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If you have sold or transferred all your shares in China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), you should at once hand this circular, the proxy form and the reply slip to the purchaser or transferee or to the bank or stockbroker or other licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**ANNUAL REPORT FOR THE YEAR 2022
PROFIT DISTRIBUTION PLAN FOR THE YEAR 2022
FINAL FINANCIAL REPORT FOR THE YEAR 2022
REPORT OF FINANCIAL BUDGET FOR THE YEAR 2023
CHANGE OF ACCOUNTING FIRM FOR THE YEAR 2023
REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2022
REPORT OF THE BOARD OF SUPERVISORS FOR THE YEAR 2022
CONNECTED TRANSACTION – FINANCIAL LEASE TRANSACTION
AND
GENERAL MANDATE TO ISSUE DEBT FINANCING INSTRUMENTS**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



The 2022 Annual General Meeting will be held at 10:00 a.m. on Wednesday, 28 June 2023 at the Meeting Room, CDB Financial Center, No. 2003 Fuzhong Third Road, Futian District, Shenzhen, Guangdong Province, the PRC.

A proxy form for use at the 2022 Annual General Meeting has been dispatched on 11 May 2023 and is also published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.cdb-leasing.com>). If you intend to appoint a proxy to attend such meeting, you are reminded to complete and return the proxy form in accordance with the instructions printed thereon as soon as possible but in any event not less than 24 hours (i.e. 10:00 a.m. on Tuesday, 27 June 2023) before the time fixed for holding such meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending such meeting and voting in person if you so wish. Shareholders who intend to attend such meeting in person or by proxy should complete and return the reply slip dispatched on 11 May 2023 in accordance with the instructions printed thereon on or before Wednesday, 7 June 2023.

* *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.*

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“2022 Annual General Meeting”	the 2022 annual general meeting of the Company to be held at 10:00 a.m. on Wednesday, 28 June 2023 at the Meeting Room, CDB Financial Center, No. 2003 Fuzhong Third Road, Futian District, Shenzhen, Guangdong Province, the PRC
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of directors of our Company
“Board of Supervisors”	the board of supervisors of our Company
“CDB”	China Development Bank, a company established in the PRC in 1994 and converted into a company with limited liability in 2017, the Controlling Shareholder of the Company which holds 64.40% equity interest of the Company
“CDB Development Fund”	CDB Development Fund Corporation (國開發基金有限公司), a limited liability company established in the PRC in 2015, and a wholly owned subsidiary of CDB
“Company” or “our Company”	China Development Bank Financial Leasing Co., Ltd., 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 the stock code of 1606
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary shares in the Company’s share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Finance Lease Agreement” or “Finance Lease Arrangement”	the finance lease agreements in respect of the Leased Assets to be entered into by the Company (as the Lessor) and the Lessee upon the approval by the 2022 Annual General Meeting

DEFINITIONS

“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) contained in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Stock Exchange and traded in Hong Kong dollars
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee under the Board, comprising all of the independent non-executive Directors, being Mr. Zheng Xueding, Mr. Xu Jin and Mr. Zhang Xianchu. The committee is established to advise the Independent Shareholders in relation to the Finance Lease Agreement and the transaction thereunder
“Independent Financial Adviser” or “Maxa Capital”	Maxa Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in relation to the Finance Lease Agreement and the transaction thereunder
“Independent Shareholder(s)”	Shareholder(s) who is/are not required to abstain from voting on the resolution to consider and approve the Finance Lease Agreement
“independent third party(ies)”	individuals or companies independent to, and do not have any connected relationship with any members of the Group, Directors, chief executive officer and substantial Shareholders of the Company and its subsidiaries as well as their respective associates
“Latest Practicable Date”	2 June 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in the circular
“Leased Assets”	the auxiliary equipment assets of the Wuhan-Shiyan intercity railway located in Hubei Province, the PRC

DEFINITIONS

“Lessee”	Hubei Hanshi Intercity Railway Co., Ltd.* (湖北漢十城際鐵路有限責任公司)
“Lessor”	the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“NFRA”	National Financial Regulatory Administration* (國家金融監督管理總局), which was officially established on the basis of the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) with incorporation of certain functions of PBOC and the China Securities Regulatory Commission (中國證券監督管理委員會) on 18 May 2023
“PBOC”	the People’s Bank of China, the central bank of the PRC
“PRC”	the People’s Republic of China
“PRC Company Law”	the Company Law of the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, including H Share(s) and Domestic Share(s)
“Shareholder(s)”	holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	supervisor(s) of the Company
“USD”	United States dollar(s), the lawful currency of the United States
“%”	per cent

LETTER FROM THE BOARD



国银金租

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)

Executive Directors:

Ms. Ma Hong (*Chairman*)

Mr. Huang Min

Non-executive Directors:

Mr. Li Yingbao

Mr. Yang Guifang

Independent Non-executive Directors:

Mr. Zheng Xueding

Mr. Xu Jin

Mr. Zhang Xianchu

Registered Office:

CDB Financial Center

No. 2003 Fuzhong Third Road

Futian District, Shenzhen

Guangdong Province

the PRC

Principal Place of Business in Hong Kong:

31/F, Tower Two, Times Square

1 Matheson Street

Causeway Bay

Hong Kong

7 June 2023

To the Shareholders

Dear Sir or Madam,

**ANNUAL REPORT FOR THE YEAR 2022
PROFIT DISTRIBUTION PLAN FOR THE YEAR 2022
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INTRODUCTION

The purpose of this circular is to provide you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the 2022 Annual General Meeting as described below.

LETTER FROM THE BOARD

At the 2022 Annual General Meeting, ordinary resolutions will be proposed to (i) consider and approve the annual report for the year 2022; (ii) consider and approve the profit distribution plan for the year 2022; (iii) consider and approve the final financial report for the year 2022; (iv) consider and approve the report of financial budget for the year 2023; (v) consider and approve the change of accounting firm for the year 2023; (vi) consider and approve the report of the Board of Directors for the year 2022; (vii) consider and approve the report of the Board of Supervisors for the year 2022; (viii) consider and approve the finance lease transaction in relation to the sale-and-leaseback of auxiliary equipment assets with Hubei Hanshi Intercity Railway Co., Ltd.; and a special resolution will be proposed to consider and approve the general mandate to issue debt financing instruments.

ANNUAL REPORT FOR THE YEAR 2022

An ordinary resolution will be proposed at the 2022 Annual General Meeting to approve the annual report for the year 2022. Please refer to the Company's annual report for the year 2022 published on 31 March 2023 on the websites of the Stock Exchange and the Company.

PROFIT DISTRIBUTION PLAN FOR THE YEAR 2022

An ordinary resolution will be proposed at the 2022 Annual General Meeting to approve the profit distribution plan for the year 2022.

Pursuant to the relevant requirements as stipulated in the PRC Company Law and the Articles of Association, and taking into consideration the needs of capital with respect to Shareholders' returns and the business development of the Company, the Board recommended the profit distribution plan for the year 2022 as follows:

1. The net profit of the Group as at the end of 2022 amounted to RMB3,351,072,758; the total amount of dividend distribution amounted to approximately RMB1,005,322 thousand, accounting for 30% of the net profit of the Group for the year 2022.
2. Based on the total share capital of the Company of 12,642,380,000 Shares, for the year ended 31 December 2022, the Company distributes a final dividend of RMB0.7952 per 10 Shares (inclusive of tax), and the corresponding profit distribution amounted to approximately RMB1,005,322 thousand. In principle, payments will be made to holders of Domestic Shares in RMB and holders of H Shares in HK\$. The exchange rate of HK\$ will be the average closing price of HK\$ against RMB announced by the PBOC for the five working days prior to the date of dividend distribution declaration. Specific currencies for payment will be adjusted in accordance with the actual situation.

FINAL FINANCIAL REPORT FOR THE YEAR 2022

An ordinary resolution will be proposed at the 2022 Annual General Meeting to approve the final financial report for the year 2022.

LETTER FROM THE BOARD

The audited financial statements which were prepared in compliance with the International Financial Reporting Standards and the auditor's report of the Company for the year 2022 have been set out in the Company's annual report for the year 2022. Please refer to the Company's annual report for the year 2022 published on 31 March 2023 on the websites of the Stock Exchange and the Company.

REPORT OF FINANCIAL BUDGET FOR THE YEAR 2023

An ordinary resolution will be proposed at the 2022 Annual General Meeting to approve the report of financial budget for the year 2023.

To implement the development strategy of the Company, seize significant strategic opportunities in the leasing industry during the "Fourteenth Five-year" period, and maintain steady growth of the Company's business in 2023, the operating expense budget of the Company for 2023 is approximately RMB19,581 million, representing a year-on-year actual decrease of RMB513 million or 2.55% as compared with the same period of 2022. The fixed asset investment budget is approximately RMB36 million.

The above budget amounts are only estimated according to the Company's business plans. The actual expenditures for specific business should be charged based on actual price and market conditions when the business occurs.

CHANGE OF ACCOUNTING FIRM FOR THE YEAR 2023

An ordinary resolution will be proposed at the 2022 Annual General Meeting in respect of the change of accounting firm for the year 2023.

Considering the term of the existing accounting firm engaged by the Company will expire upon the conclusion of the 2022 Annual General Meeting, on the recommendation of the audit committee of the Company, the Board proposed to engage BDO China Shu Lun Pan Certified Public Accountants LLP (issuance of audit report in accordance with the PRC standards) and BDO Limited (issuance of audit report in accordance with the international standards) as the auditors of the Company for the year 2023. The term of appointment will last till the date of the resolution in relation to the appointment of auditors for the year being considered and approved at the 2023 annual general meeting of the Company. It is also proposed at the 2022 Annual General Meeting to approve the authorization to the Board to determine the service fees in accordance with the auditors' service scope, workload and other factors.

REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2022

An ordinary resolution will be proposed at the 2022 Annual General Meeting to approve the report of the Board of Directors for the year 2022. Please refer to the report of the Board of Directors as set out in the Company's annual report for the year 2022 published on the websites of the Stock Exchange and the Company on 31 March 2023.

LETTER FROM THE BOARD

REPORT OF THE BOARD OF SUPERVISORS FOR THE YEAR 2022

An ordinary resolution will be proposed at the 2022 Annual General Meeting to approve the report of the Board of Supervisors for the year 2022. Please refer to the report of the Board of Supervisors as set out in the Company's annual report for the year 2022 published on the websites of the Stock Exchange and the Company on 31 March 2023.

CONNECTED TRANSACTION – FINANCIAL LEASE TRANSACTION

An ordinary resolution will be proposed at the 2022 Annual General Meeting to approve the finance lease transactions in relation to the sale-and-leaseback of auxiliary equipment assets with Hubei Hanshi Intercity Railway Co., Ltd..

Reference is made to the announcement of the Company dated 27 April 2023 in relation to the Finance Lease Agreement.

On 27 April 2023 (after trading hours), the Company (as the Lessor) and the Lessee agreed on the principal terms of the Finance Lease Arrangement, pursuant to which (i) the Lessor agreed to purchase the Leased Assets from the Lessee at a consideration of RMB2,500,000,000, and (ii) the Lessor agreed to lease the Leased Assets to the Lessee with a lease period of 120 months.

Details of the Finance Lease Agreement are summarized as follows:

Date

The Company (as the Lessor) will determine the execution date and enter into the Finance Lease Agreement with the Lessee upon the approval at the 2022 Annual General Meeting.

Parties

Lessor: the Company

Lessee: a state-owned enterprise located in Hubei Province, the PRC, which is principally engaged in the businesses of construction of intercity railways and the preparation, operation and management of passenger and freight transport projects, etc.

LETTER FROM THE BOARD

Leased Assets

The Leased Assets are the auxiliary equipment assets of the Wuhan-Shiyan intercity railway located in Hubei Province. As at 31 January 2023, being the valuation reference date, the total appraised value of the Leased Assets is approximately RMB2,778,111,082.50 using the verified book value method and based on the key assumptions below:

I. Transaction benchmark assumptions

It is assumed that the Leased Assets are in the course of market transaction as at the valuation reference date.

II. Open market benchmark assumptions

It is assumed that the transaction market of the Leased Assets as at the valuation reference date is an open market.

III. Assumption of continuous use of assets

It is assumed that the Leased Assets are in continuous use according to current use and method, scale, frequency, condition of use etc.. The Lessee does not separately calculate the profits before and after tax of the Leased Assets. The consideration for the transfer was mainly made with reference to the appraised value of the Leased Assets.

Based on the discussions with the valuer and review of the valuation report, the Board considers that (i) the valuation method applied is consistent with relevant PRC regulations and requirements, which follows common practices or criteria of the market and comply with the actual conditions of the appraisal objects, and overall the bases and key assumptions used are fair and reasonable; (ii) the appraisal approaches adopted comply with relevant rules issued by the NFRA, and the appraisal results reflected the market value of the appraisal objects as at the valuation reference date in an objective and fair way, which provides reference basis for the transfer consideration in the Finance Lease Agreement, and shows that there is relativity between the appraisal approach and the appraisal purposes; and (iii) necessary appraisal procedures have been conducted in accordance with the requirements of relevant PRC laws and regulations and industry codes, and therefore the valuation is fair and reasonable.

Lease Period

120 months

LETTER FROM THE BOARD

Rent and Method of Payment

Pursuant to the Finance Lease Agreement, the Lessor agreed to lease back the Leased Assets to the Lessee. The rent, including value-added taxes, is calculated and paid in RMB and comprised of lease principal and lease interest. In particular, the lease principal is of the same amount as the transfer consideration, totaling RMB2,500,000,000. The total amount of lease interest for the lease period is approximately RMB587,909,770.83. The lease principal and lease interest shall be paid by the Lessee to the Lessor on a semi-annual basis in installments during the lease period.

The terms of the Finance Lease Agreement, including the transfer consideration for the Leased Assets, lease principal, lease interest and other expenses under the Finance Lease Agreement were determined upon arm's length negotiation between the Lessee and the Lessor with reference to the appraised value of the Leased Assets and the prevailing market prices of the same category of finance lease products in the PRC.

Leased Assets and Their Ownership

The Lessee has agreed to transfer and/or change the registration of the Leased Assets to the Lessor during the lease period at a total transfer consideration of RMB2,500,000,000. The consideration will be paid by the Lessor's self-owned funds and/or commercial loans. At the same time, the Lessor has agreed to lease back the Leased Assets to the Lessee. The Lessee is entitled to the possession, usage and benefits of such assets. Upon expiration of the lease period, the Lessee may purchase back the Leased Assets from the Lessor at a total consideration of RMB500 in nominal value.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE AGREEMENT

The transaction under the Finance Lease Arrangement is entered into by the Company during its ordinary and usual course of business. Entering into the Finance Lease Arrangement is beneficial for the Company to enhance its market competitiveness, increase the income of its finance lease business and is in line with the Company's business development strategy.

The Directors are of the view (other than the independent non-executive Directors who will give their views after considering the advice of the Independent Financial Adviser) that the terms under the Finance Lease Agreement were on normal commercial terms in the ordinary course of business of the Company and are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole. As Mr. Li Yingbao, a non-executive Director, serves at CDB, he is deemed to have a material interest in the Finance Lease Agreement and the transactions contemplated thereunder. Mr. Li Yingbao has abstained from voting when the resolution regarding the Finance Lease Arrangement was being approved at the Board meeting.

LETTER FROM THE BOARD

INFORMATION OF THE PARTIES

Information of the Company

The Company is a company established in the PRC in 1984 and converted into a joint stock limited company on 28 September 2015. The principal business of the Company includes providing comprehensive leasing services to high-quality customers in industries including aviation, infrastructure, shipping, inclusive finance, new energy and manufacturing of high-end equipment.

Information of the Lessee

The Lessee is a state-owned enterprise incorporated in the PRC on 29 April 2014 and located in Hubei Province, the PRC, which is principally engaged in the businesses of construction of intercity railways and the preparation, operation and management of passenger and freight transport projects. CDB, the Controlling Shareholder of the Company, holds approximately 32.80% equity interest in the Lessee through its wholly-owned subsidiary, CDB Development Fund; China Railway Wuhan Group Co., Ltd.* (中國鐵路武漢局集團有限公司) holds 20.00% equity interest in the Lessee, and its ultimate beneficial owner is the Ministry of Finance of the People's Republic of China; Hanjiang State-owned Capital Investment Group Co., Ltd.* (漢江國有資本投資集團有限公司) holds 16.97% equity interest in the Lessee, and its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of Xiangyang Municipal People's Government; Xiaogan City Construction Investment Company* (孝感市城市建設投資公司) holds 9.06% equity interest in the Lessee, and its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of Xiaogan Municipal People's Government; Shiyan State-owned Capital Investment and Operation Group Co., Ltd.* (十堰國有資本投資運營集團有限公司) holds 7.89% equity interest in the Lessee, and its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of Shiyan People's Government; Hubei Railway Group Co., Ltd.* (湖北鐵路集團有限公司) holds 7.20% equity interest in the Lessee, and its ultimate beneficial owner is the State-owned Assets Supervision and Administration of Hubei Provincial People's Government; Suizhou City Investment Group Co., Ltd.* (隨州市城市投資集團有限公司) holds 6.08% equity interest in the Lessee, and its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of Suizhou Municipal People's Government.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, given that CDB is the Controlling Shareholder of the Company, and holds approximately 32.80% equity interest in the Lessee through its wholly-owned subsidiary, CDB Development Fund, the Lessee constitutes a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transaction contemplated under the Finance Lease Agreement entered into between the Company and the Lessee constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As the highest applicable percentage ratio (as defined in the Listing Rules) for the transaction contemplated under the Finance Lease Agreement under Chapter 14 of the Listing Rules is higher than 5% but lower than 25%, such transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement and independent Shareholders' approval requirements.

GENERAL MANDATE TO ISSUE DEBT FINANCING INSTRUMENTS

A special resolution will be proposed at the 2022 Annual General Meeting to approve the general mandate granted to the Board to issue debt financing instruments.

According to the provisions of the PRC Company Law, the Listing Rules and the Articles of Association, in order to broaden financing channels, enhance financing ability and reduce financing costs of the Company, the Company plans to issue not more than RMB47 billion or its equivalent of domestic debt financing instruments (“**Domestic Debt Financing Instruments**”) and overseas debt financing instruments (“**Overseas Debt Financing Instruments**”) (collectively referred to as “**Debt Financing Instruments**”).

In order to leverage on the favorable opportunities in the market, the Board intends to propose at the 2022 Annual General Meeting to grant a general mandate to the Board to issue Debt Financing Instruments of the Company. The details are as follows:

1. Types of Debt Financing Instruments

Domestic Debt Financing Instruments will consist of (as the case may be) ordinary bonds (such as financial bonds, private targeted debt instruments, short-term commercial paper, medium-term notes, super short-term commercial paper and other types which can be issued as permitted by regulatory authorities). Overseas Debt Financing Instruments will consist of (as the case may be) senior unsecured bonds and other types of financing instruments.

2. Issuer, Targets and Method of Issuance of Debt Financing Instruments

Issuer: the Company and/or its subsidiaries will be the issuer of the Domestic Debt Financing Instruments. The Company and/or its overseas subsidiaries will be the issuer of Overseas Debt Financing Instruments.

Targets of issuance: the domestic and overseas investors who meet the conditions for the offering of the issuance, which may include CDB (which is the Controlling Shareholder and connected person of the Company) and/or its associates, and other independent third parties.

LETTER FROM THE BOARD

Method of issuance: by approval by or filing with the NFRA and other relevant authorities according to relevant regulations, Domestic Debt Financing Instruments are offered on a one-off, multiple issuance or multi-tranche issuance basis to the public within the PRC, or issued under non-public targeted issuance specifically to qualified investors in accordance with relevant regulations. Overseas Debt Financing Instruments are offered on a one-off, multiple issuance or multi-tranche issuance basis to the public or non-public targeted qualified investors outside the PRC.

3. Size of Issuance, Price, Interest Rate and Terms of Debt Financing Instruments

Size of issuance: the size of new issuances will be no more than RMB47 billion (inclusive of RMB47 billion and calculated based on the aggregate outstanding balance upon issuance of the instruments, and in the case that an issuance is conducted in a foreign currency, such amount shall be translated based on the median of the exchange rates as quoted by the PBOC on the date of such issuance) in aggregate, and shall be in compliance with the requirements prescribed in the relevant laws and regulations regarding the maximum amount of the Debt Financing Instruments to be issued.

Issuance price and interest rate: in case of the issuance of Domestic Debt Financing Instruments, the issuance price and interest rate are determined in accordance with the domestic market condition at the time of the issuance and relevant requirements in relation to the management of the interest rate of Debt Financing Instruments; in case of the issuance of Overseas Debt Financing Instruments, the issuance price and interest rate are determined in accordance with the overseas market conditions at the time of the issuance.

Terms of the Debt Financing Instruments: flexible tenors, with a single tenor or hybrid with multiple tenors.

LETTER FROM THE BOARD

Listing of the Debt Financing Instruments: the time of listing will be determined depending on the actual condition of the Company and the then domestic and overseas market conditions.

4. Security Arrangement of Debt Financing Instruments

The security arrangement of Debt Financing Instruments is authorized to the Board and it is agreed that the Board authorizes the senior management to determine such security arrangement in accordance with laws.

5. Use of Proceeds

The proceeds to be raised from the issuance of Debt Financing Instruments will be used for general working capital to satisfy the business and operation needs of the Company and replenish the operating capital of the Company (including but not limited to the repayment of bank loans, bonds, placements from banks etc. and/or investment in aircraft leasing, infrastructure leasing, ship leasing, inclusive finance and others business).

6. Validity Period of the Resolution

Such resolution of the general meeting regarding the issuance of Debt Financing Instruments and the general mandate granted to the Board shall be valid from the date of approval on such resolution at the 2022 Annual General Meeting until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of period for the Company's next annual general meeting required to be held under the Articles of Association or other relevant rules or regulations; and
- (iii) the revocation or variation of the authority under the above resolution by a special resolution passed at a general meeting of the Company.

Where the Board has, during the term of the authorization, decided to issue or partially issue Debt Financing Instruments and the Company has obtained the approval, license, filing or registration from the regulatory authorities on the issuance (if applicable), the Company may complete the issuance or relevant partial issuance of Debt Financing Instruments during the validity period of such approval, license, filing or registration confirmation.

LETTER FROM THE BOARD

7. Authorization for the Issuance of Debt Financing Instruments

To ensure effective coordination of the issuance of Debt Financing Instruments and specific matters in the issuance process, the Board proposes to the general meeting to authorize the Board, approve the Board to further authorize the senior management, and approve the senior management to further delegate powers within the scope of its authorization to deal with all matters in relation to the issuance of Debt Financing Instruments at its absolute discretion in accordance with the relevant laws, regulations and opinions and advice from the regulatory authorities, within the framework and under the principles considered and approved at the general meeting, and in compliance with the general principle of acting in the best interest of the Company, including:

- (i) applying for the relevant business qualifications from the regulatory authorities and formulating or adjusting the specific plans for the issuance of Debt Financing Instruments in accordance with the applicable laws, regulations and relevant provisions from the regulatory authorities as well as the resolution passed at the Company's general meeting for such purposes, and based on the specific conditions of the Company and the relevant domestic and overseas debt markets, including but not limited to, the appropriate issuer(s), the structure of issuance, the timing of issuance, specific amount and method of issuance, the terms of issuance, targets of issuance and duration, whether to issue through one or more offerings or on multi-tranche issuance, multi-category issuance basis and, if on multiple issuance, multi-tranche issuance or multi-category issuance basis, the size and term of each issuance, each tranche and each category thereof, the ways in which the nominal value and interest rate are determined, currency (including offshore RMB), pricing method, issuance arrangements, guarantee letter, comfort letter or keep-well and asset repurchase agreement arrangement, rating arrangement, specific methods of application and subscription, whether to incorporate terms of repurchase or redemption, specific arrangement on non-public targeted issuance, use of proceeds, registration, listing of Debt Financing Instruments and place of listing, measures to mitigate repayment risks, measures to ensure debt repayment and all matters relating to the issuance of Debt Financing Instruments;
- (ii) determining for the engagement of underwriters and agencies, signing, executing, amending and completing all agreements and documents relating to the issuance of Debt Financing Instruments, including but not limited to underwriting agreement, bond indenture, guarantee agreement, comfort letter or keep-well and asset repurchase agreement, engagement letter with agency, trust deed, liquidation management agreement, registration and custody agreement, listing agreement and other legal documents, etc., and disclosing the relevant information in accordance with the relevant laws, regulations and the Listing Rules, including but not limited to the preliminary and final offering memoranda of the Debt Financing Instruments, and all announcements and circulars in relation to the issuance of Debt Financing Instruments;

LETTER FROM THE BOARD

- (iii) selecting and engaging trustee(s) and liquidation manager(s) for the issuance of Debt Financing Instruments, signing the trust deed and liquidation management agreement and (if applicable) formulating rules for meetings of the holders of the Debt Financing Instruments;
- (iv) handling all applications and listing matters with regard to the issuance of Debt Financing Instruments, including but not limited to preparing, revising and submitting relevant application materials relating to the issuance and listings of Debt Financing Instruments, any guarantee, comfort letter or keep-well and asset repurchase agreement to be provided by the Company, the issuer and/or third party(ies), and signing the relevant applications and filing documents and other legal documents;
- (v) except for matters required to be re-voted at the general meeting pursuant to the relevant laws, regulations and the Articles of Association, making relevant adjustments to matters relating to the issuance of Debt Financing Instruments according to changes in the opinions of the regulatory authorities, policies or market conditions, or determining whether to continue with all or part of the work in respect of the issuance of Debt Financing Instruments in accordance with the actual situation; and
- (vi) dealing with other matters in relation to the issuance of Debt Financing Instruments.

It is proposed that the senior management of the Company be delegated to exercise the powers within the scope of the afore-mentioned authorization from the date the afore-mentioned authorization and delegation are approved at the 2022 Annual General Meeting.

As disclosed above, the targets of the issuance of the Debt Financing Instruments include CDB (which is the Controlling Shareholder and connected person of the Company) and/or its associates, and other independent third parties. Part of the Debt Financing Instruments issued by the Company to the independent third parties will be undertaken by CDB and/or its associates, and the commission to be paid by the Company to CDB and/or its associates is subject to the New Bond Underwriting Service Framework Agreement entered into by both parties on 12 November 2021. Details of the New Bond Underwriting Service Framework Agreement were disclosed in the announcement published by the Company on the websites of the Stock Exchange and the Company on 12 November 2021 and the circular dispatched on 8 December 2021 with a term from 1 January 2022 to 31 December 2024. The Company will also comply with the applicable requirements under Chapter 14A of the Listing Rules in relation to the transactions under which CDB and/or its associates purchase the Debt Financing Instruments as an investor.

LETTER FROM THE BOARD

2022 ANNUAL GENERAL MEETING

Notice of the 2022 Annual General Meeting to be held at 10:00 a.m. on Wednesday, 28 June 2023 at the Meeting Room, CDB Financial Center, No. 2003 Fuzhong Third Road, Futian District, Shenzhen, Guangdong Province, the PRC has been published on the websites of the Stock Exchange and the Company on 11 May 2023.

Since CDB, being the Controlling Shareholder of the Company, and its associates has material interests in the Finance Lease Agreement and the transactions contemplated thereunder, CDB and its associates, accordingly, will abstain from voting on relevant resolution at the 2022 Annual General Meeting. The total number of Shares held by CDB and its associates to abstain from voting is 8,141,332,869 Shares (representing approximately 64.4% of the total issued share capital of the Company, and controlled or were entitled to exercise control over the voting rights in respect of the Shares held in the Company). To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save for CDB and its associates, no other Shareholders have any material interests in the Finance Lease Agreement and the transactions contemplated thereunder and will be required to abstain from voting in respect of the relevant resolution.

For determining the entitlement of the Shareholders to attend the 2022 Annual General Meeting, the register of members for H Shares is closed from Monday, 29 May 2023 to Wednesday, 28 June 2023 (both days inclusive). Shareholders whose names appear on the register of members of the Company on Wednesday, 28 June 2023 are entitled to attend and vote at the 2022 Annual General Meeting. Holders of H Shares who wish to attend the 2022 Annual General Meeting but have not registered the transfer documents should have deposited the transfer documents together with the relevant share certificates at the H share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited (the address is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) by no later than 4:30 p.m. on Thursday, 25 May 2023.

If the distribution of final dividend is approved at the 2022 Annual General Meeting, the final dividend will be distributed on Wednesday, 9 August 2023 to the Shareholders whose names appear on the register of members of the Company on Sunday, 9 July 2023. For determining the entitlement of the Shareholders to whom the final dividend will be distributed for the year 2022, the register of members of the Company will be closed from Tuesday, 4 July 2023 to Sunday, 9 July 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order to be entitled to the final dividend for the year 2022 (subject to the approval of the Shareholders), unregistered holders of H Shares are required to deposit the transfer documents at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited (the address is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) by no later than 4:30 p.m. on Monday, 3 July 2023.

LETTER FROM THE BOARD

PROCEDURES FOR VOTING AT THE 2022 ANNUAL GENERAL MEETING

According to Rule 13.39(4) of the Listing Rules, the votes of Shareholders at the 2022 Annual General Meeting will be taken by poll.

RECOMMENDATION

The Directors are of the view that all the resolutions set out in the notice of the 2022 Annual General Meeting for the consideration and approval of the Shareholders are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that Shareholders vote in favor of all the resolutions to be proposed at the 2022 Annual General Meeting.

Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the Board
CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.
Ma Hong
Chairman



国银金租

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)

7 June 2023

Dear Sir/Madam,

CONNECTED TRANSACTION – FINANCIAL LEASE TRANSACTION

We refer to the circular of the Company dated 7 June 2023 to its Shareholders of which this letter forms part. Capitalized terms used in this letter have the same meanings as those defined in the circular unless specified otherwise.

As independent non-executive Directors, we have been appointed as the members of the Independent Board Committee, to advise Independent Shareholders on entering into the Finance Lease Agreement in relation to the sale-and-leaseback of auxiliary equipment assets with Hubei Hanshi Intercity Railway Co., Ltd. and the transaction thereunder (details are set out in the Letter from the Board contained in the circular). Maxa Capital has been appointed to advise the Independent Board Committee and Independent Shareholders on entering into the Finance Lease Agreement in relation to the sale-and-leaseback of auxiliary equipment assets and the transaction thereunder. We have reviewed the qualifications and experience of Maxa Capital and believe that it meets the requirements of independent financial adviser under the Listing Rules.

We request your attention to the Letter from the Board and the Letter from Maxa Capital to us, i.e., the Independent Board Committee, and Independent Shareholders in respect of its opinion on entering into the Finance Lease Agreement in relation to the sale-and-leaseback of auxiliary equipment assets and the transaction thereunder contained in this circular. Upon review of the terms of the Finance Lease Agreement, considering the main considerations and reasons of Maxa Capital and its conclusion and opinion, we are of the view that the entering into the Finance Lease Agreement in relation to the sale-and-leaseback of auxiliary equipment assets and the transaction thereunder are entered into on normal commercial terms in the ordinary and usual course of business of the Company, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

In view of the above, we recommend Independent Shareholders voting for the ordinary resolution in respect of approving the entering into the Finance Lease Agreement in relation to the sale-and-leaseback of auxiliary equipment assets and the transaction thereunder to be submitted to the 2022 Annual General Meeting.

Yours faithfully,

Mr. Zheng Xueding
*Independent Non-executive
Director*

Mr. Xu Jin
*Independent Non-executive
Director*

Mr. Zhang Xianchu
*Independent Non-executive
Director*

Independent Board Committee

LETTER FROM MAXA CAPITAL

The following is the full text of the letter from Maxa Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Unit 1908, Harbour Center
25 Harbour Road
Wan Chai
Hong Kong

7 June 2023

To: the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION FINANCE LEASE TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transaction contemplated under the Finance Lease Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 7 June 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 27 April 2023 (after trading hours), the Company (the “**Lessor**”) and Hubei Hanshi Intercity Railway Co., Ltd.* (湖北漢十城際鐵路有限責任公司) (the “**Lessee**”) agreed on the principal terms of the Finance Lease Agreement, pursuant to which (i) the Lessor agreed to purchase the Leased Assets from the Lessee at a consideration of RMB2,500,000,000, and (ii) the Lessor agreed to lease the Leased Assets to the Lessee with a lease period of 120 months.

As at the Latest Practicable Date, given that CDB is the Controlling Shareholder of the Company, and holds approximately 32.80% equity interest in the Lessee through its wholly-owned subsidiary, CDB Development Fund, the Lessee constitutes a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transaction contemplated under the Finance Lease Agreement entered into between the Company and the Lessee constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined in the Listing Rules) for the transaction contemplated under the Finance Lease Agreement under Chapter 14 of the Listing Rules is higher than 5% but lower than 25%, such transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and a connected transaction of the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement and independent Shareholders’ approval requirements. At the 2022 Annual General Meeting, CDB will abstain from voting on the resolution in relation to the Finance Lease Arrangement.

LETTER FROM MAXA CAPITAL

The Independent Board Committee comprising of all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the transaction contemplated under the Finance Lease Agreement. We, Maxa Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from the Company in accordance with Rule 13.84 of the Listing Rules and, accordingly, are considered eligible to give independent advice on the transaction contemplated under the Finance Lease Agreement. Save for this appointment as the Independent Financial Adviser, we were appointed twice as the independent financial adviser by the Company in the last two years, details of which were set out in the announcement of the Company dated 13 May 2021 and the circular of the Company dated 8 December 2021. The aforesaid previous appointments were limited to providing one-off independent advisory service, for which Maxa Capital received normal professional fees. Accordingly, we do not consider such previous appointments give rise to any conflict of interest for Maxa Capital in acting as the Independent Financial Adviser in respect of this transaction. Apart from normal professional fees payable to us in connection with the previous appointments and this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our advice and recommendations, we have reviewed, among others, (i) the Finance Lease Agreement; (ii) the annual reports of the Company for the two years ended 31 December 2021 (the “**2021 AR**”) and 31 December 2022 (the “**2022 AR**”); and (iii) the Company’s internal reports in relation to connected transaction. We consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Group (the “**Management**”), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the date of this letter. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. Our opinion is based on the Directors’ representation and confirmation that no material facts have been omitted from the information provided and referred to in the Circular.

The Company confirmed that they have, at our request, provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our opinion. We have no reason to suspect that any material facts or information, which is known to the Company, have been

LETTER FROM MAXA CAPITAL

omitted or withheld from the information supplied or opinions expressed in the Circular nor do doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company, the Directors and the Management which have been provided to us. We have not, however, conducted any independent verification on the information provided to us by the Directors and the Management, nor have we conducted any form of independent in-depth investigation into the business and affairs of the Company, the Lessee and each of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion, we have taken into consideration the following principal factors and reasons:

1. Background Information of the Group

The Company was established in the PRC in 1984 and converted into a joint stock limited company on 28 September 2015. It is a pioneer and leader in the leasing industry in the PRC, and is among the first batch of leasing companies established in the PRC. It is the first H-share listed financial leasing company in the PRC and the sole leasing business platform of CDB. The principal business of the Company includes providing comprehensive leasing services to high-quality customers in industries including aviation, infrastructure, shipping, inclusive finance, new energy and high-end equipment manufacturing. Its leasing assets and business partners reach throughout over 40 countries and regions around the globe. As stated in the 2022 AR, the Company enjoys relatively high international credit ratings, namely “A1” by Moody’s, “A” by Standard & Poor’s and “A+” by Fitch.

Set out below are the summarised financial information of the Group for the three years ended 31 December 2020, 2021 and 2022 (“FY2020”, “FY2021” and “FY2022”, respectively), as extracted from the 2021 AR and 2022 AR:

	For the year ended 31 December		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
	(audited)	(audited)	(audited)
Total revenue	17,719,895	21,363,795	22,764,336
Finance lease income	9,199,844	9,813,486	10,288,623
Operating lease income	8,520,051	11,550,309	12,475,713
Profit before tax	4,583,577	5,535,566	4,957,954
Profit for the year			
attributable to owners of			
the Company	3,268,321	3,922,212	3,351,073

LETTER FROM MAXA CAPITAL

As disclosed in the 2022 AR, the total revenue of the Group was approximately RMB22,764.3 million for FY2022, representing an increase of approximately RMB1,400.5 million or 6.6% as compared to approximately RMB21,363.8 million for FY2021. The profit for the year attributable to owners of the Company was approximately RMB3,351.1 million for FY2022, representing a decrease of approximately RMB571.1 million or 14.6% as compared to approximately RMB3,922.2 million for FY2021, primarily due to the full impairment of the aircraft stranded in Russia and a significant increase in the impairment loss on aircraft assets as a result of the impact of the conflict between Russia and Ukraine. For FY2022, the finance lease income of the Group amounted to RMB10,288.6 million, accounting for 45.2% of the total revenue, representing an increase of RMB475.1 million or 4.8% as compared to that for FY2021. For FY2022, the operating lease income of the Group amounted to RMB12,475.7 million, accounting for 54.8% of the total revenue, representing an increase of RMB925.4 million or 8.0% as compared to that for FY2021, primarily due to the increase in the number of vessels and aircraft under operating leases and the increase in the scale of operating leases.

As disclosed in the 2021 AR, the total revenue of the Group was approximately RMB21,363.8 million for FY2021, representing an increase of approximately RMB3,643.9 million or 20.6% as compared to approximately RMB17,719.9 million for FY2020, primarily due to the increase in total lease assets resulting from the increase in lease businesses, and the significant year-on-year increase in ship operating lease income on the back of a higher Baltic Dry Index. Whereas the profit for the year attributable to owners of the Company was approximately RMB3,922.2 million for FY2021, representing an increase of approximately RMB653.9 million or 20.0% as compared to approximately RMB3,268.3 million for FY2020, primarily due to (i) the stable growth in total leased assets resulting from the increase in financing to lessees, (ii) the substantial year-on-year increase in revenue from ship operating lease business benefiting from the rise in Baltic Dry Index, and (iii) the decline in the rate of financing cost of US dollars. For FY2021, the finance lease income of the Group amounted to RMB9,813.5 million, accounting for 45.9% of the total revenue, representing an increase of RMB613.7 million or 6.7% as compared to that for FY2020, primarily due to the continued significant investment in assets under finance lease, and a year-on-year increase in the scale of finance lease assets. For FY2021, the operating lease income of the Group amounted to RMB11,550.3 million, accounting for 54.1% of the total revenue, representing an increase of RMB3,030.2 million or 35.6% as compared to that for FY2020, primarily due to the significant year-on-year increase in ship operating lease income resulting from the increase in shipping business investment and number of ships for operating lease and on the back of a higher Baltic Dry Index during the year.

	As at 31 December		
	2020	2021	2022
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>
Total assets	303,329,667	341,837,629	354,717,247
Total liabilities	276,700,352	311,730,875	320,433,802
Total equity	26,629,315	30,106,754	34,283,445

LETTER FROM MAXA CAPITAL

As disclosed in the 2022 AR, the Group had total assets of approximately RMB354,717.2 million as at 31 December 2022, representing an increase of 3.8% as compared to that as at 31 December 2021, primarily due to the growth of the scale of leased assets. The Group had total liabilities of approximately RMB320,433.8 million as at 31 December 2022, representing an increase of 2.8% as compared to that as at 31 December 2021, primarily due to growth in the scale of liabilities commensurate with that of assets. The total equity of the Group amounted to approximately RMB34,283.4 million as at 31 December 2022, representing an increase of 13.9% as compared to that as at 31 December 2021, which was mainly attributable to the percentage increase from total assets larger than the percentage increase from the total liabilities.

As disclosed in the 2021 AR, the Group had total assets of approximately RMB341,837.6 million as at 31 December 2021, representing an increase of 12.7% as compared to that as at 31 December 2020, primarily due to the increased investment in lease businesses of the Group and the continuous growth of the scale of leased assets. The Group had total liabilities of approximately RMB311,730.9 million as at 31 December 2021, representing an increase of 12.7% as compared to that as at 31 December 2020, primarily due to growth in the scale of liabilities commensurate with that of assets. The total equity of the Group amounted to approximately RMB30,106.7 million as at 31 December 2021, representing an increase of 13.1% as compared to that as at 31 December 2020, which was mainly attributable to the increase of 15.0% in finance lease receivables of total assets.

As disclosed in the 2022 AR, the Group's capital adequacy indicators and asset quality indicators as at 31 December 2020, 2021 and 2022 are all better than the relevant regulatory requirements.

2. Background Information of the Lessee

The Lessee is a state-owned enterprise incorporated in the PRC on 29 April 2014 and located in Hubei Province, the PRC, which is principally engaged in the businesses of construction of intercity railways and the preparation, operation and management of passenger and freight transport projects. CDB, the Controlling Shareholder of the Company, holds approximately 32.80% equity interest in the Lessee through its wholly-owned subsidiary, CDB Development Fund; China Railway Wuhan Group Co., Ltd.* (中國鐵路武漢局集團有限公司) holds 20.00% equity interest in the Lessee, and its ultimate beneficial owner is the Ministry of Finance of the People's Republic of China; Hanjiang State-owned Capital Investment Group Co., Ltd.* (漢江國有資本投資集團有限公司) holds 16.97% equity interest in the Lessee, and its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of Xiangyang Municipal People's Government; Xiaogan City Construction Investment Company* (孝感市城市建設投資公司) holds 9.06% equity interest in the Lessee, and its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of Xiaogan Municipal People's Government; Shiyan State-owned Capital Investment and Operation Group Co., Ltd.* (十堰國有資本投資運營集團有限公司) holds 7.89% equity interest in the Lessee, and its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of Shiyan People's Government; Hubei Railway

LETTER FROM MAXA CAPITAL

Group Co., Ltd.* (湖北鐵路集團有限公司) holds 7.20% equity interest in the Lessee, and its ultimate beneficial owner is the State-owned Assets Supervision and Administration of Hubei Provincial People's Government; Suizhou City Investment Group Co., Ltd.* (隨州市城市投資集團有限公司) holds 6.08% equity interest in the Lessee, and its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of Suizhou Municipal People's Government.

3. Reasons for and Benefits of Entering into the Finance Lease Agreement

As mentioned in the Letter from the Board, the transaction under the Finance Lease Arrangement is entered into by the Company during its ordinary and usual course of business. The entering of the Finance Lease Arrangement is beneficial for the Company to enhance its market competitiveness, increase the income of its finance lease business and is in line with the Company's business development strategy. We have reviewed the 2022 AR and noted that the finance lease income is one of two revenue sources of the Group and has achieved a stable growth during FY2020, FY2021 and FY2022. As such, we concur with the Directors' view that the entering into the Finance Lease Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

4. Principal Terms of the Finance Lease Agreement

Date:

The Company (as the Lessor) will determine the execution date and enter into the Finance Lease Agreement with the Lessee upon the approval at the 2022 Annual General Meeting.

Parties:

Lessor: the Company

Lessee: a state-owned enterprise located in Hubei Province, the PRC, which is principally engaged in the businesses of construction of intercity railways and the preparation, operation and management of passenger and freight transport projects, etc.

Leased Assets:

The Leased Assets are the auxiliary equipment assets of the Wuhan-Shiyan intercity railway located in Hubei Province, the PRC with a total appraised value of approximately RMB2,778,111,082.50. The Lessee does not separately calculate the profits before and after tax of the Leased Assets. The consideration for the transfer was mainly made with reference to the appraised value of the Leased Assets. As at 31 January 2023, being the

LETTER FROM MAXA CAPITAL

valuation reference date, the total appraised value of the Leased Assets is approximately RMB2,778,111,082.50 using the verified book value method and based on the key assumptions as disclosed in the Letter from the Board.

Based on the discussions with the valuer and review of the valuation report, the Board considers that (i) the valuation method applied is consistent with relevant PRC regulations and requirements, which follows common practices or criteria of the market and comply with the actual conditions of the appraisal objects, and overall the bases and key assumptions used are fair and reasonable; (ii) the appraisal approaches adopted comply with relevant rules issued by the NFRA, and the appraisal results reflected the market value of the appraisal objects as at the valuation reference date in an objective and fair way, which provides reference basis for the transfer consideration in the Finance Lease Agreement, and shows that there is relativity between the appraisal approach and the appraisal purposes; and (iii) necessary appraisal procedures have been conducted in accordance with the requirements of relevant PRC laws and regulations and industry codes, and therefore the valuation is fair and reasonable.

Lease Period

120 months

Rent and Method of Payment

Pursuant to the Finance Lease Agreement, the Lessor agreed to lease back the Leased Assets to the Lessee. The rent, including value-added taxes, is calculated and paid in RMB and comprised of lease principal and lease interest. In particular, the lease principal is of the same amount as the transfer consideration, totaling RMB2,500,000,000. The total amount of lease interest for the lease period is approximately RMB587,909,770.83. The lease principal and lease interest shall be paid by the Lessee to the Lessor on a semi-annual basis in installments during the lease period.

Leased Assets and Their Ownership

The Lessee has agreed to transfer and/or change the registration of the Leased Assets to the Lessor during the lease period at a total transfer consideration of RMB2,500,000,000. The consideration will be paid by the Lessor's self-owned funds and/or commercial loans. At the same time, the Lessor has agreed to lease back the Leased Assets to the Lessee. The Lessee is entitled to the possession, usage and benefits of such assets. Upon expiration of the lease period, the Lessee may purchase back the Leased Assets from the Lessor at a total consideration of RMB500 in nominal value.

LETTER FROM MAXA CAPITAL

5. Assessment on the Principal Terms of the Finance Lease Agreement

To evaluate the fairness and reasonableness of the principal terms of the Finance Lease Agreement, and in particular, the lease period and the rent, we have discussed with the Company and understood that an internal assessment process has been conducted in determining the feasibility of such transaction. In the regard, we have obtained and reviewed (i) the internal report in relation to the Finance Lease Arrangement; (ii) the internal valuation report for the Leased Assets (the “**Valuation Report**”); and (iii) the latest available audit report of the Lessee for the year ended 31 December 2022 (the “**Audit Report**”).

Lease period

As advised by the Management, the lease period of 120 months (i.e., 10 years) is arrived between the parties based on the assessment of capital requirement of the Lessee, credibility of the Lessee and depreciation period of the Leased Assets. For our due diligence purpose, we (i) have reviewed the Audit Report, discussed with the Company and understood the depreciation periods of the Leased Assets are 50 years; (ii) have reviewed the Valuation Report and noted that the Leased Assets had been used for less than 1.5 year ; (iii) have reviewed the terms of two finance leases (the “**Comparable Leases**”) entered between the Company and the independent third parties in 2023, and noted that the lease period of Comparable Leases ranged from 6 years to 10 years (the “**Comparable Range**”); and (iv) have reviewed a summary of the capital requirement of the Lessee, including but not limited to the repayment of the Lessee’s long term syndicated loan with a principal of RMB25.5 billion and a term of 28 years ended on 12 April 2045. For the selection of Comparable Leases, we have discussed with the Management and understood that Comparable Leases were randomly selected based on the following criteria: (i) the finance lease was entered into since the beginning of 2023 and up to the date of the Finance Lease Agreement; (ii) the finance lease involved equipment assets; (iii) the lessee of the finance lease is ultimately controlled by provincial state-owned assets supervision and administration commission and is independent third party to the Company; and (iv) the lease principal is over RMB1 billion. Having considered (i) the Comparable Leases under the review period can demonstrate the recent terms of finance leases engaged by the Company with independent third parties; (ii) the nature of the leased assets of the Comparable Leases are comparable to that of the Leased Assets (i.e. equipment assets); (iii) the nature of lessees of the Comparable Leases is the same as the Lessee (i.e. ultimately controlled by provincial state-owned assets supervision and administration commission); and (iv) the scale of the lease principal of the Comparable Leases is similar with that of the Finance Lease Agreement (i.e. over RMB1 billion), we are of the view that the Comparable Leases are fair and representative samples for the assessment of the principal terms of the Finance Lease Agreement.

Having considered (i) the remaining depreciation periods of the Leased Assets are over 10 years; (ii) the lease period of Lessee is within the Comparable Range; and (iii) the remaining term of the Lessee’s syndicated loan is over 10 years, we consider the lease period of 120 months under the Finance Lease Agreement is justifiable.

LETTER FROM MAXA CAPITAL

Rent

As mentioned in the Letter from the Board, the terms of the Finance Lease Agreement, including the transfer consideration, lease principal, lease interest and other expenses under the Finance Lease Agreement were determined upon arm's length negotiation between the Lessee and the Lessor with reference to the appraised value of the Leased Assets and the prevailing market prices of the same category of finance lease products in the PRC.

We have discussed with the Management and understood that prior to the entering of any finance lease agreement, no matter the lessees are connected parties or independent third parties, the Company would normally (i) conduct a credit rating on each potential lessee through their internal credit system; and (ii) prepare an internal or external valuation report for the leased assets depending on their condition, category and appraisal difficulty.

We have reviewed the Valuation Report and noted that (i) the Leased Assets are newly purchased without subject to any charges or encumbrances, and therefore are valued internally pursuant to the valuation policies adopted by the Company (the "**Valuation Policies**"), which stated that the newly purchased leased assets with low assessment difficulty shall be valued internally; (ii) the appraised value of the Leased Assets represented slight discount of approximately 2% to their original book value; and (iii) the total transfer consideration represented a discount of approximately 10% to the appraised value of the Leased Assets as at 31 January 2023. Based on the above and given that (i) the discount rate of approximately 10% implied by the total transfer consideration, which represented the discount in value of the Leased Assets for a usage period of approximately five months (i.e. from January 2023 to June 2023), is higher than the discount rate of approximately 2% implied by the appraised value, which represented the discount in value of the Leased Assets for a usage period of approximately one year (i.e. from January 2022 to January 2023); and (ii) pursuant to the internal management measure issued by the Company in 2023 in relation to the boundary of the leasing business, the guiding financing ratio (i.e. the financing amount to the value of leased assets) is not exceeding 90% for lease assets in the railway industry, we consider the discount rate between the total transfer consideration and appraised value of the Leased Assets, the transfer consideration and the lease principal are fair and reasonable.

To assess the fairness and reasonableness of the Valuation Report, (i) we have reviewed the Valuation Report and discussed with the Management regarding the key assumptions as disclosed in the Letter from the Board and noted such assumptions are normal and commonly adopted in the internal valuation for other similar finance leases; (ii) we noted from the Valuation Policies that the Company would usually consider three commonly adopted valuation approaches when assessing the value of leased assets, which include market approach, income approach and cost approach; and (iii) we have discussed with the Management and understood that the verified book value method, which is under

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cost approach, was adopted as it is considered appropriate to reflect the value of the Leased Assets given they were newly purchased. In view of the above, we consider the valuation was carried out on a fair and reasonable basis by the Company.

For our due diligence purpose, we have reviewed the Comparable Leases and noted that the overall yield rate offered by the Company under the Finance Lease Agreement is no less favorable than those offered by the Company to such independent third parties under the Comparable Leases. In addition, we have obtained the credit ratings of the aforementioned independent third parties and the Lessee from the internal assessment system used by the Company for evaluating credibility of the counterparties, compared their credit rating search results and noted the Lessee's credit rating (i.e. AA-) is within the range of the aforementioned independent third parties' credit rating (i.e. BBB+ and AA+). Further, we noted such credit ratings are in line with those as shown in the internal report in relation to the Finance Lease Agreement. Therefore, we are of the view that the lease interest under the Finance Lease Agreement is fair and reasonable.

Having considered the above, we are of the view that the principal terms of the Finance Lease Agreement are fair and reasonable.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) the terms of the Finance Lease Agreement are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into the Finance Lease Agreement is on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the 2022 Annual General Meeting in respect of the Finance Lease Agreement.

Yours faithfully,
For and on behalf of
Maxa Capital Limited
Dian Deng
Managing Director

Ms. Dian Deng is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiry, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters omitted which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, none of the Directors, Supervisors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors, chief executive or their respective associates is deemed to have under such provisions of the SFO), or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring nor terminable by the Group within a year without payment of any compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective associates was interested in any business (apart from the Group's business) which competes or possibly competes either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a Controlling Shareholder).

5. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2022 (being the date on which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Group.

6. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, to the knowledge of the Directors, the following persons (not being Directors, Supervisors and the chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Class of Shares	Capacity/Nature of interest	Number of Shares	Long position/ Short position	Approximate shareholding percentage in the relevant class of Shares (%)	Approximate percentage in the Company's total shareholdings (%)
Central Huijin Investment Ltd.	Domestic Shares	Interest of controlled corporation ⁽¹⁾	8,141,332,869	Long position	82.46	64.40
	H Shares	Interest of controlled corporation ⁽⁵⁾	600,022,000	Long position	21.66	4.75
CDB	Domestic Shares	Beneficial owner ⁽¹⁾	8,141,332,869	Long position	82.46	64.40
Fang Wei	Domestic Shares	Interest of controlled corporation ⁽²⁾	795,625,000	Long position	8.06	6.29
Liaoning Fangda Group Industrial Co., Ltd.	Domestic Shares	Interest of controlled corporation ⁽²⁾	795,625,000	Long position	8.06	6.29

APPENDIX I

GENERAL INFORMATION

Name	Class of Shares	Capacity/Nature of interest	Number of Shares	Long position/ Short position	Approximate shareholding percentage in the relevant class of Shares (%)	Approximate percentage in the Company's total shareholdings (%)
HNA Aviation Group Co., Ltd.	Domestic Shares	Interest of controlled corporation ⁽²⁾	795,625,000	Long position	8.06	6.29
Tianjin Airlines Co., Ltd.	Domestic Shares	Beneficial owner ⁽²⁾	795,625,000	Long position	8.06	6.29
China Three Gorges Corporation	Domestic Shares	Beneficial owner	687,024,000	Long position	6.96	5.43
	H Shares	Interest of controlled corporation ⁽³⁾	619,476,000	Long position	22.37	4.90
Three Gorges Capital Holdings Co., Ltd.	H Shares	Interest of controlled corporation ⁽³⁾	619,476,000	Long position	22.37	4.90
China Reinsurance (Group) Corporation	H Shares	Beneficial owner ⁽⁴⁾	600,022,000	Long position	21.66	4.75
Hengjian International Investment Holding (Hong Kong) Limited	H Shares	Beneficial owner ⁽⁴⁾	523,310,000	Long position	18.89	4.14
Guangdong Hengjian Investment Holding Co., Ltd.	H Shares	Interest of controlled corporation ⁽⁴⁾	523,310,000	Long position	18.89	4.14
State-owned Assets Supervision and Administration Commission of the State Council	H Shares	Interest of controlled corporation ⁽⁶⁾	193,746,000	Long position	7.00	1.53
China State Shipbuilding Corporation	H Shares	Interest of controlled corporation ⁽⁶⁾	193,746,000	Long position	7.00	1.53
CSSC International Holding Company Limited	H Shares	Beneficial owner ⁽⁶⁾	193,746,000	Long position	7.00	1.53

Name	Class of Shares	Capacity/Nature of interest	Number of Shares	Long position/ Short position	Approximate shareholding percentage in the relevant class of Shares (%)	Approximate percentage in the Company's total shareholdings (%)
CCCC International Holding Ltd.	H Shares	Beneficial owner	154,000,000	Long position	5.56	1.22
China Communications Construction Company	H Shares	Interest of controlled corporation	154,000,000	Long position	5.56	1.22

Notes:

- (1) Central Huijin Investment Ltd. holds 34.68% of the equity interests in China Development Bank. Hence, pursuant to the SFO, Central Huijin Investment Ltd. is deemed to be interested in the 8,141,332,869 Domestic Shares held by China Development Bank.
- (2) Fang Wei indirectly holds 99.20% of the equity interests in Liaoning Fangda Group Industrial Co., Ltd. Liaoning Fangda Group Industrial Co., Ltd. indirectly holds the equity interests in HNA Aviation Group Co., Ltd., which in turn directly holds 48.00% of the equity interests in Tianjin Airlines Co., Ltd. Hence, pursuant to the SFO, Fang Wei, Liaoning Fangda Group Industrial Co., Ltd. and HNA Aviation Group Co., Ltd. are all deemed to be interested in 795,625,000 Domestic Shares held by Tianjin Airlines Co., Ltd. The substantial Shareholder's qualification of Tianjin Airlines Co., Ltd. is still subject to approval by the NFRA and its local office.
- (3) China Three Gorges Corporation holds 70.00% of the equity interests in Three Gorges Capital Holdings Co., Ltd. which in turn holds 619,476,000 H Shares through its wholly-owned subsidiary, Three Gorges Capital Holdings (HK) Co., Ltd. Hence, pursuant to the SFO, China Three Gorges Corporation and Three Gorges Capital Holdings Co., Ltd. are deemed to be interested in the 619,476,000 H Shares held by Three Gorges Capital Holdings (HK) Co., Ltd.
- (4) Central Huijin Investment Ltd. holds 71.56% of the equity interests in China Reinsurance (Group) Corporation. Hence, pursuant to the SFO, Central Huijin Investment Ltd. is deemed to be interested in the 600,022,000 H Shares held by China Reinsurance (Group) Corporation.
- (5) Hengjian International Investment Holding (Hong Kong) Limited is wholly-owned by Guangdong Hengjian Investment Holding Co., Ltd. Hence, pursuant to the SFO, Guangdong Hengjian Investment Holding Co., Ltd. is deemed to be interested in the 523,310,000 H Shares held by Hengjian International Investment Holding (Hong Kong) Limited.
- (6) CSSC International Holding Company Limited is wholly-owned by China State Shipbuilding Corporation. China State Shipbuilding Corporation is wholly-owned by the State-owned Assets Supervision and Administration Commission of the State Council. Hence, pursuant to the SFO, each of China State Shipbuilding Corporation and State-owned Assets Supervision and Administration Commission of the State Council is deemed to be interested in the 193,746,000 H Shares held by CSSC International Holding Company Limited.
- (7) According to Section 336 of the SFO, Shareholders are required to file disclosure of interest forms when certain criteria are fulfilled. When the shareholdings of the Shareholders in the Company change, it is not necessary for the Shareholders to notify the Company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the Shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange.

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

7. DIRECTORS' POSITIONS IN SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following Directors were in the employment of those companies which had interests or short positions in the Shares or underlying Shares of which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name	Position in the specific company
Mr. Li Yingbao	a senior expert of the Industry Department I in CDB
Mr. Yang Guifang	a member of the Party Committee and chief accountant of China Three Gorges Renewables (Group) Co., Ltd. and a director of China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd.* (中國國有企業混合所有制改革基金有限公司) in which China Three Gorges Corporation holds shares

8. LITIGATION

As at the Latest Practicable Date, the Directors were not aware of any litigation or claim of material importance pending or threatening against any member of the Group.

9. MATERIAL CONTRACTS

As at the Latest Practicable Date, no material contract (not being a contract entered into in the ordinary course of business) has been entered into by any member of the Group within the two years immediately preceding the issue of this circular.

10. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date on which the latest published audited accounts of the Company have been made up.

11. QUALIFICATION OF EXPERT AND CONSENT

The following is the qualification of the expert who has given advice and recommendations which are contained in this circular:

Name	Qualification
Maxa Capital	A corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

Maxa Capital issued a letter dated 7 June 2023, for the purpose of incorporation in this circular in connection with its recommendation to the Independent Board Committee and the Independent Shareholders. As at the Latest Practicable Date, Maxa Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of recommendation and reference to its name in the form and context in which they appear.

12. EXPERT'S INTERESTS

As at the Latest Practicable Date, Maxa Capital:

- (a) did not have any direct or indirect interest in any assets acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the settlement date to which the latest published audited consolidated financial statements of the Group were made up; and
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

13. OTHER INFORMATION

- a. The joint company secretaries of the Company are Mr. Liu Yi and Ms. Ng Sau Mei (a fellow member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom).
- b. The registered address of the Company is CDB Financial Center, No. 2003 Fuzhong Third Road, Futian District, Shenzhen, Guangdong Province, the PRC. The principal place of business of the Company in Hong Kong is located at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.
- c. The H share registrar of the Company is Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

- d. The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

14. DOCUMENTS ON DISPLAY

Copies of the following documents will be published and displayed on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cdb-leasing.com>) for a period of 14 days from the date of this circular (both days inclusive):

- a. a memorandum of the draft Financial Lease Agreement;
- b. the letter from the Independent Board Committee as set out on pages 18 to 19 of this circular;
- c. the letter from Maxa Capital as set out on pages 20 to 29 of this circular;
- d. the written consent of Maxa Capital referred to in the paragraph headed “Expert’s Qualification and Consent” above; and
- e. this circular.

* *For identification purposes only*