agriculture, forestry, farming and fishery	-	758,140
Information transmission, computer service and software	709,846	605,954
Health, social security and social welfare	686,161	454,061
Total	100,347,918	110,402,368

(e) Quality of finance lease receivables

As at the balance sheet date, the credit risk exposures of the Group's finance lease receivables are listed as below:

	The Group	
	31 December 2016	*31 December 2015*
Neither past due nor impaired	95,945,456	105,108,937
Past due but not impaired	3,087,413	4,003,065
Past due within 3 months (inclusive)	3,087,413	4,003,065
Impaired	1,315,049	1,290,366
Total	100,347,918	110,402,368
Less: Impairment provision	(2,409,189)	(2,235,921)
Neither past due nor impaired	(1,595,375)	(1,591,657)
Past due but not impaired	(178,658)	(121,549)
Impaired	(635,156)	(522,715)
Net amount	97,938,729	108,166,447

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices. Market risk arises from both the Group's trading and non-trading business.

The Group is exposed to primarily structural interest rate risk arising from leasing business and position risk arising from treasury transactions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of assets and liabilities. The Group's foreign exchange risk mainly includes foreign exchange exposure arising from a currency structure imbalance between foreign currency assets and foreign currency liabilities. As at the balance sheet date, the Group's business is primarily conducted in RMB and US dollar. Sensitivity analysis, interest rate gap analysis and foreign exchange risk concentration analysis are the main market risk management tools used by the Group to monitor the market risk of its overall businesses.

(a) Interest rate risk

The following table presents the Group's exposures to interest rate risk, with financial instruments stated at net carrying amounts, based on the earlier of contractual repricing dates or maturity dates.

At 31 December 2016	*Within 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Non-interest bearing*	*Total*
Assets:						
Cash at bank and on hand	7,817,591	6,264,450	-	-	-	14,082,041
Deposits with central bank	25,057	-	-	-	-	25,057
Prepayments	1,273,832	984,487	-	-	-	2,258,319
Finance lease receivables	70,317,579	14,167,518	4,429,569	8,344,170	679,893	97,938,729
Fixed assets, construction in progress and intangible assets	-	-	-	-	41,448,088	41,448,088
Others	-	-	-	-	9,741,195	9,741,195
Total assets	79,434,059	21,416,455	4,429,569	8,344,170	51,869,176	165,493,429
Liabilities:						
Borrowings	84,105,324	39,018,100	381,103	2,687,801	-	126,192,328
Repurchase agreements	2,538,387	6,059,110	-	-	-	8,597,497
Security deposit payable	-	-	-	-	264,869	264,869
Others	3,726,560	-	-	-	3,957,326	7,683,886
Total liabilities	90,370,271	45,077,210	381,103	2,687,801	4,222,195	142,738,580
Interest rate sensitivity gap	(10,936,212)	(23,660,755)	4,048,466	5,656,369	N/A	N/A

At 31 December 2015	*Within 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Non-interest bearing*	*Total*
Assets:						
Cash at bank and on hand	20,220,393	494,782	-	-	-	20,715,175
Deposits with central bank	24,667	-	-	-	-	24,667
Placements with bank and other financial institutions	-	6,887,600	-	-	-	6,887,600
Prepayments	4,388,982	98,473	-	-	-	4,487,455
Finance lease receivables	81,255,620	15,053,045	4,129,654	7,728,128	-	108,166,447
Fixed assets, construction in progress and intangible assets	-	-	-	-	34,438,764	34,438,764
Others	-	-	-	-	9,663,880	9,663,880
Total assets	105,889,662	22,533,900	4,129,654	7,728,128	44,102,644	184,383,988
Liabilities:						
Borrowings	94,069,550	49,407,064	3,531,312	1,259,432	-	148,267,358
Repurchase agreements	-	2,164,346	5,028,774	-	-	7,193,120
Security deposit payable	-	-	-	-	296,892	296,892
Others	3,369,593	-	-	-	4,876,647	8,246,240
Total liabilities	97,439,143	51,571,410	8,560,086	1,259,432	5,173,539	164,003,610
Interest rate sensitivity gap	8,450,519	(29,037,510)	(4,430,432)	6,468,696	N/A	N/A

The Group's interest rate risk arises from the differences in timing between contractual maturities and repricing of interest-bearing assets and liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB. The PBOC establishes RMB benchmark interest rates which include a floor for RMB loan rates.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may impact the PBOC benchmark interest rates;
- optimising the differences in timing between contractual maturities and repricing of interest-generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net interest income.

The sensitivity of the net interest income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the financial assets and financial liabilities held at period end subject to re-pricing within the coming year.

	The Group	
Change in basis points	*31 December 2016*	*31 December 2015*
+100 basis points	(308,704)	(241,050)
- 100 basis points	308,704	241,050

(b) Exchange rate risk

The Group	31 December 2016			31 December 2015		
	RMB	*USD (RMB equivalent)*	*Total*	*RMB*	*USD (RMB equivalent)*	*Total*
Assets:						
Cash at bank and on hand	7,011,283	7,070,758	14,082,041	12,116,369	8,598,806	20,715,175
Deposits with central bank	24,377	680	25,057	24,030	637	24,667
Placements with bank and other financial institutions	-	-	-	6,887,600	-	6,887,600
Prepayments	2,258,319	-	2,258,319	4,487,455	-	4,487,455
Finance lease receivables	84,027,125	13,911,604	97,938,729	93,544,016	14,622,431	108,166,447
Fixed assets, construction in progress and intangible assets	9,362,583	32,085,505	41,448,088	9,222,129	25,216,635	34,438,764
Others	3,741,143	6,000,052	9,741,195	6,831,397	2,832,483	9,663,880
Total assets	106,424,830	59,068,599	165,493,429	133,112,996	51,270,992	184,383,988
Liabilities:						
Borrowings	80,435,515	45,756,813	126,192,328	105,339,032	42,928,326	148,267,358
Repurchase agreements	700,000	7,897,497	8,597,497	954,000	6,239,120	7,193,120
Security deposit payable	197,185	67,684	264,869	225,943	70,949	296,892
Others	3,043,731	4,640,155	7,683,886	3,575,428	4,670,812	8,246,240
Total liabilities	84,376,431	58,362,149	142,738,580	110,094,403	53,909,207	164,003,610
Net long position	22,048,399	706,450	22,754,849	23,018,593	(2,638,215)	20,380,378
Off-balance sheet credit commitment	2,566,496	18,334,979	20,901,475	189,046	26,994,844	27,183,890

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against the RMB, with all other variables held constant, on net profit. A negative amount in the table reflects a potential net reduction in net profit, while a positive amount reflects a potential net increase.

This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the year end are kept unchanged and, therefore, have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

Currency	*Change in exchange rate (%)*	*Impact on net profit as at 31 December 2016*	*Impact on net profit as at 31 December 2015*
USD	(1%)	313,791	278,549

While the table above indicates the effect on net profit of 1% depreciation of USD, there will be an opposite effect with the same amount if the currency appreciates by the same percentage.

(3) Liquidity risk

Liquidity risk is the risk that the Group is unable to provide funds for maturing liabilities through asset realisation at reasonable prices on a timely basis.

The Group is exposed to specific daily calls on its available cash resources, including release of security deposit and repayment of fixed-term borrowings. The Group sets certain limits on funds available to meet such calls and on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Risk Management Committee (the "RM" Committee) under board of Directors of Group is responsible for formulating liquidity risk management policies. The Financial Market Department under the RM Committee is responsible for the daily liquidity risk management.

The maturity analysis of assets and liabilities of the Group as at 31 December 2016 is as follows:

	Overdue/ repayable on demand	*Within 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Undated*	*Total*
Assets:								
Cash at bank and on hand	1,517,591	5,300,000	1,000,000	6,264,450	-	-	-	14,082,041
Deposits with central bank	-	-	-	-	-	-	25,057	25,057
Prepayments	213,096	-	1,378,282	666,941	-	-	-	2,258,319
Finance lease receivables	2,908,539	1,483,637	5,374,745	14,543,846	71,664,546	1,283,523	679,893	97,938,729
Fixed assets, construction in progress and intangible assets	-	-	-	-	-	-	41,448,088	41,448,088
Others	-	-	535,158	8,723,633	127	33,739	448,538	9,741,195
Total assets	4,639,226	6,783,637	8,288,185	30,198,870	71,664,673	1,317,262	42,601,576	165,493,429
Liabilities:								
Borrowings	-	17,941,424	38,620,339	47,385,049	5,568,765	16,676,751	-	126,192,328
Repurchase agreements	-	-	1,873,059	6,724,438	-	-	-	8,597,497
Security deposit payable	-	-	5,343	36,286	142,556	80,684	-	264,869
Others	-	55,109	1,627,037	642,730	2,385,205	2,973,805	-	7,683,886
Total liability	-	17,996,533	42,125,778	54,788,503	8,096,526	19,731,240	-	142,738,580
Net liquidity gap	4,639,226	(11,212,896)	(33,837,593)	(24,589,633)	63,568,147	(18,413,978)	42,601,576	22,754,849

The maturity analysis of assets and liabilities of the Group as at 31 December 2015 is as follows:

	Overdue/ repayable on demand	*Within 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Undated*	*Total*
Assets:								
Cash at bank and on hand	11,465,439	7,503,261	1,251,693	494,782	-	-	-	20,715,175
Deposits with central bank	-	-	-	-	-	-	24,667	24,667
Placements with bank and other financial institutions	-	-	-	6,887,600	-	-	-	6,887,600
Prepayments	-	166,266	1,595,727	420,827	2,304,635	-	-	4,487,455
Finance lease receivables	-	1,316,223	5,664,942	14,516,217	59,964,553	26,692,676	11,836	108,166,447
Fixed assets, construction in progress and intangible assets	-	-	-	-	-	-	34,438,764	34,438,764
Others	-	-	560,043	7,513,574	1,185,920	51,620	352,723	9,663,880
Total assets	11,465,439	8,985,750	9,072,405	29,833,000	63,455,108	26,744,296	34,827,990	184,383,988
Liabilities:								
Borrowings	-	29,741,233	41,426,040	58,629,259	6,346,808	12,124,018	-	148,267,358
Repurchase agreements	-	-	1,787,064	5,028,773	377,283	-	-	7,193,120
Security deposit payable	963	646	14,488	162,320	118,475	-	-	296,892
Others	-	45,058	1,389,626	1,347,851	2,482,124	2,981,581	-	8,246,240
Total liability	963	29,786,937	44,617,218	65,168,203	9,324,690	15,105,599	-	164,003,610
Net liquidity gap	11,464,476	(20,801,187)	(35,544,813)	(35,335,203)	54,130,418	11,638,697	34,827,990	20,380,378

The table below summarises the maturity profile of the Group's financial instruments and operating lease payments based on the contractual undiscounted cash flows as at 31 December 2016. The balances of some accounts in the below table will be different to the balances on the balance sheet as the table incorporates all cash flows relating to both principal and interest.

	Overdue/ repayable on demand	*Within 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Undated*	*Total*
Assets:								
Cash at bank and on hand	1,517,591	5,307,838	1,042,817	6,418,398	-	-	-	14,286,644
Deposits with central bank	-	-	-	-	-	-	25,057	25,057
Prepayments	227,755	-	1,414,315	693,522	-	-	-	2,335,592
Finance lease receivables	3,739,087	1,666,027	6,081,768	16,242,420	84,063,925	1,465,935	1,554,520	114,813,682
Others	-	-	535,158	7,693,230	127	33,739	29,158	8,291,412
Total assets	5,484,433	6,973,865	9,074,058	31,047,570	84,064,052	1,499,674	1,608,735	139,752,387
Liabilities:								
Borrowings	-	17,959,850	38,792,955	48,129,257	5,874,106	18,893,995	-	129,650,163
Repurchase agreements	-	-	1,878,335	6,826,320	-	-	-	8,704,655
Others	-	55,109	323,295	642,731	2,385,205	2,940,066	-	6,346,406
Total liabilities	-	18,014,959	40,994,585	55,598,308	8,259,311	21,834,061	-	144,701,224

The table below summarises the maturity profile of the Group's financial instruments and operating lease payments based on the contractual undiscounted cash flows as at 31 December 2015. The balances of some accounts in the below table will be different to the balances on the balance sheet as the table incorporates all cash flows relating to both principal and interest.

	Overdue/ repayable on demand	*Within 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Undated*	*Total*
Assets:								
Cash at bank and on hand	11,465,439	7,518,160	1,310,972	572,373	-	-	-	20,866,944
Deposits with central bank	-	-	-	-	-	-	24,667	24,667
Placements with bank and other financial institutions	-	-	-	7,187,210	-	-	-	7,187,210
Prepayments	-	172,913	1,676,669	435,261	2,423,628	-	-	4,708,471
Finance lease receivables	-	1,533,736	6,620,055	16,955,999	70,675,154	32,911,259	26,014	128,722,217
Others	-	-	281,598	7,513,574	1,185,920	-	27,664	9,008,756
Total assets	11,465,439	9,224,809	9,889,294	32,664,417	74,284,702	32,911,259	78,345	170,518,265
Liabilities:								
Borrowings	-	29,774,933	41,678,297	59,528,365	6,471,497	13,025,247	-	150,478,339
Repurchase agreements	-	-	1,791,133	5,084,344	377,283	-	-	7,252,760
Security deposit payable	963	646	14,488	162,320	118,475	-	-	296,892
Others	-	49,680	107,113	1,378,413	2,644,661	3,114,873	-	7,294,740
Total liabilities	963	29,825,259	43,591,031	66,153,442	9,611,916	16,140,120	-	165,322,731

(4) Fair value of financial assets and financial liabilities

(a) Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because they are short-term in nature or reprice to current market rates regularly, are as follows:

Assets	*Liabilities*
Cash at bank and on hand	Borrowings
Deposits with the central bank	Repurchase agreements
Finance lease receivables	Other financial liabilities
Other financial assets	

Available-for-sell financial assets and financial assets designated at fair value through profit and loss are presented at fair value.

(b) Fair value hierarchy

The following table presents the fair value information and the fair value hierarchy, at the end of the current reporting period, of the Group's and the Company's assets and liabilities which are measured at fair value at each balance sheet date on a recurring or non-recurring basis. The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels of inputs are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

The Group and the Company

	31 December 2016			
	Level 1	*Level 2*	*Level 3*	*total*
Assets				
Financial assets at fair value through profit or loss				
- Asset management plan	-	-	1,014,820	1,014,820
Total	-	-	1,014,820	1,014,820

There were no transfers, between Level 1 and Level 2, or between Level 2 and Level 3, of the Group's and the Company's above assets and liabilities which are measured at fair value on a recurring basis. The Group and the Company recognise transfers between different levels at the end of the current reporting period during which such transfers are made.

(c) Level 3 fair value measurement

Financial assets valued using valuation technique include wealth management products and asset management plans. The underlying assets under the Group's asset management plans are mostly bonds denominated in RMB, convertible bonds and assets under sale and repurchase agreements. The Group adopts both observable data and unobservable data when discounting cash flows in valuation models for these investments; observable valuation parameters include the assumption of the current interest rate; unobservable valuation parameters include assumptions of expected rate of return, prepayment rate and market liquidity.

Reconciliation between the beginning balance and closing balance of assets measured at Level 3 fair value on a recurring basis:

The Group and the Company

2016	*1 January 2016*	*Total gain or loss for the year*		*Acquisition, issuance, sale and settlement*		*31 December 2016*	*Unrealised loss charged to P/L for assets held or liabilities assumed at the end of the year*
		Charged to P/L	*Charged to OCI*	*Acquisition*	*Settlement*		
Financial assets							
Financial assets at fair value through profit or loss							
- Asset management plans	2,636,366	(157,707)	-	-	(1,463,839)	1,014,820	157,707
Sub-total	2,636,366	(157,707)	-	-	(1,463,839)	1,014,820	157,707
Total	2,636,366	(157,707)	-	-	(1,463,839)	1,014,820	157,707

Note: Gain or loss recognised by the Group and the Company in profit or loss, or other comprehensive income are as follows:

	The Group and the Company	
	Item	*Amount*
Realised gain charged to profit or loss for the year	Investment income	281,238
Unrealised loss charged to profit or loss for the year	Losses from changes in fair value	(157,707)
Total		123,531
Gain or loss charged to other omprehensive income		

(5) Capital management

The capital management of the Group focuses on capital adequacy ratios and returns on capital so as to enable the Group to meet the requirements for regulatory compliance, credit rating, risk compensation and shareholder's return. This also facilitates the Group's risk management, ensures the orderly expansion of the asset size and enhances its operational structure and business model.

The Group calculates and discloses its capital adequacy ratio in line with the *Administrative Measures for Financial Leasing Companies* issued by CBRC in 2014, and CBRC's *Administrative Measures for Capital Management of Commercial Banks(Trial),* and *Administrative Measures for Capital Adequacy Ratios of Commercial Banks* and other relevant rules and regulations. The Group has communicated with regulators on accounting treatments specific to the industry.

The capital adequacy ratios and related components of the Group are calculated in accordance with the statutory financial statements of the Group prepared under PRC GAAP. During the year, the Group has complied in full with all its externally imposed capital requirements.

As at 31 December 2016, the Group's core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio calculated in line with *Administrative Measures for Capital Management of Commercial Banks (Trial)* and other relevant rules and regulations are as follows:

The Group

	2016	*2015*
Core tier 1 capital adequacy ratio	13.55%	11.12%
Tier 1 capital adequacy ratio	13.55%	11.12%
Capital adequacy ratio	14.22%	11.70%

34 Related party relationships and transactions

(1) Information on the Company's subsidiaries is disclosed in Note IV.6.

(2) Information on the parent company:

Name of the parent company	*Registered capital*	*Place of registration*	*Principal activities*	*% of equity interest held*	*Nature or type of operation*	*Name of chairman*
Industrial and Commercial Bank of China Limited	RMB 349.3 billion	Beijing	Financial services	100%	Commercial bank	Yi Huiman

(3) Nature of related-party relationship where no control exists:

Name of company	*Relationship with the Company*
Industrial and Commercial Bank of China (Asia) Limited	Controlled by the parent company
ICBC International Leasing Company Limited ("ICBC International Leasing")	Controlled by the parent company The Company and ICBC International Investment Management Limited conduct important financial and operating decisions together according to the contract

(4) Pricing policies

The Group's transactions with related parties were conducted on normal commercial terms in the ordinary course of business, which were not more favorable than those offered to other independent third parties.

During this accounting year, the Company provided a remarketing service for the resale of collateral on the foreign currency loan contracts extended to the Company's related companies by Industrial and Commercial Bank of China (Asia) Limited ("ICBC Asia"), Singapore Branch, Brussels Branch and Dubai Branch of the Industrial and Commercial Bank of China Limited. Please refer to Note IV.36 for details.

(5) Balance and transaction with related parties

Significant balance between the Group and the parent company:

At 31 December	*2016*	*2015*
Cash at bank and on hand	14,082,041	12,095,490
Borrowings	39,727,783	49,470,699
Repurchase agreements*	8,597,497	7,193,120
Interest payable	132,614	178,057

* The amount pertains to the recourse factoring arrangement entered into by the Group and the parent company. Under the arrangement, the Group transferred certain finance lease receivables to the parent company, and the parent company has the right to request the Group to repurchase all uncollected finance lease receivables when the factoring arrangement has been operating for one year or there are some circumstances that have adverse impact on the repayment of finance lease receivables. The Group did not derecognise these finance lease receivables.

Transaction during the year	*2016*	*2015*
Interest income	11,487	12,492
Fee and commission income	2,043	-
Interest expense	1,632,566	2,128,437
Fee and commission fee	37,764	24,006

(6) Transactions between the Company and its subsidiaries

The related parties over which the Company has controls are the holding subsidiaries of the Company. For details of the holding subsidiaries of the Company, please refer to Note IV.6. All the significant balances and transactions between the Company and its holding subsidiaries are eliminated in the consolidated financial statements. Details of the material transactions are as follows:

At 31 December	*2016*	*2015*
Other assets		
Entrusted loan	19,703,635	24,079,629
Receivables due to assets transfer transaction	1,291,399	4,210,886
Operating lease receivables	75,705	65,811
Interest receivable	982,815	665,580
Borrowings	1,010,249	5,873,071
Interest payable	346,161	226,439

Transaction during the year	*2016*	*2015*
Interest income	459,037	770,176
Interest expense	1,080,729	266,263

The fixed assets under operating leases which have been sold by the Company to the subsidiaries during this accounting period amounted to RMB 1,973,494,000 (2015: RMB 1,522,758,000).

(7) Related transaction between the Group and ICBC International Leasing

Significant transactions between the Group and ICBC International Leasing during this accounting period are as follows:

At 31 December	*2016*	*2015*
Placements with bank and other financial institutions	-	6,887,600
Borrowing	114,114	5,225,724
Receivables due to assets transfer transaction	5,384,133	4,063,019
Finance lease receivables	443,126	750,810
Account receipts in advance	773	12,970
Interest receivable	8,301	8,301
Interest payable	25,655	25,073

Transaction during the year	*2016*	*2015*
Interest Income	164,903	52,346
interest expense	24,323	25,073
Income from finance lease	8,530	11,005

Fixed assets under operating leases were transferred by the Group to ICBC International Leasing at book value for the amount of RMB 1,321,114,000 during this accounting year with no gain from this transaction (2015: book value RMB 2,851,216,000 with no gain from the transaction).

35 Non-adjusting post balance sheet events

The Company signed a sale and purchase agreement, amounting to RMB 68,880,000, with Sichuan Changjiang Grain transportation Co., Ltd. on 30 December 2016, in which the Company would transfer the holding 34 Rongjiang series ships to Sichuan Changjiang Grain transportation Co., Ltd. As at 30 June 2017, the delivery of the ships was completed.

36 Contingencies

The Company entered into agreements with ICBC Asia, Singapore Branch, Brussels Branch, Dubai Branch, and China Construction Bank of New York Branch to undertake a remarketing service commitment to resell assets pledged for foreign currency loans extended to its related companies by the above counterparties. As collateral market price is lower than the price commitments, the Company will reimburse the difference. According to independent third-party valuation of the assets, as at 31 December 2016 the market value of the assets was higher than the committed disposal price. In the case that the market value falls by 10% from this level, it would not result in economic loss to the Company.

As at 31 December 2016, the Company provided joint guarantees to twenty-three of its domestic subsidiaries and one overseas related company for their borrowings, which amounted to RMB 29.4 billion. (31 December 2015: RMB 23.5 billion).

37 Comparative figures

Certain data of the comparative period was reclassified to conform to this period's presentation in respect of these financial statements. The said reclassification had no significant effect on the operating results and financial condition of the Group in the comparative period.

V Approval of the financial statements

These financial statements were approved by the Company on 30 June 2017.

ICBCIL Finance Co. Limited

Report of the directors and interim financial report
for the six months ended 30 June 2018

Directors' report

The directors submit herewith their interim report and the unaudited financial statements for the six months ended 30 June 2018.

Principal place of business

ICBCIL Finance Co. Limited ("the Company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Principal activities

The principal activities of the Company are the provision of financing for its group companies and the related liquidity management and risk management activities.

Business review

The Company was incorporated on 2 December 2013 in Hong Kong. The immediate parent company is ICBC International Leasing Company Limited, which is incorporated in Ireland.

The Company was the main financing platform of its parent company, ICBC International Leasing Company Limited and its group companies ("the Group)". The Group is mainly engaged in leasing business in three main sectors: (i) aviation; (ii) shipping; and (iii) heavy equipment. The Company manages the Group's liquidity, i.e. the provision of the intercompany financing and investment for cash management purposes.

The Company's management team comprises highly experienced professionals with diverse backgrounds in leasing, commercial banking, investment banking, global capital markets and relevant industry experience. These enable the Company to effectively identify and cultivate relationships with financing counterparties. The Company has maintained a stable management team which has enabled healthy and stable growth of the Company.

Business environment - Key factors affecting our results of operations and financial condition

- Macroeconomic factors and development of the associated leasing SPVs

The Group's revenue primarily comprises intercompany interest income generated by financial leases, operating lease income and fee and commission income from consulting services, all of which are driven by the volume of leasing business. As a result, fluctuations in demand for airplanes, ships and heavy equipment from airlines, shipping companies and manufacturers affect the Group's revenue. The demand for airplanes, ships and heavy equipment is affected by the economic environment both globally and in the People's Republic of China ("PRC").

A significant slowdown in the PRC or global economy could have a negative impact on infrastructure projects, the global airline and shipping industry and demand for equipment and machinery, which could negatively affect demand for finance leasing products, and in turn have a material adverse effect on the Group's businesses, revenue and results of operations. A slowdown in the economy may also affect the ability of lessees to pay the rent and hence the asset, i.e. the intercompany loan portfolio, quality of the Group.

- Ability to access financing for the acquisition of assets under lease and variations in interest rates

The leasing industry is capital intensive and sustaining while expanding the portfolio of assets under lease requires access to financing sources. A major component of the Group's operating expenses is the interest expense incurred to finance the purchases of assets for its financial and operating lease business. The Group mainly finances its operations and expansion through domestic and foreign bank loans, bonds and cash generated from its operations. The global environment and changes in money markets may impact the availability or the cost of financing. Any decision by the United States Federal Reserve to increase interest rates may also cause interest rates to rise generally, which would negatively impact the Group's funding costs and its profitability.

Financial review

- Risk management

The Company adopts a comprehensive risk management system designed to proactively minimise credit, market, liquidity and operational risks.

The credit risk for the Company mainly arises from the intercompany borrowings. As the designated activity is to provide financial support to the Group, the Company's credit risk is believed to be manageable.

Liquidity risk is the risk that the Company is unable to provide funds for maturing liabilities through asset realisation at reasonable prices on a timely basis. The Company monitors current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and bank facilities to meet its liquidity requirements.

Sensitivity analysis, interest rate gap analysis and foreign exchange exposure analysis are the main market risk management tools used by the Company to monitor the market risk of its overall businesses.

Compliance review

- Legal and compliance risk

Legal risk is the risk of incurring legal sanctions, regulatory penalties, financial losses, reputational losses or other negative consequences that arise out of or in connection with the failure of the Company to comply with relevant laws, regulations, administrative rules, regulatory provisions and requirements of other relevant rules in the operational management of the Company; the unfavorable legal defects that exist in products, services or information provided, transactions engaged in, and contracts, agreements or other documents executed by the Company; legal disputes (legal or arbitration proceedings) between the Company and its counterparties and stakeholders; important changes in relevant laws and regulations, administrative rules, regulatory provisions and other relevant rules; and other relevant legal events that occur internally and externally.

Based on the objective to ensure legal and compliant operation, the Company always attaches importance to establishing a sound legal risk management system and forming a full-process legal risk prevention and control mechanism to support and secure business innovation and market competition, and prevent and eliminate various potential or practical legal risks. The Board of Directors is responsible for reviewing and determining the strategy and policy relating to legal risk management, and assumes the ultimate responsibility of legal risk management. The senior management is responsible for executing the legal risk management strategy and policy, formulating relevant systems and measures, and examining and approving relevant important affairs. The Legal and Compliance Department of the Group is the functional department in charge of legal risk management across the Company, with relevant business departments providing related support and assistance on the work regarding legal risk prevention and control, and the affiliates undertaking the responsibility of legal risk management of their respective institutions.

Compliance review (continued)

In 2018, the Company continued to strengthen legal risk management and control and provided stronger legal support to business transformation and innovative development with a view to ensuring the legal and compliant operation and healthy business development of the Group. The Company advanced IT-based legal risk prevention and control and upgraded the working mechanism and process for consolidated legal risk management. The Company further standardised contract management and reinforced authorisation management and related parties transactions management.

- Legal proceedings

The Company is involved, from time to time, in legal documentation work arising in the ordinary course of its operations.

Business forward looking

The Company's business forward looking largely depends on the development of the Group's leasing business. The key strategies are specialisation, marketisation and internationalisation.

Specialisation

The Group intends to enhance its position as a leasing industry innovator by remaining focused on its selected industries. Apart from aviation and ship leasing, the Group also aims to develop the heavy equipment leasing market by focusing on the areas of energy and power, rail transit and construction machinery.

Marketisation

The Group aims to offer leasing services and products that meet clients' needs. Leveraging on the brand, clients, network and technological advantages of Industrial and Commercial Bank of China Limited, the Group aims to establish a comprehensive range of financial leasing products and services. The Group also aims to develop its asset trading operations to improve the quality of its assets and also promote the strategic development of its business. The Group's clients include not only large and medium-sized state-owned enterprises and industry-leading enterprises, also they are gradually expanding to include listed companies and successful private and small and medium-sized enterprises.

Internationalisation

The Group aims to establish itself as an industry leader in the international leasing market through its management of the Group. The Group currently has a high-quality client base, strong market competitiveness, and businesses across five continents and in more than 20 countries and regions.

Through these strategies, the Group aims to maintain specialised industry focus, anticipate and adapt to continuously shifting market conditions and prudently proceed with international expansion.

Financial statements

The profit of the Company for the period ended 30 June 2018 and the state of the Company's affairs as at that date are set out in the financial statements on pages 8 to 26.

Share capital

Details of share capital of the Company are set out in note 19 to the financial statements. There were no movements during the period.

Directors

The directors as at the end of the financial period were:

Xiao, Jian
Wu, Liyong

At no time during the period was the Company, or any of its parent company or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in transactions, arrangements or contracts

No contract of significance to which the Company, or any of its parent company or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the period or at any time during the period.

By order of the board

Director

Hong Kong

12 September 2018

Review report to the board of directors of ICBCIL Finance Co. Limited

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 8 to 26 which comprises the statement of financial position of ICBCIL Finance Co. Limited ("the Company") as of 30 June 2018, the related statement of profit or loss and other comprehensive income and the statement of changes in equity and the cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, 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.

Review report to the board of directors of ICBCIL Finance Co. Limited (continued)

(Incorporated in Hong Kong with limited liability)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

12 September 2018

Unaudited statement of profit or loss and other comprehensive income for the six months ended 30 June 2018

(Expressed in US Dollars)

	Note	Six months ended 30 June 2018 US$ (unaudited)	Six months ended 30 June 2017 US$ (unaudited)
Interest income	3	236,498,661	145,832,598
Interest expense	4	(187,725,524)	(121,493,844)
Net interest income		48,773,137	24,338,754
Investment income/(loss)	5	2,088,208	(3,583,731)
Gain/(loss) from changes in fair value	6	24,218,333	(3,838,391)
Operating expenses	7	(1,070,640)	(276,138)
Exchange loss		(18,934,312)	(6,169,044)
Impairment loss		(10,465)	-
PROFIT BEFORE TAXATION		55,064,261	10,471,450
Income tax	9	(8,193,441)	(1,061,586)
PROFIT FOR THE PERIOD		46,870,820	9,409,864
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Item that may be reclassified to profit or loss:			
Effective hedging portion of gains or losses arising from cash flow hedging instruments		(2,839,503)	7,138,635
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		44,031,317	16,548,499

The notes on pages 14 to 26 form part of these financial statements.

Unaudited statement of financial position at 30 June 2018

(Expressed in US Dollars)

	Note	*30 June 2018* US$ (unaudited)	*31 December 2017* US$ (audited)
ASSETS			
Cash at bank	10	1,449,220,829	812,845,327
Amounts due from a fellow subsidiary		-	920,175
Amounts due from other related companies	11	11,578,349,771	11,318,013,442
Interest receivable	12	971,954,213	748,163,776
Financial assets designated at fair value through profit or loss	13	253,797,067	274,629,878
Financial derivative assets	14	57,675,198	42,688,180
Prepayments		74,133	510,638
Tax prepaid		-	5,629,687
Total assets		14,311,071,211	13,203,401,103
LIABILITIES			
Bank loans	15	4,255,283,073	4,051,292,105
Amounts due to parent company		-	2,027,400
Amounts due to other related companies		5,703	6,830,575
Bonds payable	16	9,605,430,679	8,731,639,300
Repurchase agreements		-	38,500,000
Derivative security deposits		65,300,000	38,950,000
Interest payable	17	87,007,069	77,534,974
Financial derivative liabilities	14	12,712,720	17,869,803
Tax payable		2,560,863	-
Other payables	18	16,625	19,159
Total liabilities		14,028,316,732	12,964,663,316
Net assets		282,754,479	238,737,787

The notes on pages 14 to 26 form part of these financial statements.

Unaudited statement of financial position at 30 June 2018 (continued)

(Expressed in US Dollars)

	Note	*30 June 2018* US$ (unaudited)	*31 December 2017* US$ (audited)
CAPITAL AND RESERVES			
Share capital	19	50,000	50,000
Reserves		282,704,479	238,687,787
Total equity		282,754,479	238,737,787

Director

Director

The notes on pages 14 to 26 form part of these financial statements.

Unaudited statement of changes in equity for the six months ended 30 June 2018

(Expressed in US Dollars)

	Share capital US$	*Cash flow hedging reserve* US$	*Retained earnings* US$	*Total equity* US$
Balance at 1 January 2017 (audited)	50,000	(535,764)	198,743,021	198,257,257
Changes in equity for the six months ended 30 June 2017:				
Profit for the period	-	-	9,409,864	9,409,864
Other comprehensive income	-	7,138,635	-	7,138,635
Total comprehensive income for the period	-	7,138,635	9,409,864	16,548,499
Balance at 30 June 2017 and 1 July 2017 (unaudited)	50,000	6,602,871	208,152,885	214,805,756
Changes in equity for the six months ended 31 December 2017:				
Profit for the period	-	-	23,678,088	23,678,088
Other comprehensive income	-	253,943	-	253,943
Total comprehensive income for the period	-	253,943	23,678,088	23,932,031
Balance at 31 December 2017 (audited)	50,000	6,856,814	231,830,973	238,737,787
Adjustment from adoption of HKFRS 9 (net of tax)	-	-	(14,625)	(14,625)
Restated balance at 1 January 2018	50,000	6,856,814	231,816,348	238,723,162
Changes in equity for the six months ended 30 June 2018:				
Profit for the period	-	-	46,870,820	46,870,820
Other comprehensive income	-	(2,839,503)	-	(2,839,503)
Total comprehensive income for the period	-	(2,839,503)	46,870,820	44,031,317
Balance at 30 June 2018 (unaudited)	50,000	4,017,311	278,687,168	282,754,479

The notes on pages 14 to 26 form part of these financial statements.

Unaudited cash flow statement
for the six months ended 30 June 2018
(Expressed in US Dollars)

	Six months ended 30 June	
	2018	*2017*
	US$	US$
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVIES		
Profit before taxation	55,064,261	10,471,450
Interest expense of long-term bank loans, repurchase agreements and bonds	136,625,166	108,671,624
Investment (income)/loss	(2,088,208)	3,583,731
(Gain)/loss from changes in fair value	(24,218,333)	3,838,391
Exchange loss	13,946,036	2,228,983
Impairment loss	10,465	-
Decrease in amounts due from fellow subsidiaries	920,175	-
Increase in amounts due from other related companies	(262,271,386)	(1,334,562,737)
Increase in interest receivable	(223,922,485)	(145,114,340)
Decrease in prepayments	436,505	-
Increase/(decrease) in short-term loan	210,512,049	(201,548,378)
Decrease in amounts due to the parent company	(2,027,400)	-
(Decrease)/increase in amounts due to other related companies	(6,824,872)	130
Increase in derivative security deposits	26,350,000	-
Increase/(decrease) in interest payable	3,798,938	(1,855,283)
Decrease in other payables	(2,463)	(15,390)
Increase in restricted cash	(270,000,000)	-
Net cash flows used in operating activities	(343,691,552)	(1,554,301,819)

Unaudited cash flow statement
for the six months ended 30 June 2018 (continued)
(Expressed in US Dollars)

	Note	*Six months ended 30 June* *2018* US$ (unaudited)	*2017* US$ (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income received/(paid)		8,567,390	(3,583,731)
Settlement of financial derivatives		(7,604,733)	-
Sales of financial assets designated at fair value through profit or loss		18,333,333	48,333,333
Net cash flows generated from investing activities		19,295,990	44,749,602
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(142,512,010)	(88,874,073)
Proceeds from long-term bank loans		-	294,088,735
Repayment of bonds		(624,165,402)	(1,299,041,980)
Proceeds from issuance of bonds		1,495,977,676	2,776,541,000
Repayment from repurchase agreements		(38,500,000)	-
Net cash flows generated from financing activities		690,800,264	1,682,713,682
Effect of foreign exchange rate changes on cash at bank		(1,221)	5,198
Cash at bank at the beginning of the period		285,885,327	257,947,313
CASH AT BANK AT THE END OF THE PERIOD	10	652,288,808	431,113,976

The notes on pages 14 to 26 form part of these financial statements.

Notes to the unaudited interim financial report

(Expressed in US Dollars unless otherwise indicated)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 31 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the 2017 annual financial statements. The condensed interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements 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 year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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 section 406(2), 407(2) or (3) of the Companies Ordinance.

2 Changes in accounting policies

The accounting policies adopted in the preparation of the interim financial report are consistent with those followed in the preparation of the Company's annual financial report for the year ended 31 December 2017, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. The principal effects of new and revised HKFRSs are as follows:

HKFRS 15 "Revenue from contracts with customers"

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. An entity may adopt HKFRS 15 on a full retrospective basis. Alternatively, it may choose to adopt it from the date of initial application by adjusting opening balances at that date. Transitional disclosures are different depending on the approach adopted by the entity.

The adoption does not have any material impact on the financial position and the financial result of the Company.

HKFRS 9 "Financial instruments"

HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets, hedge accounting and disclosure. HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis and includes an exception from the requirement to restate comparative information. The Company chose to use the exemption from restating comparative information and recognised any transition adjustments against the opening balance of equity at 1 January 2018.

Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. On initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL. If a debt instrument is classified as FVOCI then interest revenue, impairment, foreign exchange gains/losses and gains/losses on disposal will be recognised in profit or loss.

2 Changes in accounting policies (continued)

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVOCI. If an equity security is designated as FVOCI then only dividend income on that security would be recognised in profit or loss. Gains and losses on that security will be recognised in other comprehensive income without recycling.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss).

Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances, which will result in an early recognition of credit losses.

Hedge accounting

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting.

Disclosure

HKFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit loss.

Transition

The Company adopted HKFRS 9 from 1 January 2018. The Company chose to use the exemption from restating comparative information and recognised any transition adjustments against the opening balance of net assets at 1 January 2018.

2 Changes in accounting policies (continued)

The following financial assets has been remeasured on transition to HKFRS 9 on 1 January 2018.

	Carrying amount under HKAS 39 as at 31 Dec 2017	*Remeasurement: provision for expected credit losses*	*Carrying amount under HKFRS 9 as at 1 Jan 2018*
Financial assets			
Financial assets at amortised cost			
Cash at bank	812,845,327	(17,514)	812,827,813

3 Interest income

	Six months ended 30 June	
	2018	*2017*
	US$	US$
Bank interest income	10,556,713	3,672,400
Related party loans interest income	225,941,948	142,160,198
	236,498,661	145,832,598

4 Interest expense

	Six months ended 30 June	
	2018	*2017*
	US$	US$
Bond interest expense	129,459,028	97,356,675
Bank loans interest expense	57,734,759	24,031,586
Derivative security deposits interest expense	520,864	-
Repurchase agreements interest expense	10,873	-
Related party loans interest expense	-	105,583
	187,725,524	121,493,844

5 Investment income/(loss)

	Six months ended 30 June	
	2018	*2017*
	US$	US$
Investment income from financial assets measured at fair value through profit and loss	1,119,790	1,648,790
Swap investment income/(loss)	968,418	(5,232,521)
	2,088,208	(3,583,731)

6 Gain/(loss) from changes in fair value

		Six months ended 30 June	
		2018	*2017*
		US$	US$
Net gain/(loss) from interest rate swaps	(i)	3,100,333	(7,440,631)
Net gain/(loss) from interest rate options	(ii)	4,092,081	(1,812,110)
Net gain/(loss) from currency derivatives	(iii)	19,666,563	(1,406,782)
(Loss)/gain from changes in fair value of financial assets measured at fair value through profit and loss	(iv)	(2,640,644)	6,821,132
		24,218,333	(3,838,391)

(i) On 5 December 2014, the Company entered into an interest rate swap with notional amount of US$ 300,000,000 with Standard Chartered Bank (Hong Kong) Limited, which expires on 5 December 2024.

On November 2015, December 2015, January 2016 and February 2016, the Company entered into interest rate swaps with total notional amount of US$ 3,400,000,000 with ICBC Standard Bank Plc, which expire on December 2018, January 2019 and June 2025, February 2019, respectively.

The fair value of the interest rate swaps were set out in note 14.

(ii) On November 2015 and December 2015, the Company entered into four interest rate option contracts with a total notional amount of US$ 800,000,000 with ICBC Standard Bank Plc, all of which expire in 2018.

On January 2016 and February 2016, the Company entered into two interest rate option contracts of total notional amount of US$ 600,000,000 with ICBC Standard Bank Plc, all of which expire in 2019.

The fair value of the interest rate option contracts were set out in note 14.

6 Gain/(loss) from changes in fair value (continued)

(iii) On November 2016, the Company entered into a currency swap with notional amount of RMB 900,000,000 with ICBC Standard Bank Plc, which expires on November 2019.

The fair value of the above contracts were set out in note 14.

(iv) Since November 2015, the Company invested financial assets with Industrial and Commercial Bank of China Limited, Singapore Branch.

The fair value of the above contracts were set out in note 13.

7 Operating expenses

	Six months ended 30 June	
	2018	*2017*
	US$	US$
Bank charges	1,045,718	9,824
Auditors' remuneration	16,729	10,089
Company secretary fee	8,193	425
Legal consulting fee	-	255,800
	1,070,640	276,138

8 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Six months ended 30 June	
	2018	*2017*
	US$	US$
Directors' fees	-	-
Salaries, allowances and benefits in kind	-	-
Discretionary bonuses	-	-
Retirement scheme contributions	-	-
	-	-

9 Income tax

	Six months ended 30 June 2018 US$	2017 US$
Current tax - Hong Kong Profits Tax	8,193,441	1,061,586

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 8.25% for the first HKD 2,000,000 of the assessable profits and 16.5% for the remaining part (2017: 16.5%) to the six months ended 30 June 2018.

10 Cash at bank

	30 June 2018 US$	*31 December 2017* US$
Unrestricted cash at bank	652,288,808	285,885,327
Restricted cash at bank	796,960,000	526,960,000
Less:		
Provision for impairment loss	(27,979)	-
	1,449,220,829	812,845,327

11 Amounts due from other related companies

		30 June 2018 US$	*31 December 2017* US$
Less than one year			
Related party loans	(i)	11,242,760,076	10,982,372,747
Other receivables		-	51,000
		11,242,760,076	10,982,423,747
More than one year			
Related party loans	(ii)	335,589,695	335,589,695
		11,578,349,771	11,318,013,442

(i) The balance of related party loans are unsecured, at fixed interest rates of 2% to 6% per annum and have no fixed terms of repayment.

(ii) The balances of related party loans more than one year are unsecured, bear fixed interest rates of 6% per annum, and the balances of US$9,619,410, US$14,476,068 and US$311,494,217 are due in 2021, 2022 and 2024, respectively.

12 Interest receivable

	30 June 2018 US$	*31 December 2017* US$
Deposit interest receivable	24,587,368	14,653,957
Related party loans interest receivable	947,366,845	733,509,819
	971,954,213	748,163,776

13 Financial assets designated at fair value through profit or loss

	30 June 2018 US$	*31 December 2017* US$
Financial assets designated at fair value through profit or loss	253,797,067	274,629,878

Please refer to note 6 for detailed information.

14 Derivative financial instruments

	30 June 2018			*31 December 2017*		
	Nominal amount US$	*Assets* US$	*Liabilities* US$	*Nominal amount* US$	*Assets* US$	*Liabilities* US$
Interest rate swaps	3,700,000,000	45,987,965	12,712,720	3,700,000,000	35,028,542	3,871,424
Interest rate options	1,400,000,000	5,736,147	-	1,400,000,000	1,777,069	133,003
Currency derivatives	136,021,522	5,951,086	-	367,298,216	5,882,569	13,865,376
	5,236,021,522	57,675,198	12,712,720	5,467,298,216	42,688,180	17,869,803

Cash flow hedges

The Company's cash flow hedges consist of interest rate swap contracts and currency swap contracts that are used to protect against exposures to variability of future cash flows.

Among the above derivative financial instruments, those designated as hedging instruments in cash flow hedges are set out below.

	30 June 2018			*31 December 2017*		
	Nominal amount US$	*Assets* US$	*Liabilities* US$	*Nominal amount* US$	*Assets* US$	*Liabilities* US$
Interest rate swaps	500,000,000	3,217,963	-	500,000,000	4,200,169	-
Currency derivatives	136,021,522	5,951,086	-	367,298,216	5,882,569	13,865,376
	636,021,522	9,169,049	-	867,298,216	10,082,738	13,865,376

14 Derivative financial instruments (continued)

	30 June 2018				
	Carrying amount of hedged items				
	Assets	*Liabilities*	*Effect of hedging instruments on other comprehensive income during the current period*	*Hedging instruments accumulated in other comprehensive income*	*Amounts reclassified from other comprehensive income to profit or loss*
	US$	US$	US$	US$	US$
Bonds payable	-	436,021,522	622,938	(7,393,937)	6,704,646
Bank loans	-	200,000,000	290,751	(1,574,498)	-
	-	636,021,522	913,689	(8,968,435)	6,704,646

There is no ineffectiveness recognised in profit or loss that arises from the cash flow hedges for the current period (2017: Nil).

Please refer to note 6.

15 Bank loans

At 30 June 2018, the bank loans were as follows:

	30 June 2018	*31 December 2017*
	US$	US$
Less than one year		
– unsecured	3,458,502,588	3,254,784,352
Less: financing fee	(137,680)	(181,710)
Total bank loans repayable within 1 year	3,458,364,908	3,254,602,642
More than one year		
– secured	300,000,000	300,000,000
– unsecured	500,000,000	500,000,000
Less: financing fee	(3,081,835)	(3,310,537)
Total bank loans repayable more than 1 year	796,918,165	796,689,463
	4,255,283,073	4,051,292,105

16 Bonds payable

	30 June 2018 US$	*31 December 2017* US$
Bonds payable	9,636,021,522	8,767,298,216
Less: financing fee	(30,590,843)	(35,658,916)
	9,605,430,679	8,731,639,300

In May 2018, the Company issued two tranches of USD notes with a combined total principal amount of US$ 1,500,000,000, which expire in May 2021 and May 2023.

17 Interest payable

	30 June 2018 US$	*31 December 2017* US$
Bank loans interest payable	24,111,615	16,582,298
Bonds interest payable	55,074,286	53,117,263
Related party loans interest payable	7,721,138	7,721,138
Security deposits interest payable	100,030	43,599
Repurchase agreements interest payable	-	70,676
	87,007,069	77,534,974

18 Other payables

	30 June 2018 US$	*31 December 2017* US$
Other payables	16,625	19,159

19 Share capital

	30 June 2018 US$	*31 December 2017* US$
Issued		
50,000 ordinary shares of US$ 1 each	50,000	50,000

50,000 ordinary shares of US$ 1 each were issued at par to the shareholder of the Company, which was fully paid by the shareholder of the Company on 8 January 2014.

20 Fair value measurement of financial instruments

Fair value measurement

(i) Financial instruments measured at fair value

HKFRS 13, *Fair value measurement* categorises fair value measurements into a three-level hierarchy. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2: valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The following are financial instruments measured at fair value as at the end of reporting periods:

			Fair value measurements as at 30 June 2018 categorised into		
	Carrying amount at 30 June 2018	*Fair value at 30 June 2018*	*Level 1*	*Level 2*	*Level 3*
	US$	US$	US$	US$	US$
Financial derivative assets	57,675,198	57,675,198	-	51,939,051	5,736,147
Financial assets designated at fair value through profit or loss	253,797,067	253,797,067	-	-	253,797,067
Financial derivative liabilities	12,712,720	12,712,720	-	12,712,720	-

			Fair value measurements as at 31 December 2017 categorised into		
	Carrying amount at 31 December 2017	*Fair value at 31 December 2017*	*Level 1*	*Level 2*	*Level 3*
	US$	US$	US$	US$	US$
Financial derivative assets	42,688,180	42,688,180	-	40,911,111	1,777,069
Financial assets designated at fair value through profit or loss	274,629,878	274,629,878	-	-	274,629,878
Financial derivative liabilities	17,869,803	17,869,803	-	17,736,800	133,003

20 Fair value measurement of financial instruments (continued)

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Company's financial instruments carried at cost or amortised cost were not materially different from their fair values as at the end of the reporting periods except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amount at 30 June 2018	*Fair value at 30 June 2018*	*Fair value measurements as at 30 June 2018 categorised into*		
			Level 1	*Level 2*	*Level 3*
	US$	US$	US$	US$	US$
Bank loans	4,258,502,588	4,287,041,205	-	4,287,041,205	-
Bond payable	9,636,021,522	9,415,012,667	-	9,415,012,667	-

	Carrying amount at 31 December 2017	*Fair value at 31 December 2017*	*Fair value measurements as at 31 December 2017 categorised into*		
			Level 1	*Level 2*	*Level 3*
	US$	US$	US$	US$	US$
Bank loans	4,054,784,352	4,063,306,376	-	4,063,306,376	-
Bond payable	8,767,298,216	8,664,948,002	-	8,664,948,002	-

21 Commitments and contingencies

The Company has issued seven guarantees in respect of seven loans made by its related party which is incorporated in PRC.

Please refer to note 22.

22 Material related party transactions

(i) Relationship of related party

As at 30 June 2018, the directors consider the immediate parent of the Company to be ICBC International Leasing Company Limited, which is incorporated in Ireland. The ultimate controlling party of the Company is Industrial and Commercial Bank of China Limited, which is incorporated in the PRC. The other related companies are companies controlled by ICBC International Leasing Company Limited and Industrial and Commercial Bank of China Limited.

(ii) Transactions with related party

During the period, the Company entered into the following material related party transactions:

	Six months ended 30 June	
	2018	*2017*
	US$	US$
Interest income from parent company	-	2,936,148
Interest income from other related companies	226,129,603	139,263,237
Investment loss from other related companies	(1,276,040)	(6,538,738)
Interest expense to other related companies	35,733,419	15,978,472

The outstanding balances arising from related party transactions at the end of the reporting period are as follows:

	30 June 2018	*31 December 2017*
	US$	US$
Cash at bank	18,348,479	1,805,066
Amounts due from a fellow subsidiary	-	920,175
Amounts due from other related companies	11,578,349,771	11,318,013,442
Interest receivable from other related companies	949,652,874	735,795,848
Financial derivative assets	57,675,198	42,688,180
Bank loans	(2,103,960,000)	(3,074,784,352)
Amounts due to the parent company	-	(2,027,400)
Amounts due to other related companies	(5,703)	(6,830,575)
Repurchase agreements	-	(38,500,000)
Derivative security deposits	(65,300,000)	(38,950,000)
Interest payable to other related companies	(25,073,505)	(19,603,104)
Financial derivative liabilities	-	(13,998,379)

As at 30 June 2018, the Company provided joint guarantees to a related party for its borrowings, which amounted to RMB 4,655,400,000, for which all have been utilized (2017: RMB 3,085,400,000).

23 Events after the reporting period

There were no events after the reporting period which should require revision of the figures or disclosures in the financial statement.

24 Comparative figures

Some comparative period figures have been reclassified to current period's presentation of the financial statements. The reclassification mentioned above, has no material impact on the Company's financial position.

ICBCIL Finance Co. Limited

Report of the directors and financial statements
for the year ended 31 December 2017

Directors' Report

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2017.

Principal place of business

ICBCIL Finance Co. Limited ("the Company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Principal activities

The principal activities of the Company are the provision of financing for its group companies and the related liquidity management and risk management activities.

Business Review

The Company was incorporated on 2 December 2013 in Hong Kong. The immediate holding company is ICBC International Leasing Company Limited, which is incorporated in Ireland.

The Company was the main financing platform of its parent company, ICBC International Leasing Company Limited and its group companies. The parent group companies are mainly engaged in leasing business in three main sectors: (i) aviation; (ii) shipping; and (iii) big-ticket equipment. The Company manages the Group's liquidity, i.e. the provision of the intercompany financing and investment for cash management purposes.

The Company's management team comprises highly experienced professionals with diverse backgrounds in leasing, commercial banking, investment banking, global capital markets and relevant industry experience. This enables the Company to effectively identify and cultivate relationships with financing counterparties. The Company has maintained a stable management team which has enabled a healthy and stable growth of the Company.

Business environment - Key Factors affecting our results of Operations and Financial Condition

- Macroeconomic Factors and Development of the associated leasing SPVs

  The Group's revenue primarily comprises intercompany interest income generated by financial leases, operating lease income and fee and commission income from consulting services, all of which are driven by the volume of leasing business. As a result, fluctuations in demand for airplanes, ships and heavy equipment from airlines, shipping companies and manufacturers affect the Company's revenue. The demand for airplanes, ships and heavy equipment is affected by the economic environment both globally and in the People's Republic of China (PRC).

  A significant slowdown in the PRC or global economy could have a negative impact on infrastructure projects, the global airline and shipping industry and demand for equipment and machinery, which could negatively affect demand for finance leasing products, and in turn have a material adverse effect on the company's businesses, revenue and results of operations. A slowdown in the economy may also affect the ability of lessees to pay the rent and hence the asset, i.e. the intercompany loan portfolio, quality of the Company.

- Ability to Access Financing for the Acquisition of Assets under Lease and Variations in Interest Rates

  The leasing industry is capital intensive and sustaining while expanding the portfolio of assets under lease requires access to financing sources. A major component of the Group's operating expenses is the interest expense incurred to finance the purchases of assets for its financial and operating lease business. The Group mainly finances its operations and expansion through domestic and foreign bank loans and cash generated from its operations. The global environment and changes in money markets may impact the availability or the cost of financing. Any decision by the United States Federal Reserve to increase interest rates may also cause interest rates to rise generally, which would negatively impact the Group's funding costs and its profitability.

Financial review

For the accounting policies, please refer to Note 1 of the financial statement.

- Risk Management

  The Company adopts a comprehensive risk management system designed to proactively minimise credit, market, liquidity and operational risks.

  The credit risk for the Company arises from the intercompany borrowings. As the designated activity is to provide financial support of the Group associated companies, the Company's credit risk is believed to be manageable.

Financial review (continued)

Liquidity risk is the risk that the company is unable to provide funds for maturing liabilities through asset realisation at reasonable prices on a timely basis. The Company monitors current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and bank facilities to meet its liquidity requirements.

Sensitivity analysis, interest rate gap analysis and foreign exchange exposure analysis are the main market risk management tools used by the Company to monitor the market risk of its overall businesses. For the details of interest rate risk and foreign exchange risk, please refer to Note 28 to the financial statements.

Compliance review

- Legal and Compliance Risk

Legal risk is the risk of incurring legal sanctions, regulatory penalties, financial losses, reputational losses or other negative consequences that arise out of or in connection with the failure of the Company to comply with relevant laws, regulations, administrative rules, regulatory provisions and requirements of other relevant rules in the operational management of the Company; the unfavorable legal defects that exist in products, services or information provided, transactions engaged in, and contracts, agreements or other documents executed by the Company; legal disputes (legal or arbitration proceedings) between the Company and its counterparties and stakeholders; important changes in relevant laws and regulations, administrative rules, regulatory provisions and other relevant rules; and other relevant legal events that occur internally and externally.

Based on the objective to ensure legal and compliant operation, the Company always attaches importance to establishing a sound legal risk management system and forming a full-process legal risk prevention and control mechanism to support and secure business innovation and market competition, and prevent and eliminate various potential or practical legal risks. The Board of Directors is responsible for reviewing and determining the strategy and policy relating to legal risk management, and assumes the ultimate responsibility of legal risk management. The Senior Management is responsible for executing the legal risk management strategy and policy, formulating relevant systems and measures, and examining and approving relevant important affairs. The Legal and Compliance Department of the Group is the functional department in charge of legal risk management across the Company, with relevant business departments providing related support and assistance on the work regarding legal risk prevention and control, and the affiliates undertaking the responsibility of legal risk management of their respective institutions.

Compliance review (continued)

In 2017, the Company continued to strengthen legal risk management and control and provided stronger legal support to business transformation and innovative development with a view to ensuring the legal and compliant operation and healthy business development of the Group. The Company advanced IT-based legal risk prevention and control and upgraded the working mechanism and process for consolidated legal risk management. The Company further standardized contract management and reinforced authorization management and related parties management.

- Legal Proceedings

The Company is involved, from time to time, in legal documentation work arising in the ordinary course of its operations.

Business forward looking

The company's business forward looking largely depends on the development of the Group's leasing business. The key strategies are specialisation, marketization and internationalisation.

Specialization

The Group intends to enhance its position as a leasing industry innovator by remaining focused on its selected industries. Apart from aviation and ship leasing, the Group also aims to develop the big-ticket equipment leasing market by focusing on the areas of energy and power, rail transit and construction machinery.

Marketization

The Group aims to offer leasing services and products that meet clients' needs. Leveraging on the brand, clients, network and technological advantages of ICBC, the Group aims to establish a comprehensive range of financial leasing products and services. The Group also aims to develop its asset trading operations to improve the quality of its assets and also promote the strategic development of its business. The Group's clients include not only large and medium-sized state-owned enterprises and industry-leading enterprises, also they are gradually expanding to include listed companies and successful private and small and medium-sized enterprises.

Internationalization

The Group aims to establish itself as an industry leader in the international leasing market through its management of the ICBCIL Group. The ICBCIL Group currently has a high-quality client base, strong market competitiveness, and businesses across five continents and in more than 20 countries and regions.

Through these strategies, the Group aims to maintain specialised industry focus, anticipate and adapt to continuously shifting market conditions and prudently proceed with international expansion.

Financial statements

The profit of the Company for the year ended 31 December 2017 and the state of the Company's affairs as at that date are set out in the financial statements on pages 11 to 46.

Share capital

Details of the movements in share capital of the Company are set out in note 27 to the financial statements.

Directors

The directors as at the end of the financial year were:

Wu, Liyong
Xiao, Jian

At no time during the year was the Company, or any of its holding company or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in transactions, arrangements or contracts

No contract of significance to which the Company, or any of its holding company or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Director Director

31 March 2018

Independent auditor's report to the members of ICBCIL Finance Co. Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of ICBCIL Finance Co. Limited ("the Company") set out on pages 11 to 46, which comprise the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2017 and of its financial performance and its cash flows for the year then ended 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 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 financial statements* section of our report. We are independent of the Company 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Independent auditor's report to the members of ICBCIL Finance Co. Limited (continued)

(Incorporated in Hong Kong with limited liability)

<table>
<tr><th colspan="2">Assessing the fair value of financial instruments</th></tr>
<tr><td colspan="2">Refer to note 15, note 16 and note 28 to the financial statements and the accounting policies on page 25.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Financial instruments carried at fair value account for a significant part of the Company's assets.

The valuation of the Company's financial instruments, stated at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for certain level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where such observable data is not readily available, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgement.

Management assessed the fair values of certain level 2 and level 3 financial instruments by obtaining and analysing fair value calculations prepared by the relevant counterparties to the financial instruments, which also involved significant management judgement.

We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.</td><td>Our audit procedures to assess the fair value of financial instruments included the following:

• assessing the design, implementation and operating effectiveness of key internal controls over the valuation process for financial instruments and front office/back office reconciliations, including the controls over obtaining fair value calculations from counterparties and controls over assessing the methodology adopted in the fair value calculations prepared by the relevant counterparties;

• engaging our internal valuation specialists assist us in performing an independent review, on a sample basis, of the fair value calculations obtained and used by management in the assessment of the fair values of level 2 and level 3 financial instruments and comparing our valuations with the Company's valuations. Our procedures included assessing the fair value calculations prepared by the relevant counterparties, developing parallel models, obtaining inputs independently and verifying the inputs;

• assessing whether the disclosures in the financial statements, including fair value hierarchy information, appropriately reflected the Company's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.</td></tr>
</table>

Independent auditor's report to the members of ICBCIL Finance Co. Limited (continued)

(Incorporated in Hong Kong with limited liability)

Information other than the financial statements and auditor's report thereon

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

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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. This report is made 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.

Independent auditor's report to the members of ICBCIL Finance Co. Limited (continued)

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the financial statements (continued)

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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings.

Independent auditor's report to the members of ICBCIL Finance Co. Limited (continued)

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Lok Man.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 March 2018

Statement of profit or loss and other comprehensive income for the year ended 31 December 2017

(Expressed in US dollars)

	Note	*2017* US$	*2016* US$
Interest income	3	327,818,948	239,792,805
Interest expense	4	(286,961,640)	(228,130,641)
Net interest income		40,857,308	11,662,164
Investment income/(loss)	5	4,218,815	(11,951,678)
Gain from changes in fair value	6	133,242	42,337,729
Operating expenses	7	(796,157)	(1,532,247)
Exchange (loss)/gain		(6,133,817)	36,099,229
PROFIT BEFORE TAXATION		38,279,391	76,615,197
Income tax	9	(5,191,439)	(10,899,760)
PROFIT FOR THE YEAR		33,087,952	65,715,437
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Item that may be reclassified to profit or loss:			
Effective hedging portion of gains or losses arising from cash flow hedging instruments		7,392,578	(535,764)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		40,480,530	65,179,673

The notes on pages 17 to 46 form part of these financial statements.

Statement of financial position at 31 December 2017

(Expressed in US dollars)

	Note	*2017* US$	*2016* US$
ASSETS			
Cash and cash equivalents	10	812,845,327	257,947,313
Amounts due from holding company	11	-	97,330,835
Amounts due from a fellow subsidiary	12	920,175	920,175
Amounts due from other related companies	13	11,318,013,442	7,666,106,141
Interest receivable	14	748,163,776	468,845,644
Financial assets designated at fair value through profit or loss	15	274,629,878	350,928,504
Financial derivative asset	16	42,688,180	39,474,721
Prepayments	17	510,638	-
Tax prepaid	25	5,629,687	-
Total assets		13,203,401,103	8,881,553,333
LIABILITIES			
Bank loans	18	4,051,292,105	2,295,131,365
Amounts due to holding company	19	2,027,400	2,017,400
Amounts due to other related companies	20	6,830,575	13,953,919
Bond payable	21	8,731,639,300	6,275,071,540
Repurchase agreements	22	38,500,000	-
Security deposits	23	38,950,000	-
Interest payable	24	77,534,974	44,364,869
Financial derivative liability	16	17,869,803	48,097,783
Tax payable	25	-	4,609,479
Other payables	26	19,159	49,721
Total liabilities		12,964,663,316	8,683,296,076
Net assets		238,737,787	198,257,257

Statement of financial position at 31 December 2017 (continued)

(Expressed in US dollars)

	Note	*2017* US$	*2016* US$
CAPITAL AND RESERVES			
Share capital	27	50,000	50,000
Reserves		238,687,787	198,207,257
Total equity		238,737,787	198,257,257

Director

Director

The notes on pages 17 to 46 form part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2017
(Expressed in US dollars)

	Share capital US$	*Cash flow Hedging reserve* US$	*Retained profits* US$	*Total equity* US$
Balance at 1 January 2016	50,000	-	133,027,584	133,077,584
Changes in equity during the year:				
Profit for the year	-	-	65,715,437	65,715,437
Other comprehensive income	-	(535,764)	-	(535,764)
Total comprehensive income for the year	-	(535,764)	65,715,437	65,179,673
Balance at 31 December 2016 and 1 January 2017	50,000	(535,764)	198,743,021	198,257,257
Changes in equity during the year:				
Profit for the year	-	-	33,087,952	33,087,952
Other comprehensive income	-	7,392,578	-	7,392,578
Total comprehensive income for the year	-	7,392,578	33,087,952	40,480,530
Balance at 31 December 2017	50,000	6,856,814	231,830,973	238,737,787

The notes on pages 17 to 46 form part of these financial statements.

Cash flow statement
for the year ended 31 December 2017
(Expressed in US dollars)

	Note	*2017* US$	*2016* US$
CASH FLOWS FROM OPERATING ACTIVIES			
Profit for the year		33,087,952	65,715,437
Unrealized exchange loss/(gain)		5,387,034	(36,099,229)
Interest expense of long-term bank loans, repurchase agreements and bonds		240,658,136	160,288,034
Investment (income)/loss		(4,218,815)	11,951,678
Fair value changes		(133,242)	(42,337,729)
Decrease in amount due from holding company		97,330,835	-
Increase in amounts due from other related companies		(3,646,363,594)	(625,702,780)
Increase in interest receivable		(279,318,132)	(229,305,558)
Increase in tax prepaid		(5,629,687)	-
Decrease in other payables and tax payable		(4,639,285)	(5,160,922)
Increase in security deposits		38,950,000	-
Increase/(decrease) in interest payable		9,119,058	(8,519,014)
Increase in amount due to the holding company		10,000	9,205
Decrease in amount due to other related companies		(7,123,679)	(1,061,105,653)
Increase in prepayments		(510,638)	-
Increase/(decrease) in short-term loan		1,473,895,547	(3,276,052,146)
Increase in restricted cash		(526,960,000)	-
Net cash flows used in operating activities		(2,576,458,510)	(5,046,318,677)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income received/(paid)		1,004,091	(3,135,926)
Purchase of financial derivative instruments		-	(3,111,000)
Purchase of financial assets designated at fair value through profit or loss		(15,607,270)	(209,153,000)
Sell of financial assets designated at fair value through profit or loss		102,266,171	74,444,444
Net cash flows generated from/(used in) investing activities		87,662,992	(140,955,482)

Cash flow statement
for the year ended 31 December 2017 (continued)
(Expressed in US dollars)

	Note	*2017* US$	*2016* US$
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(236,833,791)	(145,935,389)
Repayment of long-term bank loans		(20,239,841)	-
Proceeds from long-term bank loans		300,000,000	-
Repayment of bond		(1,329,190,057)	(512,322,496)
Proceeds from bond		3,764,471,773	4,079,807,680
Proceed from repurchase agreements		38,500,000	-
Net cash flows generated from financing activities		2,516,708,084	3,421,549,795
Net increase/(decrease) in cash and cash equivalents		27,912,566	(1,765,724,364)
Cash and cash equivalents at beginning of the year		257,947,313	2,025,006,800
Effect of foreign exchange rate changes on cash and cash equivalents		25,448	(1,335,123)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	10	285,885,327	257,947,313

The notes on pages 17 to 46 form part of these financial statements.

Notes to the financial statements

(Expressed in US dollars unless otherwise indicated)

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Company are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the company for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- derivative financial instruments (see note 1(f)); and
- financial instruments designed at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1 Significant accounting policies (continued)

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the company. None of these developments have had a material effect on how the company's results and financial position for the current or prior periods have been prepared or presented.

The company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) 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.

Initial recognition of financial instruments

At initial recognition, financial assets are classified into four categories: financial assets at fair value through profit or loss, held-to-maturity financial investments, loans and receivables and available-for-sale financial assets.

At initial recognition, financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

Measurement of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Company shall take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date (including the condition and location of the asset; and restrictions, if any, on the sale or use of the asset, etc.), and use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. The adopted valuation techniques mainly include market approach, income approach and cost approach.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets or financial liabilities at fair value through profit or loss include financial assets or financial liabilities held for trading and financial assets or financial liabilities designated at fair value through profit or loss.

1 Significant accounting policies (continued)

Financial assets or financial liabilities held for trading

A financial asset or financial liability is classified as held for trading if:

(i) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

(ii) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking; or

(iii) it is a derivative that is not designated as an effective hedging instrument.

Financial assets or financial liabilities held for trading are measured at fair value after initial recognition. Realised or unrealised income or expenses are recognised in the income statement.

Financial assets or financial liabilities designated at fair value through profit or loss

A financial instrument may be designated as a financial asset or financial liability at fair value through profit or loss upon initial recognition, if it meets any of the criteria set out below:

(i) It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial asset or financial liability or from recognising the gains and losses on them on different bases;

(ii) It applies to a group of financial assets, financial liabilities or both which is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and where information about that group of financial instruments is provided internally on that basis to key management personnel; or

(iii) The financial instrument contains one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

In the case of an equity investment, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, it cannot be designated as a financial asset at fair value through profit or loss.

These assets and liabilities are measured at fair value through profit or loss after initial recognition. Realised and unrealised income or expenses are recognised in the income statement.

1 Significant accounting policies (continued)

Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity and which the Company has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less any impairment loss. Gains and losses are recognised in profit or loss when the held-to-maturity financial investments are derecognised or impaired, as well as through the amortisation process.

When purpose or ability of holding assets changes leads to classifying investment as held-to-maturity is no longer appropriate, the Company shall reclassify the investment as available-for-sale assets at fair value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Company has no intention of trading the assets immediately or in the near term. After initial measurement, such assets are subsequently carried at amortised cost using the effective interest rate method, less any allowance for impairment losses. Gains and losses are recognised in profit or loss when such assets are derecognised or impaired, as well as through the amortisation process.

Discounted bills are granted by the Company to its customers based on the bank acceptance held which has not matured. Discounted bills are carried at face value less unrealised interest income and the interest income of the discounted bills is recognised using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are designated as such or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Premiums and discounts on available-for-sale financial assets are amortised using the effective interest rate method and are taken to the income statement as interest income. Changes in fair value of available-for-sale financial assets are recognised as a separate component of other comprehensive income until the financial asset is derecognised or determined to be impaired at which time the cumulative gains or losses previously recorded in other comprehensive income are transferred to the income statement. Dividend and interest income on available-for-sale financial assets are recorded in the income statement.

1 Significant accounting policies (continued)

In the case of an equity investment classified as available-for-sale, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, it will be measured at cost less any impairment loss.

Other financial liabilities

Other financial liabilities are carried at amortised cost using the effective interest rate method after initial recognition.

(e) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Impairment losses for bad and doubtful debts are recognised when there is objective evidence of impairment and are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the Company about events that have an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor.

Impairment losses for trade debtors and bills receivable included within trade and other receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Company is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

1 Significant accounting policies (continued)

(g) Hedging

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cashflows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(h) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

1 Significant accounting policies (continued)

(i) Trade and other payables

Trade and other payables are initially recognised at fair value, and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(k) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(l) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

1 Significant accounting policies (continued)

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Interest income

Interest income is recognised as it accrues using the effective interest method.

(n) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(p) Related parties

(a) A person, or a close member of that person’s family, is related to the company if that person:

  (i) has control or joint control over the company;

  (ii) has significant influence over the company; or

  (iii) is a member of the key management personnel of the company or the company’s parent.

(b) An entity is related to the company if any of the following conditions applies:

  (i) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

1 Significant accounting policies (continued)

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Accounting judgements and estimates

In the process of apply the Company's accounting policies, management has made the following significant accounting judgements:

Fair value of financial instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

3 Interest income

	2017	*2016*
	US$	US$
Bank interest income	15,018,639	7,654,830
Related party interest income	312,800,309	232,137,975
	327,818,948	239,792,805

4 Interest expense

	2017 US$	2016 US$
Bank loan interest expense	70,341,201	81,087,940
Related party interest expense	152,249	31,791,583
Bond interest expense	216,322,128	115,251,118
Repurchase agreements interest expense	70,676	-
Security deposit interest expense	75,386	-
	286,961,640	228,130,641

5 Investment income/(loss)

	2017 US$	2016 US$
Investment income from financial assets measured at FVTPL	11,630,856	2,693,088
Swap	(7,412,041)	(14,644,766)
	4,218,815	(11,951,678)

6 Gain/(loss) from changes in fair value

	Note	2017 US$	2016 US$
Net gain from interest rate swap	(i)	(1,937,319)	28,539,182
Net loss from interest rate option	(ii)	1,231,399	(1,231,121)
Net loss from currency derivatives	(iii)	(697,847)	(147,972)
Gain from changes in fair value of financial assets measured at FVTPL	(iv)	1,537,009	15,177,640
		133,242	42,337,729

(i) In 5 December 2014 the Company entered into an interest rate swap of notional amount of US$ 300,000,000 with Standard Chartered Bank (Hong Kong) Limited, which expires on 5 December 2024.

In November 2015, December 2015, January 2016 and February 2016 the Company entered into interest rate swap of total notional amount of US$ 3,400,000,000 with ICBC Standard Bank Plc, which expire in December 2018, January 2019 and June 2025, February 2019 respectively.

The fair value of the interest rate swaps were set out in note 16.

6 Gain/(loss) from changes in fair value (continued)

(ii) In November 2015 and December 2015 the Company entered into four interest rate option contracts of total notional amount of US$ 800,000,000 with ICBC Standard Bank Plc, which expires all in 2018.

In January 2016 and February 2016 the Company entered into two interest rate option contracts of total notional amount of US$ 600,000,000 with ICBC Standard Bank Plc, which expires all in 2019.

The fair value of the interest rate option contracts were set out in note 16.

(iii) In 12 June 2015, the Company entered into a currency swap of notional amount of RMB 1,500,000,000 with ICBC Asia, which expires in June 2018.

In November 2016, the Company entered into a currency swap of notional amount of RMB 900,000,000 with ICBC Standard Bank Plc, which expires in November 2019.

The fair value of the above contracts were set out in note 16.

(iv) In November 2015, January 2016 and April 2016 the Company invested financial assets amount of US$ 410,000,000 with Industrial and Commercial Bank of China Limited, Singapore Branch.

The fair value of the above contracts were set out in note 15.

7 Operating expenses

	2017	*2016*
	US$	US$
Legal consulting fee	375,797	1,445,241
Auditors' remuneration	28,644	47,652
Bank charge	377,339	17,286
Company secretary fee	14,377	22,068
Total	796,157	1,532,247

8 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2017 US$	*2016* US$
Directors' fees	-	-
Salaries, allowances and benefits in kind	-	-
Discretionary bonuses	-	-
Retirement scheme contributions	-	-
Total	-	-

9 Income tax in the statement of profit or loss and other comprehensive income

(a) Taxation charged to profit or loss:

	2017 US$	*2016* US$
Current tax - Hong Kong Profits Tax		
Provision for the year	5,191,439	10,899,760
(Over)/under - provision in respect of prior years	-	-
	5,191,439	10,899,760
Deferred tax		
Origination and reversal of temporary differences	-	-
	5,191,439	10,899,760

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2017-18 subject to a maximum reduction of HK Dollar 20,000 for each business (2016: a maximum reduction of HK Dollar 20,000 was granted for the year of assessment 2016-17 and was taken into account in calculating the provision for 2016).

9 Income tax in the statement of profit or loss and other comprehensive income (continued)

(b) Reconciliation between tax expense charged to profit or loss and accounting profit at applicable tax rates:

	2017 US$	*2016* US$
Profit before taxation	38,279,391	76,615,197
Notional tax on profit before taxation	6,316,100	12,641,508
Tax effect of non-deductible expenses	9,619,635	16,411,073
Tax effect of non-taxable income	(10,741,737)	(18,150,243)
One-off tax reduction	(2,559)	(2,578)
Actual tax expense charged to profit	5,191,439	10,899,760

10 Cash and cash equivalents

	2017 US$	*2016* US$
Unrestricted cash at bank	285,885,327	257,947,313
Restricted cash at bank	526,960,000	-
	812,845,327	257,947,313

11 Amounts due from holding company

	2017 US$	*2016* US$
Related party loans	-	97,330,835

The loans to ICBC International Leasing Company Limited are unsecured with interest rate of 6% per annum and were repaid in 2017.

12 Amounts due from a fellow subsidiary

	2017 US$	*2016* US$
Other receivables	920,175	920,175

The balance of other receivables is unsecured, interest-free and has no fixed terms of repayment.

13 Amounts due from other related companies

	Note	*2017* US$	*2016* US$
Less than one year			
Related party loans	(i)	10,982,372,747	7,291,037,110
Other receivables	(ii)	51,000	51,000
		10,982,423,747	7,291,088,110
More than one year			
Related party loans	(iii)	335,589,695	375,018,031
		11,318,013,442	7,666,106,141

(i) The balance due from other related companies is unsecured, at fixed interest rates at a range from 0.5% to 6% per annum in respect of different contracts and has no fixed terms of repayment.

(ii) The balance of other receivables is unsecured, interest-free and has no fixed terms of repayment.

(iii) The balances due from other related companies more than one year are unsecured, bear fixed interest rates of 6% per annum, the balances of US$9,619,410, US$14,476,068 and US$311,494,217 are due in year of 2021, 2022 and 2024 respectively.

14 Interest receivable

	2017 US$	*2016* US$
Deposit interest receivable	14,653,957	4,672,222
Related party loans interest receivable	733,509,819	464,173,422
	748,163,776	468,845,644

15 Financial assets designated at fair value through profit or loss

	2017 US$	*2016* US$
Financial assets designated at fair value through profit or loss	274,629,878	350,928,504

As at 31 December 2017, the fair value of financial assets owned by the Company that was under repurchase agreements was $50,936,884.

16 Derivative financial instruments

	2017			*2016*		
	Nominal amount US$	*Assets* US$	*Liabilities* US$	*Nominal amount* US$	*Assets* US$	*Liabilities* US$
Interest rate swap	3,700,000,000	35,028,542	3,871,424	3,700,000,000	38,684,924	6,538,154
Interest rate option	1,400,000,000	1,777,069	133,003	1,400,000,000	789,797	377,130
Currency derivative	367,298,216	5,882,569	13,865,376	345,970,881	-	41,182,499
	5,467,298,216	42,688,180	17,869,803	5,445,970,881	39,474,721	48,097,783

Cash flow hedges

The Company's cash flow hedges consist of interest rate swap contracts and currency swap contracts that are used to protect against exposures to variability of future cash flows.

Among the above derivative financial instruments, those designated as hedging instruments in cash flow hedges are set out below.

	2017			*2016*		
	Nominal amount US$	*Assets* US$	*Liabilities* US$	*Nominal amount* US$	*Assets* US$	*Liabilities* US$
Interest rate swap	500,000,000	4,200,169	-	500,000,000	3,737,689	-
Currency derivative	367,298,216	5,882,569	13,865,376	345,970,881	-	41,182,499
	867,298,216	10,082,738	13,865,376	845,970,881	3,737,689	41,182,499

There is no ineffectiveness recognized in profit or loss that arises from the cash flow hedge for the current year. (2016: Nil)

Please refer to note 6.

17 Prepayments

	2017 US$	2016 US$
Prepayments	510,638	-

The balance of prepayments is financing fee under six credit guarantees in respect of six loans made by an associated SPV in its Group.

18 Bank loans

At 31 December 2017, the bank loans were as follows:

	2017 US$	2016 US$
Less than one year		
– Secured	-	235,000,000
– Unsecured	3,254,784,352	1,564,061,666
Less: financing fee	(181,710)	(541,255)
Total bank loans repayable within 1 year	3,254,602,642	1,798,520,411
More than one year		
– Secured	300,000,000	-
– Unsecured	500,000,000	500,000,000
Less: financing fee	(3,310,537)	(3,389,046)
Total bank loans repayable more than 1 year	796,689,463	496,610,954
	4,051,292,105	2,295,131,365

19 Amounts due to holding company

	2017 US$	2016 US$
ICBC International Leasing Company Limited	2,027,400	2,017,400

20 Amounts due to other related companies

	Note	*2017* US$	*2016* US$
Less than one year			
Other payables	(i)	6,830,575	10,453,919
		6,830,575	10,453,919
More than one year			
Related party loans	(ii)	-	3,500,000
		6,830,575	13,953,919

(i) The balance of other payables is unsecured, interest-free and has no fixed terms of repayment.

(ii) The loans from related parties are unsecured with interest rate of 6% per annum, the balances of US$2,200,000 and US$1,300,000 were paid in 2017.

21 Bond payable

	2017 US$	*2016* US$
Bond payable	8,767,298,216	6,313,070,881
Less: financing fee	(35,658,916)	(37,999,341)
	8,731,639,300	6,275,071,540

In April 2017, the Company issued two tranches of USD notes with a combined total principal amount of US$ 2,000,000,000, which expire in April 2020 and April 2022 respectively.

In November 2017, the Company issued two tranches of USD notes with a combined total principal amount of US$950,000,000, which expire in November 2022 and November 2027.

In December 2017, the Company issued one tranches of USD notes with a principal amount of US$50,000,000, which expire in December 2020.

Since February 2017, the Company made serial issuances of USD commercial papers with an aggregate principal amount of US$780,000,000, which expired all in 2017.

22 Repurchase agreements

	2017 US$	*2016* US$
Repurchase agreements	38,500,000	-

In December 2017, the Company entered a repurchase agreement at a pricing rate of 2.54% with ICBC Standard Bank Plc which comprises repurchase of financial assets designated at fair value through profit or loss as collateral. For more details please refer to Note 15.

23 Security deposits

	2017 US$	*2016* US$
Security deposits	38,950,000	-

In October 2017, the Company entered a credit support annex with ICBC Standard Bank Plc in respect of derivative transactions.

24 Interest payable

	2017 US$	*2016* US$
Bank loan interest payable	16,582,298	6,051,950
Bond interest payable	53,117,263	30,037,616
Related party loans interest payable	7,721,138	8,275,303
Repurchased deposit interest payable	70,676	-
Security deposit interest payable	43,599	-
	77,534,974	44,364,869

25 Income tax in the statement of financial position

Current taxation in the statement of financial position represents:

	2017 US$	*2016* US$
Provision for Hong Kong Profits Tax for the year	5,191,439	10,899,760
Provisional Profits Tax paid	(15,430,605)	(16,053,784)
Balance of Profits Tax provision relating to prior years	4,609,479	9,763,503
	(5,629,687)	4,609,479

26 Other payables

	2017 US$	*2016* US$
Other payables	19,159	49,721

27 Share capital

	2017 US$	*2016* US$
Issued		
50,000 ordinary shares of US$ 1 each	50,000	50,000

50,000 ordinary shares of US$ 1 each were issued at par to the shareholder of the Company, which was fully paid by the shareholder of the Company on 8 January 2014.

28 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Company's business.

The Company's exposure to these risks and the financial risk management policies and practices used by the Company to manage these risks are described below.

Credit risk

At 31 December 2017, the carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to the credit risk at the reporting date was*:*

	31 Dec 2017	*31 Dec 2016*
	US$	US$
Cash and cash equivalents	812,845,327	257,947,313
Interest receivable	748,163,776	468,845,644
Amounts due from holding company	-	97,330,835
Amounts due from other related companies	11,318,013,442	7,666,106,141
Amounts due from a fellow subsidiary	920,175	920,175
Financial assets designated at fair value through profit or loss	274,629,878	350,928,504
Financial derivative asset	42,688,180	39,474,721

28 Financial risk management and fair values of financial instruments (continued)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The following table details the Company's exposure to interest rate risks:

31 December 2017	*Interest bearing at fixed rate* US$	*Interest bearing at variable rate* US$	*Total* US$
Assets			
Cash and cash equivalents	336,960,000	475,885,327	812,845,327
Amounts due from other related companies	11,318,013,442	-	11,318,013,442
Financial assets designated at fair value though profit or loss	274,462,919	166,959	274,629,878
Total assets	11,929,436,361	476,052,286	12,405,488,647
Liabilities			
Bank loans	(3,421,404,708)	(629,887,397)	(4,051,292,105)
Repurchase agreements	(38,500,000)	-	(38,500,000)
Security deposits	(38,950,000)	-	(38,950,000)
Bond payable	(8,432,030,523)	(299,608,777)	(8,731,639,300)
Total liabilities	(11,930,885,231)	(929,496,174)	(12,860,381,405)
Net exposure	(1,448,870)	(453,443,888)	(454,892,758)

28 Financial risk management and fair values of financial instruments (continued)

31 December 2016	*Interest bearing at fixed rate* US$	*Interest bearing at variable rate* US$	*Total* US$
Assets			
Cash and cash equivalents	-	257,947,313	257,947,313
Amounts due from holding company	97,330,835	-	97,330,835
Amounts due from other related companies	7,666,055,141	-	7,666,055,141
Financial assets designated at fair value though profit or loss	336,945,038	13,983,466	350,928,504
Total assets	8,100,331,014	271,930,779	8,372,261,793
Liabilities			
Bank loans	(1,666,208,365)	(628,923,000)	(2,295,131,365)
Amounts due to other related company	(3,500,000)	-	(3,500,000)
Bond payable	(5,976,877,286)	(298,194,254)	(6,275,071,540)
Total liabilities	(7,646,585,651)	(927,117,254)	(8,573,702,905)
Net exposure	453,745,363	(655,186,475)	(201,441,112)

At 31 December 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Company's profit after tax and retained profits by approximately US$4.53 million (2016: US$0.2 million).

The sensitivity analysis above indicates the annualised impact on the Company's interest expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments.

Currency risk

The Company's functional currency is United States dollars. The Company is exposed to currency risk primarily through lends and borrows giving rise to amounts due from other related company, amounts due to other related company and cash balances that are denominated in other currencies, being primarily Euro (EUR) and Renminbi (RMB).

(i) Exposure to currency risk

The following table details the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the Company's functional currency of United States dollars. For presentation purposes, the amounts of the exposure are expressed in United States dollars.

28 Financial risk management and fair values of financial instruments (continued)

	2017 *Euro* US$	*Renminbi* US$	*2016* *Euro* US$	*Renminbi* US$
Cash and cash equivalents	310,046	12,612	49,975	11,891
Amounts due from other related companies	-	-	-	-
Interest receivable	-	-	-	-
Bank loans	(99,824,352)	-	(14,061,666)	-
Amounts due to other related companies	-	-	-	-
Interest payable	(115,601)	(1,416,164)	(12,349)	(1,010,163)
Bond payable	-	(366,844,373)	-	(345,970,881)
Gross exposure to currency risk	(99,629,907)	(368,247,925)	(14,024,040)	(346,969,153)
Nominal amounts of currency swap contracts used as cashflow hedge	-	366,844,373	-	345,970,881
Net exposure to currency risk	(99,629,907)	(1,403,552)	(14,024,040)	(998,272)

(ii) Sensitivity analysis

The following table indicates the instantaneous change on the Company's profit after tax and retained profits that would arise if foreign exchange rates to which the Company has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

Currency	*Change in exchange rate (%)*	*Impact on profit after tax and retained profits as at 31 December 2017*	*Impact on profit after tax and retained profits as at 31 December 2016*
EUR	(1%)	1,006,363	141,657
RMB	(1%)	14,177	10,084

While the table above indicates the effect on net profit of 1% depreciation of EUR or RMB, there will be an opposite effect with the same amount if the currency appreciates by the same percentage.

28 Financial risk management and fair values of financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at an unacceptably high cost. If the Company cannot meet its obligations under the various debt arrangements or its capital commitments, it may be subject to contract breach damages and may even be unable to continue to operate on a going concern basis.

In the management of liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and mitigate the effects of fluctuations in cash flows. It monitors the risk to shortage of funds by regular analysis of cash flow movements, forecasts and adherence to all loan agreements.

The following are the contractual maturities of financial liabilities as at the end of reporting periods:

31 December 2017	*Less than 1 Year* US$	*1-5 Years* US$	*Greater than 5 years* US$	*Contractual Cashflow* US$	*Carrying Amount* US$
Bank loans	(3,273,285,469)	(572,628,575)	(328,935,417)	(4,174,849,461)	(4,054,784,352)
Repurchase agreements	(38,570,676)	-	-	(38,570,676)	(38,500,000)
Security deposits	(38,990,573)	-	-	(38,990,573)	(38,950,000)
Bond payable	(1,435,486,300)	(8,097,593,750)	(633,375,000)	(10,166,455,050)	(8,767,298,216)
Financial derivative liability	(13,141,261)	(1,885,556)	(3,344,920)	(18,371,737)	(17,869,803)
	(4,799,474,279)	(8,672,107,881)	(965,655,337)	(14,437,237,497)	(12,917,402,371)

31 December 2016	*Less than 1 Year* US$	*1-5 Years* US$	*Greater than 5 years* US$	*Contractual Cashflow* US$	*Carrying Amount* US$
Bank loans	(1,826,775,538)	(262,897,750)	(343,383,333)	(2,433,056,621)	(2,299,061,666)
Amounts due to other related companies	-	-	(3,500,000)	(3,500,000)	(3,500,000)
Bond payable	(726,611,343)	(5,833,296,328)	(348,937,500)	(6,908,845,171)	(6,313,070,881)
Financial derivative liability	6,677,726	(52,614,478)	(4,878,664)	(50,815,416)	(48,097,783)
	(2,546,709,155)	(6,148,808,556)	(700,699,497)	(9,396,217,208)	(8,663,730,330)

28 Financial risk management and fair values of financial instruments (continued)

Fair value measurement

(i) Financial instruments measured at fair value

HKFRS 13, *Fair value measurement* categorises fair value measurements into a three-level hierarchy. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The following are financial instruments measured at fair value as at the end of reporting periods:

			Fair value measurements as at 31 December 2017 categorised into		
	Carrying amount at 31 December 2017 US$	*Fair value at 31 December 2017* US$	*Level 1* US$	*Level 2* US$	*Level 3* US$
Financial derivative asset	42,688,180	42,688,180	-	40,911,111	1,777,069
Financial assets designated at fair value through profit or loss	274,629,878	274,629,878	-	-	274,629,878
Financial derivative liability	17,869,803	17,869,803	-	17,736,800	133,003

28 Financial risk management and fair values of financial instruments (continued)

	Carrying amount at 31 December 2016 US$	Fair value at 31 December 2016 US$	*Fair value measurements as at 31 December 2016 categorised into* Level 1 US$	Level 2 US$	Level 3 US$
Financial derivative asset	39,474,721	39,474,721	-	38,684,924	789,797
Financial assets designated at fair value through profit or loss	350,928,504	350,928,504	-	-	350,928,504
Financial derivative liability	48,097,783	48,097,783	-	47,720,653	377,130

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Company's financial instruments carried at cost or amortised cost were not materially different from their fair values as at the end of the reporting periods except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amount at 31 December 2017 US$	Fair value at 31 December 2017 US$	*Fair value measurements as at 31 December 2017 categorised into* Level 1 US$	Level 2 US$	Level 3 US$
Bank loans	4,054,784,352	4,063,306,376	-	4,063,306,376	-
Bond payable	8,767,298,216	8,664,948,002	-	8,664,948,002	-

	Carrying amount at 31 December 2016 US$	Fair value at 31 December 2016 US$	*Fair value measurements as at 31 December 2016 categorised into* Level 1 US$	Level 2 US$	Level 3 US$
Bank loans	2,299,061,666	2,328,371,283	-	2,328,371,283	-
Bond payable	6,313,070,881	6,243,850,891	-	6,243,850,891	-

29 Commitments and contingencies

The Company has issued six guarantee in respect of six loans made by an associated SPV in its Group.

30 Material related party transactions

(a) Transactions with key management personnel

All members of key management personnel are directors of the Company, and their remuneration is disclosed in note 8.

(b) Transactions with other related parties

During the year, the Company entered into the following material related party transactions:

	2017 US$	*2016* US$
Interest income from parent company	4,213,204	4,298,915
Interest income from a fellow subsidiary	-	262,235
Interest income from other related companies	308,644,223	228,026,716
Investment loss form the other related companies	(9,709,587)	(13,062,576)
Interest expense to other related companies	39,143,037	69,429,314

The outstanding balances arising from related party transactions at the end of the reporting period are as follows:

	2017 US$	*2016* US$
Cash and cash equivalents	1,805,066	50,990,547
Amounts due from parent company	-	97,330,835
Amounts due from a fellow subsidiary	920,175	920,175
Amounts due from other related companies	11,318,013,442	7,666,106,141
Interest receivable from parent company	-	15,188,079
Interest receivable from a fellow subsidiary	-	559,003
Interest receivable from other related companies	735,795,848	448,426,340
Financial derivative asset	42,688,180	39,474,721
Bank loans	(3,074,784,352)	(1,394,061,666)
Amounts due to the holding company	(2,027,400)	(2,017,400)
Amounts due to other related companies	(6,830,575)	(13,953,919)
Repurchase agreements	(38,500,000)	-
Security deposits	(38,950,000)	-
Interest payable to other related companies	(19,603,104)	(10,791,815)
Financial derivative liability	(13,998,379)	(41,559,629)

31 Events after the reporting period

There were no events after the reporting period which should require revision of the figures or disclosures in the financial statement.

32 Comparative figures

Some comparative period figures have been reclassified to current period's presentation of the financial statements. The reclassification mentioned above, has no material impact on the Company's financial position.

33 Immediate and ultimate controlling party

At 31 December 2017, the directors consider the immediate parent of the Company to be ICBC International Leasing Company Limited, which is incorporated in Ireland. The ultimate controlling party of the Company is Industrial and Commercial Bank of China Limited, which is incorporated in PRC.

34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Company.

	Effective for accounting periods beginning on or after
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*	1 January 2018
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019

34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017(continued)

The Company is assessing what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Company has identified some aspects of the new standards which may have a significant impact on the financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Company, and further impacts may be identified before the standards are initially applied in the Company's financial statements for the year ended 31 December 2018. The Company may also change its accounting policy elections, including the transition options, until the standards are initially applied in the financial statements.

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Company plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Company's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI). The classification is determined based on the contractual cash flow characteristics of the financial assets and the entity's business model for managing the financial assets.

The Company has assessed that its financial assets currently measured at amortised cost will continue with this classification and measurement upon the adoption of HKFRS 9.

34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017(continued)

(b) Impairment

The new impairment model in HKFRS 9 replaces the “incurred loss” model in HKAS 39 with an “expected credit loss” model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Company expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Company were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss at that date would increase primarily attributed to an increase in accumulated impairment losses of amount due to related parties and cash and cash equivalents, and the Company’s net assets would not be significantly impacted as compared with that recognised under HKAS 39.

The Company does not adopt any issued but not yet effective international financial reporting standards, interpretation and amendments.

35 Approval of the financial statements

The financial statements were approved and authorized for issue by the board of directors on 31 March 2018.

ICBCIL Finance Co. Limited

Report of the directors and financial statements
for the year ended 31 December 2016

Directors' Report

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2016.

Principal place of business

ICBCIL Finance Co. Limited ("the Company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Principal activities

The principal activities of the Company are the provision of financing for its group companies and the related liquidity management and risk management activities.

Business Review

The Company was incorporated on 2 December 2013 in Hong Kong. The immediate holding company is ICBC International Leasing Company Limited, which is incorporated in Ireland.

The Company was the main financing platform of its parent company, ICBC International Leasing Company Limited and its group companies. The parent group companies are mainly engaged in leasing business in three main sectors: (i) aviation; (ii) shipping; and (iii) big-ticket equipment. The Company manages the Group's liquidity, i.e. the provision of the intercompany financing and investment for cash management purposes.

The Company's management team comprises highly experienced professionals with diverse backgrounds in leasing, commercial banking, investment banking, global capital markets and relevant industry experience. This enables the Company to effectively identify and cultivate relationships with financing counterparties. The Company has maintained a stable management team which has enabled healthy and stable growth of the Company.

Business environment - Key Factors affecting our results of Operations and Financial Condition

- Macroeconomic Factors and Development of the associated leasing SPVs

  The Group's revenue primarily comprises intercompany interest income generated by financial leases, operating lease income and fee and commission income from consulting services, all of which are driven by the volume of leasing business. As a result, fluctuations in demand for airplanes, ships and heavy equipment from airlines, shipping companies and manufacturers affect the Company's revenue. The demand for airplanes, ships and heavy equipment is affected by the economic environment both globally and in the PRC.

  A significant slowdown in the PRC or global economy could have a negative impact on infrastructure projects, the global airline and shipping industry and demand for equipment and machinery, which could negatively affect demand for finance leasing products, and in turn have a material adverse effect on the company's businesses, revenue and results of operations. A slowdown in the economy may also affect the ability of lessees to pay the rent and hence the asset, i.e. the intercompany loan portfolio, quality of the Company.

- Ability to Access Financing for the Acquisition of Assets under Lease and Variations in Interest Rates

  The leasing industry is capital intensive and sustaining while expanding the portfolio of assets under lease requires access to financing sources. A major component of the Group's operating expenses is the interest expense incurred to finance the purchases of assets for its financial and operating lease business. The Group mainly finances its operations and expansion through domestic and foreign bank loans and cash generated from its operations. The global environment and changes in money markets may impact the availability or the cost of financing. Any decision by the United States Federal Reserve to increase interest rates may also cause interest rates to rise generally, which would negatively impact the Group's funding costs and its profitability.

Financial review

For the accounting policies, please refer to Note 1 of the financial statement.

- Risk Management

  The Company adopts a comprehensive risk management system designed to proactively minimise credit, market, liquidity and operational risks.

  The credit risk for the Company arises from the intercompany borrowings. As the designated activity is to provide financial support of the Group associated companies, the Company's credit risk is believed to be manageable.

Financial review (continued)

Liquidity risk is the risk that the company is unable to provide funds for maturing liabilities through asset realisation at reasonable prices on a timely basis. The Company monitors current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and bank facilities to meet its liquidity requirements.

Sensitivity analysis, interest rate gap analysis and foreign exchange exposure analysis are the main market risk management tools used by the Company to monitor the market risk of its overall businesses. For the details of interest rate risk and foreign exchange risk, please refer to Note 25 to the financial statements.

Compliance review

- Legal and Compliance Risk

Legal risk is the risk of incurring legal sanctions, regulatory penalties, financial losses, reputational losses or other negative consequences that arise out of or in connection with the failure of the Company to comply with relevant laws, regulations, administrative rules, regulatory provisions and requirements of other relevant rules in the operational management of the Company; the unfavorable legal defects that exist in products, services or information provided, transactions engaged in, and contracts, agreements or other documents executed by the Company; legal disputes (legal or arbitration proceedings) between the Company and its counterparties and stakeholders; important changes in relevant laws and regulations, administrative rules, regulatory provisions and other relevant rules; and other relevant legal events that occur internally and externally.

Based on the objective to ensure legal and compliant operation, the Company always attaches importance to establishing a sound legal risk management system and forming a full-process legal risk prevention and control mechanism to support and secure business innovation and market competition, and prevent and eliminate various potential or practical legal risks. The Board of Directors is responsible for reviewing and determining the strategy and policy relating to legal risk management, and assumes the ultimate responsibility of legal risk management. The Senior Management is responsible for executing the legal risk management strategy and policy, formulating relevant systems and measures, and examining and approving relevant important affairs. The Legal and Compliance Department of the Group is the functional department in charge of legal risk management across the Company, with relevant business departments providing related support and assistance on the work regarding legal risk prevention and control, and the affiliates undertaking the responsibility of legal risk management of their respective institutions.

Compliance review (continued)

In 2016, the Company continued to strengthen legal risk management and control and provided stronger legal support to business transformation and innovative development with a view to ensuring the legal and compliant operation and healthy business development of the Group. The Company advanced IT-based legal risk prevention and control and upgraded the working mechanism and process for consolidated legal risk management. The Company further standardized contract management and reinforced authorization management and related parties management.

- Legal Proceedings

  The Company is involved, from time to time, in legal documentation work arising in the ordinary course of its operations.

Business forward looking

The company's business forward looking largely depends on the development of the Group's leasing business. The key strategies are specialisation, marketization and internationalisation.

Specialization

The Group intends to enhance its position as a leasing industry innovator by remaining focused on its selected industries. Apart from aviation and ship leasing, the Group also aims to develop the big-ticket equipment leasing market by focusing on the areas of energy and power, rail transit and construction machinery.

Marketization

The Group aims to offer leasing services and products that meet clients' needs. Leveraging on the brand, clients, network and technological advantages of ICBC, the Group aims to establish a comprehensive range of financial leasing products and services. The Group also aims to develop its asset trading operations to improve the quality of its assets and also promote the strategic development of its business. The Group's clients include not only large and medium-sized state-owned enterprises and industry-leading enterprises, also they are gradually expanding to include listed companies and successful private and small and medium-sized enterprises.

Internationalization

The Group aims to establish itself as an industry leader in the international leasing market through its management of the ICBCIL Group. The ICBCIL Group currently has a high-quality client base, strong market competitiveness, and businesses across five continents and in more than 20 countries and regions.

Through these strategies, the Group aims to maintain specialised industry focus, anticipate and adapt to continuously shifting market conditions and prudently proceed with international expansion.

Financial statements

The profit of the Company for the year ended 31 December 2016 and the state of the Company's affairs as at that date are set out in the financial statements on pages 10 to 38.

Share capital

Details of the movements in share capital of the Company are set out in note 24 to the financial statements.

Directors

The directors as at the end of the financial year were:

Dai, Lin
Cao, Xuedong

At no time during the year was the Company, or any of its holding company or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in transactions, arrangements or contracts

No contract of significance to which the Company, or any of its holding company or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Director Director

26 April 2017

Independent auditor's report to the members of ICBCIL Finance Co. Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of ICBCIL Finance Co. Limited ("the Company") set out on pages 10 to 38, which comprise the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2016 and of its financial performance and its cash flows for the year then ended 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 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 financial statements section of our report. We are independent of the Company 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

<table>
<tr><th colspan="2">Assessing the fair value of financial instruments</th></tr>
<tr><td colspan="2">Refer to note 15, note 16 and note 25 to the financial statements and the accounting policies on page 21.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Financial instruments carried at fair value account for a significant part of the Company's assets.

The valuation of the Company's financial instruments, stated at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for certain level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where such observable data is not readily available, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgement.

Management assessed the fair values of certain level 2 and level 3 financial instruments by obtaining and analysing fair value calculations prepared by the relevant counterparties to the financial instruments, which also involved significant management judgement.

We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.</td><td>Our audit procedures to assess the fair value of financial instruments included the following:

• assessing the design, implementation and operating effectiveness of key internal controls over the valuation process for financial instruments and front office/back office reconciliations, including the controls over obtaining fair value calculations from counterparties and controls over assessing the methodology adopted in the fair value calculations prepared by the relevant counterparties;
• engaging our internal valuation specialists assist us in performing an independent review, on a sample basis, of the fair value calculations obtained and used by management in the assessment of the fair values of level 2 and level 3 financial instruments and comparing our valuations with the Company's valuations. Our procedures included assessing the fair value calculations prepared by the relevant counterparties, developing parallel models, obtaining inputs independently and verifying the inputs;
• assessing whether the disclosures in the financial statements, including fair value hierarchy information, appropriately reflected the Company's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.</td></tr>
</table>

Independent auditor's report to the members of ICBCIL Finance Co. Limited (continued)

(Incorporated in Hong Kong with limited liability)

Information other than the financial statements and auditor's report thereon

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

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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. This report is made 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Lok Man.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
26 April 2017

Statement of profit or loss and other comprehensive income for the year ended 31 December 2016

(Expressed in US dollars)

	Note	*2016* US$	*2015* US$
Interest income	3	239,792,805	232,465,248
Interest expense	4	(228,130,641)	(126,524,282)
Net interest income		11,662,164	105,940,966
Investment (loss)/income	5	(11,951,678)	3,163,675
Gain/(Loss) from changes in fair value	6	42,337,729	(11,014,265)
Operating expenses	7	(1,532,247)	(308,904)
Exchange gain/(loss)		36,099,229	(9,880,769)
PROFIT BEFORE TAXATION		76,615,197	87,900,703
Income tax	9	(10,899,760)	(6,286,443)
PROFIT FOR THE YEAR		65,715,437	81,614,260
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Item that may be reclassified to profit or loss:			
Effective hedging portion of gains or losses arising from cash flow hedging instruments		(535,764)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		65,179,673	81,614,260

The notes on pages 16 to 38 form part of these financial statements.

Statement of financial position at 31 December 2016
(Expressed in US dollars)

	Note	*2016* US$	*2015* US$
ASSETS			
Cash and cash equivalents	10	257,947,313	2,025,006,800
Amounts due from holding company	11	97,330,835	97,330,835
Amounts due from a fellow subsidiary	12	920,175	920,175
Amounts due from other related companies	13	7,666,106,141	6,990,101,615
Interest receivable	14	468,845,644	239,540,086
Financial assets designated at fair value through profit or loss	15	350,928,504	200,988,324
Financial derivative asset	16	39,474,721	8,947,165
Total assets		8,881,553,333	9,562,835,000
LIABILITIES			
Bank loans	17	2,295,131,365	5,571,183,511
Amounts due to holding company	18	2,017,400	2,008,195
Amounts due to other related companies	19	13,953,919	1,075,059,572
Bond payable	20	6,275,071,540	2,707,586,356
Interest payable	21	44,364,869	38,531,238
Financial derivative liability	16	48,097,783	25,568,422
Tax payable	22	4,609,479	9,763,503
Other payables	23	49,721	56,619
Total liabilities		8,683,296,076	9,429,757,416
Net assets		198,257,257	133,077,584

Statement of financial position at 31 December 2016 (continued)

(Expressed in US dollars)

	Note	*2016* US$	*2015* US$
CAPITAL AND RESERVES			
Share capital	24	50,000	50,000
Reserves		198,207,257	133,027,584
Total equity		198,257,257	133,077,584

Director   Director

The notes on pages 16 to 38 form part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2016
(Expressed in US dollars)

	Share capital US$	*Cash flow Hedging reserve* US$	*Retained profits* US$	*Total equity* US$
Balance at 1 January 2015	50,000	-	51,413,324	51,463,324
Changes in equity during the year:				
Profit for the year	-	-	81,614,260	81,614,260
Total comprehensive income for the year	-	-	81,614,260	81,614,260
Balance at 31 December 2015 and 1 January 2016	50,000	-	133,027,584	133,077,584
Changes in equity during the year:				
Profit for the year	-	-	65,715,437	65,715,437
Other comprehensive income	-	(535,764)	-	(535,764)
Total comprehensive income for the year	-	(535,764)	65,715,437	65,179,673
Balance at 31 December 2016	50,000	(535,764)	198,743,021	198,257,257

The notes on pages 16 to 38 form part of these financial statements.

Cash flow statement
for the year ended 31 December 2016

(Expressed in US dollars)

	Note	*2016* US$	*2015* US$
CASH FLOWS FROM OPERATING ACTIVIES			
Profit for the year		65,715,437	81,614,260
Exchange (gain)/loss		(36,099,229)	9,880,769
Interest expense		196,339,058	120,603,378
Investment loss/(income)		11,951,678	(3,163,675)
Fair value changes		(42,337,729)	11,014,265
Decrease in amount due from holding company		-	2,745,915
Decrease in amount due from fellow subsidiaries		-	257,198,167
Increase in amounts due from other related companies		(625,702,780)	(4,426,057,394)
Increase in interest receivable		(229,305,558)	(166,278,458)
Increase in other payables and accruals		(5,160,922)	6,093,386
(Decrease)/increase in interest payable		(1,066,532)	126,524,282
Increase in amount due to the holding company		9,205	7,400
Decrease in amount due to fellow subsidiaries		-	(1,080,000)
(Decrease)/increase in amount due to other related companies		(1,061,105,653)	497,339,305
Net cash flows used in operating activities		(1,726,763,025)	(3,483,558,400)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income (paid)/received		(3,135,926)	3,163,675
Purchase of financial derivative asset		(3,111,000)	(1,876,000)
Purchase of financial assets designated at fair value through profit or loss		(209,153,000)	(200,000,000)
Sell of financial assets designated at fair value through profit or loss		74,444,444	-
Net cash flows used in investing activities		(140,955,482)	(198,712,325)

Cash flow statement
for the year ended 31 December 2016 (continued)
(Expressed in US dollars)

	Note	*2016* US$	*2015* US$
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(189,438,895)	(224,166,014)
Repayment of bank loans		(16,279,069,710)	(24,418,500,000)
Proceeds from bank loans		13,003,017,564	27,349,258,163
Repayment of bond		(512,322,496)	-
Proceeds from bond		4,079,807,680	2,707,586,356
Net cash flows generated from financing activities		101,994,143	5,414,178,505
Effect of foreign exchange rate changes on cash and cash equivalents		(1,335,123)	(1,277,791)
Cash and cash equivalents at beginning of the year		2,025,006,800	294,376,811
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	10	257,947,313	2,025,006,800

The notes on pages 16 to 38 form part of these financial statements.

Notes to the financial statements

(Expressed in US dollars unless otherwise indicated)

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Company are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the company for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- derivative financial instruments (see note 1(e)); and
- financial instruments designed at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1 Significant accounting policies (continued)

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the company. None of these developments have had a material effect on how the company's results and financial position for the current or prior periods have been prepared or presented.

The company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Impairment losses for bad and doubtful debts are recognised when there is objective evidence of impairment and are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the Company about events that have an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor.

Impairment losses for trade debtors and bills receivable included within trade and other receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Company is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

1 Significant accounting policies (continued)

(f) Hedging

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cashflows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(g) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(h) Trade and other payables

Trade and other payables are initially recognised at fair value, and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 Significant accounting policies (continued)

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(j) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(k) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

(l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Interest income

Interest income is recognised as it accrues using the effective interest method.

1 Significant accounting policies (continued)

(m) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

(n) Related parties

(a) A person, or a close member of that person's family, is related to the company if that person:

(i) has control or joint control over the company;

(ii) has significant influence over the company; or

(iii) is a member of the key management personnel of the company or the company's parent.

(b) An entity is related to the company if any of the following conditions applies:

(i) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Accounting judgements and estimates

In the process of apply the company's accounting policies, management has made the following significant accounting judgements:

Fair value of financial instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

3 Interest income

	2016	*2015*
	US$	US$
Bank interest income	7,654,830	5,046,132
Related party interest income	232,137,975	227,419,116
	239,792,805	232,465,248

4 Interest expense

	2016	*2015*
	US$	US$
Bank loan interest expense	81,087,940	82,716,620
Related party interest expense	31,791,583	5,920,904
Bond interest expense	115,251,118	37,886,758
	228,130,641	126,524,282

5 Investment (loss)/income

	2016	*2015*
	US$	US$
Investment income from financial assets measured at FVTPL	2,693,088	-
Swap investment (loss)/income	(14,644,766)	3,163,675
	(11,951,678)	3,163,675

6 Gain/(loss) from changes in fair value

		2016	*2015*
		US$	US$
Net gain from interest rate swap	(i)	28,539,182	6,442,538
Net loss from interest rate option	(ii)	(1,231,121)	(232,212)
Net loss from currency derivatives	(iii)	(147,972)	(18,212,915)
Gain from changes in fair value of financial assets measured at FVTPL	(iv)	15,177,640	988,324
		42,337,729	(11,014,265)

(i) On 5 December 2014 the Company entered into an interest rate swap of notional amount of US$ 300,000,000 with Standard Chartered Bank (Hong Kong) Limited, which expires on 5 December 2024.

In November 2015, December 2015, January 2016 and February 2016 the Company entered into interest rate swap of total notional amount of US$ 3,400,000,000 with ICBC Standard Bank Plc, which expire in December 2018, January 2019 and June 2025, February 2019 respectively.

The fair value of the interest rate swaps were set out in note 16.

(ii) In November 2015 and December 2015 the Company entered into four interest rate option contracts of total notional amount of US$ 800,000,000 with ICBC Standard Bank Plc, which expires all in 2018.

In January 2016 and February 2016 the Company entered into two interest rate option contracts of total notional amount of US$ 600,000,000 with ICBC Standard Bank Plc, which expires all in 2019.

The fair value of the interest rate option contracts were set out in note 16.

(iii) On 12 June 2015, the Company entered into a currency swap of notional amount of RMB 1,500,000,000 with ICBC Asia, which expires in June 2018.

In November 2016, the Company entered into a currency swap of notional amount of RMB 900,000,000 with ICBC Standard Bank Plc, which expires in November 2019.

The fair value of the above contracts were set out in note 16.

(iv) In November 2015, January 2016 and April 2016 the Company invested financial assets amount of US$ 410,000,000 with Industrial and Commercial Bank of China Limited, Singapore Branch. The fair value at 31 December 2016 was US$ 354,280,367 (31 December 2015: US$ 200,988,324).

7 Operating expenses

	2016 US$	2015 US$
Legal consulting fee	1,445,241	248,329
Auditors' remuneration	47,652	38,058
Bank charge	17,286	20,490
Consulting fee	-	2,027
Company secretary fee	22,068	-
Total	1,532,247	308,904

8 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2016 US$	2015 US$
Directors' fees	-	-
Salaries, allowances and benefits in kind	-	-
Discretionary bonuses	-	-
Retirement scheme contributions	-	-
Total	-	-

9 Income tax in the statement of profit or loss and other comprehensive income

(a) Taxation charged to profit or loss:

	2016 US$	*2015* US$
Current tax - Hong Kong Profits Tax		
Provision for the year	10,899,760	6,286,443
(Over)/under - provision in respect of prior years	-	-
	10,899,760	6,286,443
Deferred tax		
Origination and reversal of temporary differences	-	-
	10,899,760	6,286,443

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2016-17 subject to a maximum reduction of HK Dollar 20,000 for each business (2015: a maximum reduction of HK Dollar 20,000 was granted for the year of assessment 2015-16 and was taken into account in calculating the provision for 2015).

(b) Reconciliation between tax expense charged to profit or loss and accounting profit at applicable tax rates:

	2016 US$	*2015* US$
Profit before taxation	76,615,197	87,900,703
Notional tax on profit before taxation	12,641,508	14,503,616
Tax effect of non-deductible expenses	16,411,073	14,943,123
Tax effect of non-taxable income	(18,150,243)	(23,157,715)
One-off tax reduction	(2,578)	(2,581)
Actual tax expense charged to profit	10,899,760	6,286,443

10 Cash and cash equivalents

	2016	*2015*
	US$	US$
Cash at bank	257,947,313	2,025,006,800

11 Amounts due from holding company

	2016	*2015*
	US$	US$
Related party loans	97,330,835	97,330,835

The loans to ICBC International Leasing Company Limited are unsecured with interest rate of 6% per annum and are repayable on demand.

12 Amounts due from a fellow subsidiary

	2016	*2015*
	US$	US$
Other receivables	920,175	920,175

The balance of other receivables is unsecured, interest-free and has no fixed terms of repayment.

13 Amounts due from other related companies

		2016	*2015*
		US$	US$
Less than one year			
Related party loans	(i)	7,291,037,110	6,615,032,584
Other receivables	(ii)	51,000	51,000
		7,291,088,110	6,615,083,584
More than one year			
Related party loans	(iii)	375,018,031	375,018,031
		7,666,106,141	6,990,101,615

(i) The balance due from other related companies is unsecured, at fixed interest rates of 6%, 1.92% or 0.5% per annum and has no fixed terms of repayment.

(ii) The balance of other receivables is unsecured, interest-free and has no fixed terms of repayment.

(iii) The balances due from other related companies more than one year are unsecured, bear fixed interest rates of 6% per annum, the balances of US$9,619,410, US$14,476,068 and US$350,922,553 are due in year of 2021, 2022 and 2024 respectively.

14 Interest receivable

	2016	*2015*
	US$	US$
Deposit interest receivable	4,672,222	-
Related party loans interest receivable	464,173,422	239,540,086
	468,845,644	239,540,086

15 Financial assets designated at fair value through profit or loss

	2016	*2015*
	US$	US$
Financial assets designated at fair value through profit or loss	350,928,504	200,988,324

As at 31 December 2016, the fair value of financial asset owned by the company that has been pledged as security for bank loans was $85,525,859.

Please refer to note 6 for detailed information.

16 Derivative financial instrument

	2016			2015		
	Nominal amount US$	Assets US$	Liabilities US$	Nominal amount US$	Assets US$	Liabilities US$
Interest rate swap	3,700,000,000	38,684,924	6,538,154	700,000,000	705,026	757,156
Interest rate option	1,400,000,000	789,797	377,130	800,000,000	1,643,788	-
Currency derivative	345,970,881	-	41,182,499	1,991,409,833	6,598,351	24,811,266
	5,445,970,881	39,474,721	48,097,783	3,491,409,833	8,947,165	25,568,422

Cash flow hedges

The Company's cash flow hedges consist of interest rate swap contracts and currency swap contracts that are used to protect against exposures to variability of future cash flows.

Among the above derivative financial instruments, those designated as hedging instruments in cash flow hedges are set out below.

	2016			2015		
	Nominal amount US$	Assets US$	Liabilities US$	Nominal amount US$	Assets US$	Liabilities US$
Interest rate swap	500,000,000	3,737,689	-	-	-	-
Currency derivative	345,970,881	-	22,821,612	-	-	-
	845,970,881	3,737,689	22,821,612	-	-	-

There is no ineffectiveness recognized in profit or loss that arises from the cash flow hedge for the current year. (2015:Nil)

Please refer to note 6.

17 Bank loans

At 31 December 2016, the bank loans were as follows:

	2016 US$	*2015* US$
Less than one year		
– Secured	235,000,000	299,900,000
– unsecured	1,564,061,666	3,456,906,422
Less: financing fee	(541,255)	(5,255,994)
Total bank loans repayable within 1 year	1,798,520,411	3,751,550,428

More than one year			
– secured		-	-
– unsecured		500,000,000	1,824,280,000
Less: financing fee		(3,389,046)	(4,646,917)
Total bank loans repayable more than 1 year		496,610,954	1,819,633,083
		2,295,131,365	5,571,183,511

18 Amounts due to holding company

	2016 US$	*2015* US$
ICBC International Leasing Company Limited	2,017,400	2,008,195

19 Amounts due to other related companies

		2016 US$	*2015* US$
Less than one year			
Related party loans		-	1,060,674,772
Other payables	(i)	10,453,919	10,884,800
		10,453,919	1,071,559,572
More than one year			
Related party loans	(ii)	3,500,000	3,500,000
		13,953,919	1,075,059,572

(i) The balance of other payables is unsecured, interest-free and has no fixed terms of repayment.

(ii) The loans from related parties are unsecured with interest rate of 6% per annum, the balances of US$2,200,000 and US$1,300,000 are due in year of 2022 and 2023 respectively.

20 Bond payable

	2016	*2015*
	US$	US$
Bond payable	6,313,070,881	2,730,996,674
Less: financing fee	(37,999,341)	(23,410,318)
	6,275,071,540	2,707,586,356

On 19 May 2016, the Company issued three tranches of USD notes with a combined total principal amount of US$ 1,300,000,000, which expire in May 2019, May 2021 and May 2026 respectively.

Since August 2016, the Company made serial issuances of USD commercial papers with an aggregate principal amount of US$ 1,042, 600,000, which expires all in 2017.

On 29 September 2016, the Company issued two tranches of USD notes with a combined total principal amount of US$ 1,400,000,000, which expire in September 2019 and September 2021.

In November 2016, the Company issued two tranches of USD notes with a combined total principal amount of US$ 200,000,000, which expires all in November 2019.

On 21 November 2016, the Company issued RMB notes with a total principal amount of RMB 900,000,000, which expires in November 2019.

21 Interest payable

	2016	*2015*
	US$	US$
Interest payable	44,364,869	38,531,238

22 Income tax in the statement of financial position

Current taxation in the statement of financial position represents:

	2016	*2015*
	US$	US$
Provision for Hong Kong Profits Tax for the year	10,899,760	6,286,443
Provisional Profits Tax paid	(16,053,784)	-
Balance of Profits Tax provision relating to prior years	9,763,503	3,477,060
	4,609,479	9,763,503

23 Other payables

	2016	*2015*
	US$	US$
Other payables	49,721	56,619

24 Share capital

	2016	*2015*
	US$	US$
Issued		
50,000 ordinary shares of US$ 1 each	50,000	50,000

50,000 ordinary shares of US$ 1 each were issued at par to the shareholder of the Company, which was fully paid by the shareholder of the Company on 8 January 2014.

25 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Company's business.

The Company's exposure to these risks and the financial risk management policies and practices used by the Company to manage these risks are described below.

Credit risk

At 31 December 2016, the carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to the credit risk at the reporting date was*:*

	31 Dec 2016	*31 Dec 2015*
	US$	US$
Cash and cash equivalents	257,947,313	2,025,006,800
Interest receivable	468,845,644	239,540,086
Amounts due from holding company	97,330,835	97,330,835
Amounts due from other related companies	7,666,106,141	6,990,101,615
Amounts due from a fellow subsidiary	920,175	920,175
Financial assets designated at fair value through profit or loss	350,928,504	200,988,324
Financial derivative asset	39,474,721	8,947,165

25 Financial risk management and fair values of financial instruments (continued)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The following table details the Company's exposure to interest rate risks:

31 December 2016	*Interest bearing at fixed rate* US$	*Interest bearing at variable rate* US$	*Total* US$
Assets			
Cash and cash equivalents	-	257,947,313	257,947,313
Amounts due from holding company	97,330,835	-	97,330,835
Amounts due from other related companies	7,666,055,141	-	7,666,055,141
Financial assets designated at fair value though profit or loss	336,945,038	13,983,466	350,928,504
Total assets	8,100,331,014	271,930,779	8,372,261,793
Liabilities			
Bank loans	(1,666,208,365)	(628,923,000)	(2,295,131,365)
Amounts due to other related company	(3,500,000)	-	(3,500,000)
Bond payable	(5,976,877,286)	(298,194,254)	(6,275,071,540)
Total liabilities	(7,646,585,651)	(927,117,254)	(8,573,702,905)
Net exposure	453,745,363	(655,186,475)	(201,441,112)

25 Financial risk management and fair values of financial instruments (continued)

31 December 2015	*Interest bearing at fixed rate* US$	*Interest bearing at variable rate* US$	*Total* US$
Assets			
Cash and cash equivalents	-	2,025,006,800	2,025,006,800
Amounts due from holding company	97,330,835	-	97,330,835
Amounts due from other related companies	6,990,050,615	-	6,990,050,615
Financial assets designated at fair value though profit or loss	199,597,225	1,391,099	200,988,324
Total assets	7,286,978,675	2,026,397,899	9,313,376,574
Liabilities			
Bank loans	(2,607,506,223)	(2,963,677,288)	(5,571,183,511)
Amounts due to other related company	(1,064,174,772)	-	(1,064,174,772)
Bond payable	(2,410,194,472)	(297,391,884)	(2,707,586,356)
Total liabilities	(6,081,875,467)	(3,261,069,172)	(9,342,944,639)
Net exposure	1,205,103,208	(1,234,671,273)	(29,568,065)

At 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Company's profit after tax and retained profits by approximately US$0.2 million (2015: US$0.7 million).

The sensitivity analysis above indicates the annualised impact on the Company's interest expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments.

Currency risk

The Company's functional currency is United States dollars. The Company is exposed to currency risk primarily through lends and borrows giving rise to amounts due from other related company, amounts due to other related company and cash balances that are denominated in other currencies, being primarily Euro (EUR) and Renminbi (RMB).

(i) Exposure to currency risk

The following table details the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the Company's functional currency of United States dollars. For presentation purposes, the amounts of the exposure are expressed in United States dollars.

25 Financial risk management and fair values of financial instruments (continued)

	2016 Euro US$	*2016* Renminbi US$	*2015* Euro US$	*2015* Renminbi US$
Cash and cash equivalents	49,975	11,891	1,046	41,742,858
Amounts due from other related companies	-	-	-	768,299,895
Interest receivable	-	-	-	3,925,120
Bank loans	(14,061,666)	-	(11,906,422)	-
Amounts due to other related companies	-	-	-	(1,060,674,772)
Interest payable	(12,349)	(1,010,163)	(16,901)	(1,691,458)
Bond payable	-	(345,970,881)	-	(229,940,241)
Gross exposure to currency risk	(14,024,040)	(346,969,153)	(11,922,277)	(478,338,598)
Nominal amounts of currency swap contracts used as cashflow hedge	-	345,970,881	-	-
Net exposure to currency risk	(14,024,040)	(998,272)	(11,922,277)	(478,338,598)

(ii) Sensitivity analysis

The following table indicates the instantaneous change on the Company's profit after tax and retained profits that would arise if foreign exchange rates to which the Company has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

Currency	Change in exchange rate (%)	Impact on profit after tax and retained profits as at 31 December 2016	Impact on profit after tax and retained profits as at 31 December 2015
EUR	(1%)	141,657	119,223
RMB	(1%)	10,084	4,783,385

While the table above indicates the effect on net profit of 1% depreciation of EUR or RMB, there will be an opposite effect with the same amount if the currency appreciates by the same percentage.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at an unacceptably high cost. If the Company cannot meet its obligations under the various debt arrangements or its capital commitments, it may be subject to contract breach damages and may even be unable to continue to operate on a going concern basis.

25 Financial risk management and fair values of financial instruments (continued)

In the management of liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and mitigate the effects of fluctuations in cash flows. It monitors the risk to shortage of funds by regular analysis of cash flow movements, forecasts and adherence to all loan agreements.

The following are the contractual maturities of financial liabilities as at the end of reporting periods:

31 December 2016	*Less than 1 Year* US$	*1-5 Years* US$	*Greater than 5 years* US$	*Contractual Cashflow* US$	*Carrying Amount* US$
Bank loans	(1,826,775,538)	(262,897,750)	(343,383,333)	(2,433,056,621)	(2,299,061,666)
Amounts due to other related companies	-	-	(3,500,000)	(3,500,000)	(3,500,000)
Bond payable	(726,611,343)	(5,833,296,328)	(348,937,500)	(6,908,845,171)	(6,313,070,881)
Financial derivative liability	6,677,726	(52,614,478)	(4,878,664)	(50,815,416)	(48,097,783)
	(2,546,709,155)	(6,148,808,556)	(700,699,497)	(9,396,217,208)	(8,663,730,330)

31 December 2015	*Less than 1 Year* US$	*1-5 Years* US$	*Greater than 5 years* US$	*Contractual Cashflow* US$	*Carrying Amount* US$
Bank loans	(4,536,782,847)	(874,888,224)	(357,831,250)	(5,769,502,321)	(5,581,086,422)
Amounts due to other related companies	(1,060,674,772)	-	(3,500,000)	(1,064,174,772)	(1,064,174,772)
Financial derivative liability	(25,568,422)	-	-	(25,568,422)	(25,568,422)
	(5,623,026,041)	(874,888,224)	(361,331,250)	(6,859,245,515)	(6,670,829,616)

25 Financial risk management and fair values of financial instruments (continued)

Fair value measurement

(i) Financial instruments measured at fair value

HKFRS 13, *Fair value measurement* categorises fair value measurements into a three-level hierarchy. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

The following are financial instruments measured at fair value as at the end of reporting periods:

			Fair value measurements as at 31 December 2016 categorised into		
	Carrying amount at 31 December 2016 US$	*Fair value at 31 December 2016* US$	*Level 1* US$	*Level 2* US$	*Level 3* US$
Financial derivative asset	39,474,721	39,474,721	-	38,684,924	789,797
Financial assets designated at fair value through profit or loss	350,928,504	350,928,504	-	-	350,928,504
Financial derivative liability	48,097,783	48,097,783	-	47,720,653	377,130

25 Financial risk management and fair values of financial instruments (continued)

	Carrying amount at 31 December 2015 US$	*Fair value at 31 December 2015* US$	*Fair value measurements as at 31 December 2015 categorised into* *Level 1* US$	*Level 2* US$	*Level 3* US$
Financial derivative asset	8,947,165	8,947,165	-	7,303,377	1,643,788
Financial assets designated at fair value through profit or loss	200,988,324	200,988,324	-	-	200,988,324
Financial derivative liability	25,568,422	25,568,422	-	25,568,422	-

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Company's financial instruments carried at cost or amortised cost were not materially different from their fair values as at the end of the reporting periods except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amount at 31 December 2016 US$	*Fair value at 31 December 2016* US$	*Fair value measurements as at 31 December 2016 categorised into* *Level 1* US$	*Level 2* US$	*Level 3* US$
Bank loans	2,299,061,666	2,328,371,283	-	2,328,371,283	-
Bond payable	6,313,070,881	6,243,850,891	-	6,243,850,891	-

	Carrying amount at 31 December 2015 US$	*Fair value at 31 December 2015* US$	*Fair value measurements as at 31 December 2015 categorised into* *Level 1* US$	*Level 2* US$	*Level 3* US$
Bank loans	5,581,086,422	5,618,280,077	-	5,618,280,077	-
Bond payable	2,730,996,674	2,721,642,646	-	2,721,642,646	-

26 Commitments and contingencies

There are no other material commitments or contingencies at the reporting date.

27 Material related party transactions

(a) Transactions with key management personnel

All members of key management personnel are directors of the Company, and their remuneration is disclosed in note 8.

(b) Transactions with other related parties

During the year, the Company entered into the following material related party transactions:

	2016 US$	*2015* US$
Interest income from holding company	4,298,915	4,269,504
Interest income from a fellow subsidiary	262,235	296,768
Interest income from other related companies	227,576,825	222,852,844
Interest expense to other related companies	31,791,583	5,920,904

The outstanding balances arising from related party transactions at the end of the reporting period are as follows:

	2016 US$	*2015* US$
Amounts due from holding company	97,330,835	97,330,835
Amounts due from a fellow subsidiary	920,175	920,175
Amounts due from other related companies	7,666,106,141	6,990,101,615
Interest receivable from holding company	15,188,079	9,389,098
Interest receivable from a fellow subsidiary	559,003	296,768
Interest receivable from other related companies	448,426,340	229,854,220
Amounts due to the holding company	2,017,400	2,008,195
Amounts due to other related companies	13,953,919	1,075,059,572
Interest payable to other related companies	8,275,303	9,341,836

28 Events after the reporting period

There were no events after the reporting period which should require revision of the figures or disclosures in the financial statement.

29 Immediate and ultimate controlling party

At 31 December 2016, the directors consider the immediate parent of the Company to be ICBC International Leasing Company Limited, which is incorporated in Ireland. The ultimate controlling party of the Company is Industrial and Commercial Bank of China Limited, which is incorporated in China.

30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the company.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Company is assessing what the impact of these amendments and new standards is expected to be in the period of initial application.

The Company does not adopt any issued but not yet effective international financial reporting standards, interpretation and amendments.

31 Approval of the financial statements

The financial statements were approved and authorized for issue by the board of directors on 26 April 2017.

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