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CHINA DEVELOPMENT BANK LEASING

國銀金融租賃股份有限公司*

CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.*

(A joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 1606)

(1) PROPOSED OFF-MARKET BUY-BACK OF H SHARES AND (2) PROPOSED ISSUE OF NEW DOMESTIC SHARES

CONNECTED TRANSACTION

THE PROPOSED H SHARE BUY-BACK

On 26 September 2019, the Company entered into the H Share Buy-back Agreement with Three Gorges Capital HK and Three Gorges Capital PRC, pursuant to which the Company conditionally agreed to buy back, Three Gorges Capital PRC conditionally agreed to procure to sell, and Three Gorges Capital HK conditionally agreed to sell, 687,024,000 H Shares at the consideration of US\$0.2863 (equivalent to approximately HK\$2.2443) per Buy-back Share, subject to the terms and conditions of the H Share Buy-back Agreement. The Buy-back Unit Price was determined based on the commercial and arm's length negotiations between the parties, taking into consideration of potential financial impacts on both the Company and Three Gorges Group, arising from the H Share Buy-back and Domestic Share Issue.

Subject to the conditions precedent having been fulfilled, upon completion of the H Share Buy-back, Three Gorges Capital PRC will be required to procure to transfer, and Three Gorges Capital HK will be required to transfer, the Buy-back Shares to the Company for cancellation.

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

THE PROPOSED DOMESTIC SHARE ISSUE

On 26 September 2019, the Company and Three Gorges Corporation entered into the Domestic Share Subscription Agreement, pursuant to which the Company conditionally agreed to issue, and Three Gorges Corporation conditionally agreed to subscribe in cash for, 687,024,000 Domestic Shares at a subscription price per new Domestic Share equal to the RMB Equivalent of the H Share Buy-back Price of US\$0.2863 (equivalent to approximately HK\$2.2443), subject to the terms and conditions of the Domestic Share Subscription Agreement.

Subject to the conditions precedent having been fulfilled, upon completion of the Domestic Share Issue, the new Domestic Shares will be issued under a specific mandate to be sought at the EGM and the Class Meetings.

THE TRANSACTIONS

Each of the H Share Buy-back and the Domestic Share Issue is conditional upon a number of conditions precedent, as detailed in this announcement below. Completion of the H Share Buy-back and completion of the Domestic Share Issue are conditional upon each other.

On 26 September 2019, the Company also entered into the Costs Agreement with Three Gorges Capital HK, pursuant to which Three Gorges Capital HK agreed to bear all transaction costs and all other applicable costs, expenses and taxes associated with the H Share Buy-back and the Domestic Share Issue incurred by the parties involved.

Three Gorges Capital HK is a direct wholly owned subsidiary of Three Gorges Capital PRC, which in turn is a direct non-wholly owned subsidiary of Three Gorges Corporation.

LISTING RULES AND BUY-BACK CODE IMPLICATIONS

Listing Rules implications

As at the date of this announcement, Three Gorges Capital HK holds 1,306,500,000 H Shares, representing approximately 37.80% of the total number of H Shares in issue and approximately 10.33% of the total number of shares of the Company in issue. As a substantial shareholder of the Company, Three Gorges Capital HK is a connected person of the Company under the Listing Rules.

Three Gorges Corporation directly holds 70% of the shares in Three Gorges Capital PRC, which in turn holds the entire issued share capital of Three Gorges Capital HK. Both Three Gorges Capital PRC and Three Gorges Corporation are therefore connected persons of the Company under the Listing Rules.

Accordingly, each of the H Share Buy-back and the Domestic Share Issue constitutes a connected transaction of the Company and will be subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Buy-back Code implications

The H Share Buy-back constitutes an off-market share buy-back by the Company under the Buy-back Code. Under Rule 2 of the Buy-back Code, approval of the H Share Buy-back by the Executive will be required before the Company acquires any shares pursuant to the H Share Buy-back. The Executive's approval, if granted, will normally be conditional upon, amongst other things, approval of the H Share Buy-back by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at the EGM and each of the Class Meetings of the Company. The Company will make an application to the Executive for approval of the H Share Buy-back pursuant to Rule 2 of the Buy-back Code.

Completion of the H Share Buy-back is subject to the condition, amongst others, that the H Share Buy-back has been approved by the Executive. Therefore, the Company will not proceed with the H Share Buy-back unless the Executive approves the H Share Buy-back pursuant to Rule 2 of the Buy-back Code.

As required by the Buy-back Code, Three Gorges Capital HK will be required to abstain from voting on the resolutions to be proposed at the EGM and the H Share Class Meeting for approving the H Share Buy-back Agreement and the H Share Buy-back.

GENERAL

The Listing Rules IBC (comprising all the independent non-executive Directors who have no direct or indirect interest in the H Share Buy-back and the Domestic Share Issue, namely, Mr. Zheng Xueding, Mr. Xu Jin and Mr. Zhang Xianchu) has been formed in accordance with the Listing Rules to advise the Independent Shareholders on the H Share Buy-back, the H Share Buy-back Agreement, the Domestic Share Issue and the Domestic Share Subscription Agreement.

The Takeovers Code IBC (comprising all the non-executive Directors who have no direct or indirect interest in the H Share Buy-back, namely, Mr. Li Yingbao, Mr. Zheng Xueding, Mr. Xu Jin and Mr. Zhang Xianchu) has been formed in accordance with the Buy-back Code to advise the Disinterested Shareholders on the H Share Buy-back and the H Share Buy-back Agreement.

Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, has been appointed as the independent financial adviser to advise (i) the Listing Rules IBC and the Independent Shareholders, in relation to the H Share Buy-back, the H Share Buy-back Agreement, the Domestic Share Issue and the Domestic Share Subscription Agreement; and (ii) the Takeovers Code IBC and the Disinterested Shareholders, in relation to the H Share Buy-back and the H Share Buy-back Agreement. Such appointment has been approved by the Listing Rules IBC and the Takeovers Code IBC.

A circular containing, amongst others: (i) details of the H Share Buy-back Agreement and the Domestic Share Subscription Agreement; (ii) a letter of recommendation from the Listing Rules IBC to the Independent Shareholders on the H Share Buy-back, the H Share Buy-back Agreement, the Domestic Share Issue and the Domestic Share Subscription Agreement; (iii) a letter of recommendation from the Takeovers Code IBC to the Disinterested Shareholders on the H Share Buy-back and the H Share Buy-back Agreement; and (iv) a letter of advice from the Independent Financial Adviser to the Listing Rules IBC, the Takeovers Code IBC, the Disinterested Shareholders and the Independent Shareholders on the H Share Buy-back, the H Share Buy-back Agreement, the Domestic Share Issue and the Domestic Share Subscription Agreement will be despatched in accordance with the Listing Rules and the Buy-back Code in due course.

Currently, it is the intention of the Company to issue the circular as soon as practicable in accordance with the Takeovers Code. Pursuant to Rule 8.2 of the Takeovers Code, the circular shall be despatched within 21 days after the date of this announcement, or such later date as may be permitted by the Buy-back Code and approved by the Executive. Further announcement(s) will be made by the Company as appropriate.

The Shareholders and potential investors should be aware that each of the H Share Buy-back and the Domestic Share Issue is subject to the fulfilment of a number of conditions precedent as set out in this announcement. There is no assurance that the conditions precedent (including the Executive's approval of the H Share Buy-back) will be granted or that the other conditions precedent will be fulfilled, and consequently the H Share Buy-back and the Domestic Share Issue may or may not proceed. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the shares and other securities of the Company.

THE H SHARE BUY-BACK

On 26 September 2019, the Company entered into the H Share Buy-back Agreement with Three Gorges Capital HK and Three Gorges Capital PRC, pursuant to which the Company conditionally agreed to buy back, Three Gorges Capital PRC conditionally agreed to procure to sell, and Three Gorges Capital HK conditionally agreed to sell 687,024,000 H Shares.

The H Share Buy-back Agreement

Parties

- (a) the Company as purchaser;
- (b) Three Gorges Capital HK as vendor; and
- (c) Three Gorges Capital PRC

The Buy-back Shares

The Buy-back Shares comprise 687,024,000 H Shares, representing approximately 19.88% of the total number of H Shares in issue and approximately 5.43% of the total number of shares of the Company in issue as at the date of this announcement. It represents approximately 52.59% of the 1,306,500,000 H Shares currently held by Three Gorges Capital HK in the Company (“**3GC Investments**”).

Consideration

The buy-back price for each Buy-back Share is US\$0.2863 (equivalent to approximately HK\$2.2443), which was determined based on the commercial and arm’s length negotiations between the parties, taking into consideration of potential financial impacts on both the Company and Three Gorges Group, arising from the H Share Buy-back and Domestic Share Issue. The Buy-back Unit Price of US\$0.2863 (equivalent to approximately HK\$2.2443) per H Share represents:

- (a) a premium of approximately 60.31% over the closing price of HK\$1.4000 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 51.44% over the average closing price of HK\$1.4820 per H Share based on the daily closing prices of the H Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;

- (c) a premium of approximately 48.04% over the average closing price of HK\$1.5160 per H Share based on the daily closing prices of the H Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 42.95% over the average closing price of HK\$1.5700 per H Share based on the daily closing prices of the H Shares as quoted on the Stock Exchange for the 20 consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a premium of approximately 43.59% over the average closing price of HK\$1.5630 per H Share based on the daily closing prices of the H Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day; and
- (f) a premium of approximately 6.36% over the unaudited net asset value of the Company of RMB1.90 (equivalent to approximately HK\$2.11) per H Share as at 30 June 2019.

The consideration for the H Share Buy-back will be settled in cash by the Company.

As informed by Three Gorges Capital HK, the original purchase price of the Buy-back Shares to Three Gorges Capital HK was HK\$2 per H Share.

Conditions precedent to the H Share Buy-back

The completion of the H Share Buy-back is conditional upon the following conditions:

- (a) the passing of the requisite resolution by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders in attendance in person or by proxy at the EGM and each of the Class Meetings approving the H Share Buy-back Agreement and the H Share Buy-back;
- (b) the passing of the requisite resolution by at least two-thirds of the votes cast on a poll by the Independent Shareholders in attendance in person or by proxy at the EGM and each of the Class Meetings approving the H Share Buy-back;
- (c) the Executive approving the H Share Buy-back by the Company (and such approval not having been withdrawn) and the condition(s) on which such approval is given, if any, having been satisfied or waived (as the case may be);
- (d) all conditions precedent of the Domestic Share Subscription Agreement having been fulfilled (other than the condition precedent relating to the fulfilment of the conditions precedent under the H Share Buy-back Agreement);

- (e) the CBIRC Approval in respect of holding of shares in the Company directly and/or indirectly by Three Gorges Corporation having been obtained (and such approval not having been withdrawn) and the condition(s) on which such approval is given, if any, having been satisfied or waived (as the case may be);
- (f) the Stock Exchange having granted its approval (and such approval not having been withdrawn) under Rule 10.06(3) of the Listing Rules for the issue of new shares of the Company pursuant to the Domestic Share Issue within 30 days after the H Share Buy-back; and
- (g) the approval from the State Administration of Foreign Exchange of the PRC in respect of the cross-border remittance of an amount from the PRC to Hong Kong for (or equivalent to the sum required for) settling the consideration payable by the Company in respect of the H Share Buy-back having been obtained.

None of these conditions can be waived by the Company, Three Gorges Capital PRC or Three Gorges Capital HK under the H Share Buy-back Agreement.

As at the date of this announcement, only condition precedent (f) above has been fulfilled.

In the event that the above conditions shall not have been fulfilled by the Long Stop Date (or such other date as may be agreed by the parties), unless the parties to the H Share Buy-back Agreement mutually agree to an extension, the H Share Buy-back will not proceed, and the parties shall not be bound to proceed with the H Share Buy-back and the H Share Buy-back Agreement will cease to be of any effect (save for certain specific clauses).

Completion

The completion of the H Share Buy-back shall take place within 15 business days following the date on which all the conditions to the H Share Buy-back are satisfied, or such other date as parties to the H Share Buy-back Agreement may agree. Completion of the H Share Buy-back and completion of the Domestic Share Issue are conditional upon each other and completion of the H Share Buy-back shall take place on the same day as the completion of the Domestic Share Issue.

As at the date of this announcement, Three Gorges Capital HK holds 1,306,500,000 H Shares in issue, representing approximately 37.80% of the total number of H Shares in issue and approximately 10.33% of the total number of shares of the Company. Upon completion of the H Share Buy-back, Three Gorges Capital PRC will be required to procure to transfer, and Three Gorges Capital HK will be required to transfer, the Buy-back Shares to the Company for cancellation.

The Buy-back Shares shall be sold together with all rights now or hereafter attached or attaching to them, including all rights to any dividend and other distribution declared, made or paid on or after the date of the H Share Buy-back Agreement.

THE DOMESTIC SHARE ISSUE

The major terms and conditions of the Domestic Share Subscription Agreement are set out as follows:

Parties

- (a) Issuer: the Company
- (b) Subscriber: Three Gorges Corporation

New Domestic Shares to be issued

Three Gorges Corporation conditionally agreed to subscribe for an aggregate of 687,024,000 new Domestic Shares, with an aggregate nominal value of RMB687,024,000. Such new Domestic Shares represent approximately 7.48% of the total number of Domestic Shares in issue and approximately 5.43% of the total number of shares of the Company in issue as at the date of this announcement.

Assuming there is no change to the number of shares of the Company in issue other than the issue of the new Domestic Shares pursuant to the Domestic Share Subscription Agreement and cancellation of the Buy-back Shares, immediately after completion of the Domestic Share Issue, Three Gorges Corporation will directly hold an aggregate of 687,024,000 Domestic Shares (representing approximately 7.48% of all the Domestic Shares in issue). Such 687,024,000 new Domestic Shares will be issued under the Specific Mandate.

Like the existing Domestic Shares in issue, the transfer and subsequent sale of the new Domestic Shares to be issued can be made in accordance with the relevant provisions of the Articles, subject to the applicable PRC laws. The new Domestic Shares to be issued will rank, upon issue, *pari passu* in all respects with the existing Domestic Shares in issue at the time of allotment and issue of such new Domestic Shares.

Subscription price

The subscription price per new Domestic Share for the Domestic Share Issue is equal to the RMB Equivalent of the Buy-back Unit Price of US\$0.2863.

The subscription price for the Domestic Share Issue is determined after arm's length negotiations between the Company and Three Gorges Corporation, with reference to the Buy-back Unit Price.

Conditions precedent to the Domestic Share Issue

The Domestic Share Issue is conditional upon the fulfilment of the following conditions:

- (a) the passing of the requisite resolution by at least two-thirds of the votes cast on a poll by the Independent Shareholders in attendance in person or by proxy at the EGM and each of the Class Meetings approving the Domestic Share Issue and the Specific Mandate;
- (b) all conditions precedent of the H Share Buy-back Agreement having been fulfilled (other than the condition precedent relating to the fulfilment of the conditions precedent under the Domestic Share Subscription Agreement); and
- (c) all necessary approvals, consents and waivers including from the Exchange and the CBIRC etc. having been obtained (and if such approvals, consents and waivers are subject to conditions, such conditions being fulfilled or satisfied) and such approvals, consents and waivers remaining valid and effective.

None of these conditions can be waived by the Company or Three Gorges Corporation under the Domestic Share Subscription Agreement.

In the event that the above conditions shall not have been fulfilled by the Long Stop Date (or such other date as may be agreed by the parties), unless the parties to the Domestic Share Subscription Agreement mutually agree to an extension, the Domestic Share Issue will not proceed, and the parties shall not be bound to proceed with the proposed Domestic Share Issue and the Domestic Share Subscription Agreement will cease to be of any effect (save for certain specific clauses).

As at the date of this announcement, none of the condition precedents to the Domestic Share Issue has been fulfilled.

Completion

The completion of the Domestic Share Issue shall take place on a date which is to be agreed by the parties to the Domestic Share Subscription Agreement within 15 business days following the date on which all the conditions to the Domestic Share Issue are satisfied. Completion of the Domestic Share Issue and completion of the H Share Buy-back are conditional upon each other and completion of the Domestic Share Issue shall take place on the same day as the completion of the H Share Buy-back.

Specific Mandate

The new Domestic Shares will be issued under a specific mandate to be sought at the EGM and the Class Meetings.

TRANSACTION COSTS OF THE H SHARE BUY-BACK AND THE DOMESTIC SHARE ISSUE

On 26 September 2019, the Company also entered into the Costs Agreement with Three Gorges Capital HK, pursuant to which Three Gorges Capital HK agreed to bear all transaction costs and all other applicable costs, expenses and taxes associated with the H Share Buy-back and the Domestic Share Issue incurred by the parties involved.

USE OF PROCEEDS AFTER COMPLETION OF THE H SHARE BUY-BACK AND THE DOMESTIC SHARE ISSUE

As the Company will, on the one hand, buy back from Three Gorges Capital HK 687,024,000 H Shares at the consideration of US\$0.2863 (equivalent to approximately HK\$2.2443) per Buy-back Share pursuant to the H Share Buy-back Agreement and, on the other hand, issue to Three Gorges Corporation 687,024,000 Domestic Shares at a subscription price per new Domestic Share equal to the RMB Equivalent of the H Share Buy-back Price of US\$0.2863 pursuant to the Domestic Share Subscription Agreement, and completion of the H Share Buy-back and completion of the Domestic Share Issue will be conditional upon each other and will take place on the same day, it is expected that no net proceeds will be derived by the Company from the completion of the H Share Buy-back and of the Domestic Share Issue, and the Company will not recognize any net profit or loss upon completion of the H Share Buy-back and of the Domestic Share Issue.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the completion of the H Share Buy-back and the Domestic Share Issue:

					Immediately after completion of the H Share Buy-back and the Domestic Share Issue		
As at the date of this announcement							
			Approx. % shareholding in the relevant class of shares of the Company	Approx. % in the Company's total shareholding		Approx. % shareholding in the relevant class of shares of the Company	Approx. % in the Company's total shareholding
	Class of Shares	Number of Shares			Number of Shares		
<i>Domestic Shareholders</i>							
China Development Bank#	Domestic Shares	8,141,332,869	88.63%	64.40%	8,141,332,869	82.46%	64.40%
HNA Group Company Ltd.#	Domestic Shares	795,625,000	8.66%	6.29%	795,625,000	8.06%	6.29%
Three Gorges Corporation#	Domestic Shares	–	–	–	687,024,000	6.96%	5.43%
Other domestic shareholders#	Domestic Shares	248,804,131	2.71%	1.97%	248,804,131	2.52%	1.97%
<i>Total domestic shares</i>	<i>Domestic Shares</i>	<i>9,185,762,000</i>	<i>100.00%</i>	<i>72.66%</i>	<i>9,872,786,000</i>	<i>100.00%</i>	<i>78.09%</i>
<i>H Shareholders</i>							
Three Gorges Capital HK*	H Shares	1,306,500,000	37.80%	10.33%	619,476,000	22.37%	4.90%*
Hengjian International Investment Holding (Hong Kong) Ltd.	H Shares	523,310,000	15.14%	4.14%	523,310,000	18.89%	4.14%
China Reinsurance (Group) Corporation	H Shares	439,702,000	12.72%	3.48%	439,702,000	15.88%	3.48%
National Council for Social Security Fund	H Shares	272,666,000	7.89%	2.16%	272,666,000	9.84%	2.16%
CSSC International Holding Company Ltd.	H Shares	193,746,000	5.61%	1.53%	193,746,000	7.00%	1.53%

		As at the date of this announcement			Immediately after completion of the H Share Buy-back and the Domestic Share Issue		
		Number of Shares	Approx. % shareholding in the relevant class of shares of the Company	Approx. % in the Company's total shareholding	Number of Shares	Approx. % shareholding in the relevant class of shares of the Company	Approx. % in the Company's total shareholding
Class of Shares							
Other public shareholders	H Shares	720,694,000	20.84%	5.70%	720,694,000	26.02%	5.70%
Public float	H Shares	2,150,118,000	62.20%	17.01%	2,150,118,000	77.63%	17.01%
Total H shares	H Shares	3,456,618,000	100.00%	27.34%	2,769,594,000	100.00%	21.91%
Total shares	Domestic Shares and H Shares	12,642,380,000	100.00%	100.00%	12,642,380,000	100.00%	100.00%

#Note: All holders of Domestic Shares are regarded as non-public shareholders.

**Note: Three Gorges Capital HK is a non-public shareholder. Three Gorges Capital HK is a direct wholly owned subsidiary of Three Gorges Capital PRC, which in turn is a direct non-wholly owned subsidiary of Three Gorges Corporation. Upon completion of the H Share Buy-back and the Domestic Share Issue, assuming there is no change to the share capital of the Company other than as a result of the H Share Buy-back and the Domestic Share Issue, Three Gorges Corporation will hold, through its subsidiaries, a total of 10.33% of the total number of shares of the Company in issue, and thus remain as a substantial shareholder (as defined under the Listing Rules) of the Company.*

Note: The percentage figures above have been rounded up to the nearest second decimal place.

REASONS FOR AND BENEFITS OF THE H SHARE BUY-BACK AND THE DOMESTIC SHARE ISSUE

Under the Implementing Measures of the China Banking Regulatory Commission for Administrative Licensing Matters relating to Non-banking Financial Institutions (Order of the China Banking Regulatory Commission 2015 No.6) (《中國銀監會非銀行金融機構行政許可事項實施辦法》中國銀行業監督管理委員會令2015年第6號), if any investor and its related parties hold more than 5% of total shares of a non-banking financial institution (including a listed financial leasing company, such as shares in the Company), such investor must obtain the CBIRC Approval in respect of its investment. The Company started engaging in discussion and communication with the Shenzhen office of CBIRC in relation to the CBIRC Approval in respect of 3GC Investments before the Company's initial public offering in 2016. In March 2018, the Company received a regulatory notice from the Shenzhen office of CBIRC requesting the Company to rectify the problem of 3GC Investments. The Shenzhen office of CBIRC also indicated that it was not prepared to grant the CBIRC Approval over the 3GC Investments because Three Gorges Capital HK, which is not a financial institution registered outside the PRC, does not fall under the scope of permissible investors of a finance leasing company prescribed under Article 24 of Implementing Measures of the China Banking Regulatory Commission for Administrative Licensing Matters relating to Non-banking Financial Institutions (Order of the China Banking Regulatory Commission 2015 No.6) (《中國銀監會非銀行金融機構行政許可事項實施辦法》中國銀行業監督管理委員會令2015年第6號). The Shenzhen office of CBIRC has stopped the review and approval of any new business developed by the Company before the rectification of the aforesaid problem.

In order to resolve the problem of the 3GC Investments lest the regulatory authority might impose a significant penalty on the Company, the Company and Three Gorges Capital HK have carefully considered the following alternatives to structure its investment in the Company, and that none of the alternatives was found to be practicable:

- (a) **Disposal of some of the H Shares held by Three Gorges Capital HK to an independent third party:** the highest closing price per H Share of the Company in the last six months is HK\$1.9300 (equivalent to approximately US\$0.2462), which is below the subscription price per H Share (approximately HK\$2) paid by Three Gorges Capital HK. It will not be commercially practicable for an independent third party to buy the H Shares from Three Gorges Capital HK at a price which is substantially higher than the current market price of the H Shares;

- (b) ***Disposal of some or all of the H Shares held by Three Gorges Capital HK to its holding companies (including Three Gorges Corporation)***: this could not be pursued with because (i) there are restrictions on the outbound capital investment for PRC companies, and as such it is practically difficult for members of the Three Gorges Group to hold H Shares in mainland China, and (ii) the H Shares do not currently fall within the list of Eligible Securities for Southbound Trading under Shanghai Connect or Shenzhen Connect; and even if the H Shares would at a later stage be included in that list, it is expected that the daily quota would not be able to support a sale and purchase of such a large number of H Shares.

The Company, after assessing the aforesaid alternative resolutions, considers that the proposal involving Domestic Share Issue and H Share Buy-back is the most feasible way to rectify the aforesaid problem among all the alternatives available for their consideration. As such, the Company entered into the H Share Buy-back Agreement and the Domestic Share Subscription Agreement with Three Gorges Group to restructure the shareholding of Three Gorges Group which would be, as advised by the PRC counsel to the Company, permitted under the Implementing Measures of the China Banking Regulatory Commission for Administrative Licensing Matters relating to Non-banking Financial Institutions. The grant of the CBIRC Approval is a condition precedent to the completion of the Domestic Share Issue and the H Share Buy-back.

The percentage interest of Shareholders other than Three Gorges Capital HK or Three Gorges Corporation in the entire issued share capital of the Company will be the same following the cancellation of the Buy-back Shares and the issue of the new Domestic Shares.

The completion of the H Share Buy-back and the Domestic Share Issue will not result in a change in control (as defined under the Takeovers Code) of the Company.

In addition, the Company considers that the value of the H shares will not be affected as a result of the H Share Buy-back and Domestic Share Issue for the following reasons:

- (a) as the total number of H Shares to be bought back by the Company under the H Share Buy-back will be the same as the number of Domestic Shares to be issued by the Company under the Domestic Share Issue, the total number of shares of the Company in issue will be the same immediately before and after the completion of the H Share Buy-back and the Domestic Share Issue;
- (b) as the Company intends to issue the Domestic Shares at the RMB Equivalent of the Buy-back Unit Price, and the transaction costs and all other costs and expenses to be incurred by the Company in relation to the H Share Buy-back and the Domestic Share Issue (if any) are to be borne by Three Gorges Capital HK pursuant to the Costs Agreement, the net asset value per H share and the earnings per H share will not be lowered as a result of the completion of the H Share Buy-back and the Domestic Share Issue;

- (c) from the Company's perspective, the dividend/distribution entitlement and the voting power (at general meetings) of a H Share is the same as that of a Domestic Share.

Taking the foregoing into consideration, the Directors (excluding the non-executive Director and the independent non-executive Directors, who will reserve their judgement after taking advice from the Independent Financial Adviser) believe that the terms and conditions of the H Share Buy-back Agreement and the Domestic Share Subscription Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

LISTING RULES AND BUY-BACK CODE IMPLICATIONS

Listing Rules implications

As at the date of this announcement, Three Gorges Capital HK holds 1,306,500,000 H Shares, representing approximately 37.80% of the total number of H Shares in issue and approximately 10.33% of the total number of shares of the Company in issue. As a substantial shareholder of the Company, Three Gorges Capital HK is a connected person of the Company under the Listing Rules.

Three Gorges Corporation directly holds 70% of the shares in Three Gorges Capital PRC, which in turn holds the entire issued share capital of Three Gorges Capital HK. Three Gorges Capital PRC and Three Gorges Corporation are therefore also connected persons of the Company under the Listing Rules.

Accordingly, each of the H Share Buy-back and the Domestic Share Issue constitutes a connected transaction of the Company and will be subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has material interest in the H Share Buy-back or the Domestic Share Issue, and hence no Director has abstained from voting on the Board resolutions passed for the approval of such transactions.

The EGM and the Class Meetings will be held for the purpose of considering and, if thought fit, approving the relevant requisite resolution(s) in respect of (i) the H Share Buy-back, and (ii) the Domestic Share Issue under the Specific Mandate. Any Shareholder with a material interest in the relevant transactions as contemplated under the requisite resolutions and his associates will abstain from voting on the relevant resolutions approving the said transactions. Each of Three Gorges Corporation, Three Gorges Capital HK, Three Gorges Capital PRC and their respective associates (together, as at the Latest Practicable Date, beneficially holding 1,306,500,000 H Shares, representing approximately 10.33% of the total number of issued shares of the Company) is required to abstain from voting under the Listing Rules at the EGM and each of the Class Meetings.

Buy-back Code implications

The H Share Buy-back constitutes an off-market share buy-back by the Company under the Buy-back Code. Under Rule 2 of the Buy-back Code, approval of the H Share Buy-back by the Executive will be required before the Company acquires any shares pursuant to the H Share Buy-back. The Executive's approval, if granted, will normally be conditional upon, amongst other things, approval of the H Share Buy-back by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at the EGM and each of the Class Meetings of the Company. The Company will make an application to the Executive for approval of the H Share Buy-back pursuant to Rule 2 of the Buy-back Code.

Completion of the H Share Buy-back is subject to the condition, amongst others, that the H Share Buy-back has been approved by the Executive. Therefore, the Company will not proceed with the H Share Buy-back unless the Executive approves the H Share Buy-back pursuant to Rule 2 of the Buy-back Code.

As required by the Buy-back Code, Three Gorges Capital HK (which, as at the date of this announcement, beneficially holds 1,306,500,000 H Shares, representing approximately 10.33% of the total number of issued shares of the Company), Three Gorges Capital PRC and parties acting in concert with each of them will be required to abstain from voting on the resolutions to be proposed at the EGM and each of the Class Meetings for approving the H Share Buy-back Agreement and the possible H Share Buy-back.

As at the date of this announcement, other than the 10.33% interest in the total number of issued Shares of the Company owned by Three Gorges Capital HK and the H Share Buy-back contemplated under the H Share Buy-back Agreement as disclosed in this announcement, neither Three Gorges Capital HK, Three Gorges Capital PRC nor any party acting in concert with each of them:

- (i) holds, owns, controls or directs any shares, convertible securities, warrants, options or derivatives in respect of the shares of the Company;
- (ii) has secured an irrevocable commitment to vote in favour of or against the H Share Buy-back Agreement and/or the H Share Buy-back;
- (iii) holds any warrants, options or securities convertible into shares of the Company or outstanding derivatives in respect of the shares of the Company;
- (iv) has any arrangement (whether by way of option, indemnity or otherwise) or contracts in relation to the shares of the Company or shares of Three Gorges Capital HK and/or Three Gorges Capital PRC (where relevant) which might be material to the H Share Buy-back Agreement and/or the H Share Buy-back;

- (v) has any agreement or arrangement to which Three Gorges Capital HK, Three Gorges Capital PRC and parties acting in concert with each of them is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the H Share Buy-back Agreement and/or the H Share Buy-back; or
- (vi) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Neither Three Gorges Capital HK, Three Gorges Capital PRC nor any party acting in concert with any one of them has acquired or disposed of any voting rights of the Company or has dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of the securities in the Company in the six-month period prior to and including 26 September 2019, being the date of this announcement.

As at the date of this announcement:

- (i) apart from the consideration for the Buy-back Shares under the H Share Buy-back, there is no consideration, compensation or benefit in whatever form paid or to be paid by the Company to Three Gorges Capital HK, Three Gorges Capital PRC or any person acting in concert with each of them in connection with the H Share Buy-back;
- (ii) there is no understanding, arrangement or agreement which would constitute a special deal under Rule 25 of the Takeovers Code between the Company on the one hand, and Three Gorges Capital HK, Three Gorges Capital PRC or any person acting in concert with them on the other hand; and
- (iii) there is no understanding, arrangement or agreement which would constitute a special deal under Rule 25 of the Takeovers Code between (1) any shareholder of the Company, and (2) the Company, its subsidiaries or associated companies.

GENERAL

Information about the Company

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

Information about Three Gorges Capital HK, Three Gorges Capital PRC and Three Gorges Corporation

The entire issued share capital of Three Gorges Capital HK is owned by Three Gorges Capital PRC, and the issued shares of Three Gorges Capital PRC are in turn owned as to 70% by Three Gorges Corporation, 10% by Guoxin Guotong (Zhejiang) Investment Fund LLP* (國新國同(浙江)投資基金合夥企業(有限合夥)), 10% by Yunnan Energy Financial Holding Co., Ltd.* (雲南能源金融控股有限公司), and 10% by China Yangtze Power Co., Ltd. (中國長江電力股份有限公司). Three Gorges Capital HK is principally engaged in (i) investment in any offshore entity going public in offshore markets, (ii) equity investment in any offshore entity, (iii) strategic investment in any industry related to Three Gorges Corporation, (iv) financial investment and (v) management of the investment funds.

Three Gorges Capital PRC is principally engaged in industrial investment, equity investment, securities investment, investment consulting services and assets management.

Three Gorges Corporation is principally engaged in (i) the construction and management of hydroelectric energy projects, (ii) the generation of electricity, (iii) the development of wind electricity, solar energy and hydropower resources, (iii) project contracting and overseas investment and (iv) technology consulting services. Three Gorges Corporation is owned as to 100% by SASAC.

Independent Board Committees and Appointment of Independent Financial Adviser

The Listing Rules IBC (comprising all the independent non-executive Directors who have no direct or indirect interest in the H Share Buy-back, namely, Mr. Zheng Xueding, Mr. Xu Jin and Mr. Zhang Xianchu) has been formed in accordance with the Listing Rules to advise the Independent Shareholders on the H Share Buy-back, the H Share Buy-back Agreement, the Domestic Share Issue and the Domestic Share Subscription Agreement.

The Takeovers Code IBC (comprising all the non-executive Directors who have no direct or indirect interest in the H Share Buy-back, namely, Mr. Li Yingbao, Mr. Zheng Xueding, Mr. Xu Jin and Mr. Zhang Xianchu) has been formed in accordance with the Buy-back Code to advise the Disinterested Shareholders on the H Share Buy-back and the H Share Buy-back Agreement.

Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, has been appointed as the independent financial adviser to advise (i) the Listing Rules IBC and the Independent Shareholders, in relation to the H Share Buy-back, the H Share Buy-back Agreement, the Domestic Share Issue and the Domestic Share Subscription Agreement; and (ii) the Takeovers Code IBC and the Disinterested Shareholders, in relation to the H Share Buy-back and the H Share Buy-back Agreement. Such appointment has been approved by the Listing Rules IBC and the Takeovers Code IBC.

EGM and Class Meetings

The EGM and the Class Meetings will be held to consider and, if thought fit, pass resolutions to approve (i) the H Share Buy-back Agreement and the transactions contemplated thereunder; (ii) the Domestic Share Subscription Agreement and the transactions contemplated thereunder; and (iii) the grant of the specific mandate for the issue of the new Domestic Shares. The voting in relation to the H Share Buy-back Agreement, the Domestic Share Subscription Agreement and the Specific Mandate at the EGM and the Class Meetings will be conducted by way of poll. One class meeting for the Domestic Shareholders (being the Domestic Share Class Meeting) and one class meeting for the H Shareholders (being the H Share Class Meeting) will be convened to consider the H Share Buy-back Agreement, the Domestic Share Subscription Agreement and the transactions contemplated thereunder, as well as the Specific Mandate.

Despatch of Circular

A circular containing, amongst others: (i) details of the H Share Buy-back Agreement and the Domestic Share Subscription Agreement; (ii) a letter of recommendation from the Listing Rules IBC to the Independent Shareholders on the H Share Buy-back, the H Share Buy-back Agreement, the Domestic Share Issue and the Domestic Share Subscription Agreement; (iii) a letter of recommendation from the Takeovers Code IBC to the Disinterested Shareholders on the H Share Buy-back and the H Share Buy-back Agreement; and (iv) a letter of advice from the Independent Financial Adviser to the Listing Rules IBC, the Takeovers Code IBC, the Disinterested Shareholders and the Independent Shareholders on the H Share Buy-back, the H Share Buy-back Agreement, the Domestic Share Issue and the Domestic Share Subscription Agreement will be despatched in accordance with the Listing Rules and the Buy-back Code in due course.

Currently, the Company is making preparations with an aim to issue the circular on or before 2 October 2019. However, there is no assurance that the circular will be issued on or before that date. If there is any delay and it becomes clear that the circular will not be able to be issued by that date, the Company will apply to the Executive for an extension of time for the despatch of the circular. Further announcement(s) will be made by the Company as appropriate.

The Shareholders and potential investors should be aware that each of the H Share Buy-back and the Domestic Share Issue is subject to the fulfilment of a number of conditions precedent as set out in this announcement. There is no assurance that the conditions precedent (including the Executive's approval of the H Share Buy-back) will be granted or that the other conditions precedent will be fulfilled, and consequently the H Share Buy-back and the Domestic Share Issue may or may not proceed. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the shares and other securities of the Company.

DEFINITIONS

Unless the context otherwise requires, the terms used in this announcement shall have the following meanings:

“3GC Investments”	has the meaning ascribed to it in the section headed “The H Share Buy-back Agreement” of this announcement
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Articles”	the articles of association of the Company as revised from time to time
“Board”	the board of Directors
“business day(s)”	a day (excluding Saturdays, Sundays and public holidays and a day on which typhoon signal No. 8 or a black rainstorm warning is hoisted at any time in Hong Kong) on which banks are generally open for business in Hong Kong and in the PRC
“Buy-back Code”	the Code on Share Buy-backs issued by the Securities and Futures Commission (as amended and supplemented from time to time)
“Buy-back Share(s)”	687,024,000 H Shares, representing approximately 19.88% of the total number of H Shares in issue and approximately 5.43% of the total number of shares of the Company, legally and beneficially owned by Three Gorges Capital HK and to be transferred to the Company for cancellation pursuant to the terms and conditions of the H Share Buy-back Agreement

“Buy-back Unit Price”	the unit price at which the Buy-back Shares are to be bought back by the Company under the H Share Buy-back Agreement, being US\$0.2863 per share
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBIRC Approval”	approval to be given by the CBIRC or its local offices under the Measures for the Implementation Concerning Non-bank Financial Institutions for investors and their related parties holding more than 5% of the total number of shares in a non-banking financial institution
“Class Meetings”	the Domestic Share Class Meeting and the H Share Class Meeting
“Company”	China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), a company established in the PRC in 1984 and converted into a joint stock limited company on 28 September 2015, the H Shares of which are listed on the Stock Exchange with stock code of 1606
“connected person”	has the meaning ascribed to it under the Listing Rules
“Costs Agreement”	the costs bearing agreement entered into between the Company and Three Gorges Capital HK on 26 September 2019
“Directors”	the directors of the Company
“Disinterested Shareholder(s)”	Shareholder(s) of the Company other than (i) Three Gorges Capital HK, (ii) Three Gorges Capital PRC, (iii) parties acting in concert with Three Gorges Capital HK or Three Gorges Capital PRC and (iv) any Shareholder(s) who has a material interest in the H Share Buy-back Agreement and/or the H Share Buy-back which is different from the interests of all other Shareholders
“Domestic Shareholder(s)”	holder(s) of the Domestic Shares
“Domestic Shares”	ordinary domestic share(s) with par value of RMB1.00 each in the share capital of the Company

“Domestic Share Class Meeting”	the class meeting of the Domestic Shareholders to be held to consider and, if thought fit, approve, among other things, the H Share Buy-back Agreement, Domestic Share Subscription Agreement and the respective transactions contemplated thereunder, and the Specific Mandate
“Domestic Share Issue”	the proposed issue of new Domestic Shares by the Company to Three Gorges Corporation pursuant to the Domestic Share Subscription Agreement
“Domestic Share Subscription Agreement”	the Domestic Share Subscription Agreement described in the section headed “The Domestic Share Issue” of this announcement
“EGM”	the extraordinary general meeting of the Company to be convened to consider and approve, amongst other things, the H Share Buy-back Agreement, the Domestic Share Subscription Agreement and the transactions contemplated thereunder
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of its delegates
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“H Shareholders”	holder(s) of the H Shares
“H Shares”	overseas listed foreign share(s) with a par value of RMB1.00 each in the share capital of the Company, listed on the Main Board of the Stock Exchange and traded in Hong Kong dollars
“H Share Buy-back”	the proposed purchase of the Buy-back Shares by the Company for the cancellation pursuant to the terms and conditions of the H Share Buy-back Agreement, which constitutes an off-market share buy-back by the Company pursuant to the Buy-back Code

“H Share Buy-back Agreement”	the H Share Buy-back Agreement described in the section headed “The H Share Buy-back” of this announcement
“H Share Class Meeting”	the class meeting of the H Shareholders to be held to consider and, if thought fit, approve, among other things, the H Share Buy-back Agreement, Domestic Share Subscription Agreement and the respective transactions contemplated thereunder, and the Specific Mandate
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Financial Advisor”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser appointed with the approval of the Listing Rules IBC and the Takeovers Code IBC to advise the Listing Rules IBC, the Takeovers Code IBC, the Independent Shareholders and the Disinterested Shareholders
“Independent Shareholder(s)”	Shareholder(s) of the Company other than (i) Three Gorges Corporation and its associates (as defined under the Listing Rules) and (ii) any Shareholder(s) who has a material interest in, so far as the H-Share Buy-back is concerned, the H Share Buy-back Agreement and the H Share Buy-back, and, so far as the Domestic Share Issue is concerned, the Domestic Share Issue and Domestic Share Subscription Agreement, which, in each case, is different from the interests of all other Shareholders
“Last Trading Day”	26 September 2019, being the last trading day on which the H Shares were traded on the Stock Exchange prior to the issue and publication of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Listing Rules IBC”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Zheng Xueding, Mr. Xu Jin and Mr. Zhang Xianchu, who are not involved in the H Share Buy-back for the purpose of advising and giving recommendation to the Independent Shareholders in respect of the H Share Buy-back, the H Share Buy-back Agreement, the Domestic Share Issue and the Domestic Share Subscription Agreement
“Long Stop Date”	a date being 12 months after the date of the H Share Buyback Agreement or the Domestic Share Subscription Agreement (as the case may be)
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“RMB Equivalent”	in relation to a sum in USD, means the sum in RMB to which such sum may be converted at the middle rate for exchange between USD and RMB as published by the State Administration of Foreign Exchange of the PRC on the day of completion of the Domestic Share Issue
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	shareholders of the Company
“Specific Mandate”	the specific mandate proposed to be granted by the Independent Shareholders to the Directors at the EGM and Class Meetings to issue the new Domestic Shares to be issued under the Domestic Share Issue
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the Securities and Futures Commission (as amended and supplemented from time to time)

“Takeovers Code IBC”	the independent committee of the Board comprising all the non-executive Directors, namely Mr. Li Yingbao, Mr. Zheng Xueding, Mr. Xu Jin and Mr. Zhang Xianchu, who are not involved in the H Share Buy-back and the Domestic Share Issue for the purpose of advising and giving recommendation to the Disinterested Shareholders in respect of the H Share Buy-back and the H Share Buy-back Agreement
“Three Gorges Capital HK”	Three Gorges Capital Holdings (HK) Co., Ltd (三峽資本控股(香港)有限公司)
“Three Gorges Capital PRC”	三峽資本控股有限責任公司(Three Gorges Capital Holdings Company Limited*)
“Three Gorges Corporation”	中國長江三峽集團有限公司(China Three Gorges Corporation*)
“Three Gorges Group”	Three Gorges Corporation, Three Gorges Capital PRC and Three Gorges Capital HK
“USD” or “US\$“	United States dollars, the lawful currency of the United States of America
“%“	per cent.

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

Shenzhen, the PRC
26 September 2019

As at the date of this announcement, the executive Directors are Mr. WANG Xuedong and Mr. HUANG Min; the non-executive Director is Mr. LI Yingbao; and the independent non-executive Directors are Mr. ZHENG Xueding, Mr. XU Jin and Mr. ZHANG Xianchu.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

In this announcement, figures in RMB are expressed as equivalent to an approximate sum of HK\$ for reference only based on the middle exchange rate of HK\$1 to RMB0.9025 as quoted by The People's Bank of China as at the Last Trading Day. There is no assurance that sums in RMB can actually be converted at such exchange rate or at all.

For the purposes of this announcement and illustration only, figures in US\$ are expressed as equivalent to an approximate sum of HK\$ for reference only based on the approximate exchange rate of US\$1.00 to HK\$7.8391. There is no assurance that sums in US\$ or HK\$ could actually be converted at such exchange rate or at all.

** For identification purpose only*