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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENTS FOR 2019 TO 2021 AND PROPOSED ANNUAL CAPS

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENTS FOR 2019 TO 2021

Reference is made to the Prospectus and the announcement of the Company dated 17 November 2016, in relation to, among others, certain non-exempt continuing connected transactions entered into between the Company, CDB and CDB New Energy and the annual cap amounts thereunder.

As disclosed in the Prospectus and the announcement dated above, the Company entered into the Business Collaboration and Service Framework Agreement, Bond Underwriting Service Framework Agreement, Operating Lease Framework Agreement, Financing Service Framework Agreement, Deposit Service Framework Agreement and Debt Financing Instruments Investment Framework Agreement with CDB, entered into the Lease Service Framework Agreement with CDB New Energy, and set up annual caps for relevant non-exempt continuing connected transactions for 2016, 2017 and 2018. Due to the fact that the above-mentioned framework agreements had expired on 31 December 2018, their respective annual caps had also expired on 31 December 2018. As the Group has been carrying on its continuing connected transactions with CDB and/or its associates after 31 December 2018, the Company should comply with the requirements under Chapter 14A of the Listing Rules in relation to continuing connected transactions. Accordingly, the Company entered into the New Business Collaboration and Service Framework Agreement, New Bond Underwriting Service Framework Agreement, New Operating Lease Framework Agreement, New Financing Service Framework Agreement, New Deposit Service Framework Agreement and New Debt Financing Instruments Investment Framework Agreement with CDB, entered into the New Lease Service Framework Agreement with CDB New Energy, and proposed the relevant annual caps for 2019, 2020 and 2021 under those framework agreements, so as to renew the relevant continuing connected transactions.

* *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.*

LISTING RULES IMPLICATIONS

As of the date of this announcement, CDB holds 64.40% equity interest of the Company, and is therefore the Controlling Shareholder of the Company. Meanwhile, as CDB holds approximately 30.46% equity interest of CDB New Energy through CDB Capital, a wholly-owned subsidiary of CDB, CDB and CDB New Energy are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions under the New Business Collaboration and Service Framework Agreement, New Bond Underwriting Service Framework Agreement, New Operating Lease Framework Agreement, New Financing Service Framework Agreement, New Deposit Service Framework Agreement and New Debt Financing Instruments Investment Framework Agreement entered into with CDB, as well as the New Lease Service Framework Agreement entered into with CDB New Energy by the Company constitute continuing connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of the New Business Collaboration and Service Framework Agreement, New Bond Underwriting Service Framework Agreement, New Operating Lease Framework Agreement and the New Lease Service Framework Agreement calculated in accordance with the Listing Rules is more than 0.1% but less than 5%, the continuing connected transactions under the New Business Collaboration and Service Framework Agreement, New Bond Underwriting Service Framework Agreement, New Operating Lease Framework Agreement and New Lease Service Framework Agreement are subject to the announcement and annual reporting requirements under Chapter 14A of the Listing Rules, but exempt from the Independent Shareholders' approval requirement.

As the highest applicable percentage ratio for the proposed annual caps of the New Financing Service Framework Agreement, New Deposit Service Framework Agreement and New Debt Financing Instruments Investment Framework Agreement calculated in accordance with the Listing Rules is more than 5%, the continuing connected transactions under the New Financing Service Framework Agreement, New Deposit Service Framework Agreement and New Debt Financing Instruments Investment Framework Agreement are subject to the announcement, annual reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the profits ratio for the proposed annual caps of the New Business Collaboration and Service Framework Agreement and the New Operating Lease Framework Agreement calculated in accordance with the Listing Rules is more than 5% but less than 25%, the transactions under the New Business Collaboration and Service Framework Agreement and the New Operating Lease Framework Agreement constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules, and are subject to the announcement requirements, but exempt from the Shareholders' approval requirements.

As the highest applicable percentage ratio for the proposed annual caps of the New Financing Service Framework Agreement and the New Deposit Service Framework Agreement calculated in accordance with the Listing Rules is more than 25%, the transactions under the New Financing Service Framework Agreement and the New Deposit Service Framework Agreement constitute major transactions of the Company under Chapter 14 of the Listing Rules, and are subject to the announcement and Shareholders' approval requirements.

In consideration of the pricing policy, basis of determination for proposed annual caps, reasons and benefits as well as internal control procedures, the Directors (including independent non-executive Directors) are of the view that the terms of the transactions contemplated under the New Business Collaboration and Service Framework Agreement, New Bond Underwriting Service Framework Agreement, New Operating Lease Framework Agreement, New Lease Service Framework Agreement and the proposed annual caps thereunder are entered into on normal commercial terms in the ordinary and usual course of business of the Company, are fair and reasonable, and in the interests of the Company and its Shareholders as a whole. Directors (excluding independent non-executive Directors who will provide recommendation based on the advice of the Independent Financial Advisor) are of the view that the terms of the transactions contemplated under the New Financing Service Framework Agreement, New Deposit Service Framework Agreement, New Debt Financing Instruments Investment Framework Agreement and the proposed annual caps thereunder are entered into on normal commercial terms in the ordinary and usual course of business of the Company, are fair and reasonable, and in the interests of the Company and its Shareholders as a whole. At the time when the resolutions on the New Business Collaboration and Service Framework Agreement, New Bond Underwriting Service Framework Agreement, New Operating Lease Framework Agreement, New Financing Service Framework Agreement, New Deposit Service Framework Agreement, New Debt Financing Instruments Investment Framework Agreement and New Lease Service Framework Agreement and the proposed annual caps thereunder were approved by the Board, the Director with material interests in those framework agreements has abstained from voting.

In addition, since the terms of the Specific Agreements Concerned (as defined below) under the New Lease Service Framework Agreement may exceed three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed Gram Capital as the Independent Financial Adviser to explain why the Specific Agreements Concerned require a longer period and to confirm that it is a normal business practice for agreements of this type to be of such duration.

AGM

The Company intends to submit the relevant resolutions to the forthcoming AGM to seek Independent Shareholders' approval on the New Financing Service Framework Agreement, New Deposit Service Framework Agreement, New Debt Financing Instruments Investment Framework Agreement and the proposed annual caps for 2019, 2020 and 2021 thereunder. At the AGM, CDB and its associates will abstain from voting on the resolutions in relation to the New Financing Service Framework Agreement, New Deposit Service Framework Agreement, New Debt Financing Instruments Investment Framework Agreement and the proposed annual caps for 2019, 2020 and 2021 thereunder. The resolutions to be submitted will be passed by way of ordinary resolutions and voting will be taken by way of poll in accordance with the requirements of the Listing Rules. As at the date of this announcement, to the best knowledge and belief of the Directors having made all reasonable enquiries, save as disclosed herein, no other Shareholders will be required to abstain from voting in respect of the relevant resolutions.

The Independent Board Committee, comprising of all of the independent non-executive Directors, namely Mr. Zheng Xueding, Mr. Xu Jin and Mr. Zhang Xianchu, will be established to advise the Independent Shareholders in relation to the New Financing Service Framework Agreement, New Deposit Service Framework Agreement, New Debt Financing Instruments Investment Framework Agreement and the proposed annual caps for 2019, 2020 and 2021 thereunder. The Company has appointed Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the same matter. The Independent Board Committee will, upon receipt of the advice from Gram Capital, provide its recommendation in the AGM circular.

A circular containing, among others, (1) details of the New Financing Service Framework Agreement, New Deposit Service Framework Agreement, New Debt Financing Instruments Investment Framework Agreement and the proposed annual caps thereunder; (2) the recommendation from the Independent Board Committee to the Independent Shareholders; (3) the advice from Gram Capital to the Independent Board Committee and the Independent Shareholders; and (4) a notice convening the AGM is expected to be despatched to Shareholders on or before 7 June 2019. As additional time is required to prepare the information to be included in the circular, the circular will be despatched to Shareholders after 15 business days upon publication of this announcement.

I. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENTS FOR 2019 TO 2021

1. New Business Collaboration and Service Framework Agreement

(1) Background

Reference is made to the Prospectus, in relation to, among others, the non-exempt continuing connected transactions under the Business Collaboration and Service Framework Agreement entered into between the Company and CDB and the annual cap amounts thereunder. Pursuant to the Business Collaboration and Service Framework Agreement, the Company and CDB and/or its associates mutually provided business referral, project development, customer management, project consulting and bonds issue guarantee services to each other, and service fees were paid to the other party in respect of such services.

As the Business Collaboration and Service Framework Agreement and its respective annual caps had expired on 31 December 2018, and the Group has been carrying on transactions under the aforesaid Business Collaboration and Service Framework Agreement after 31 December 2018, the Company entered into the New Business Collaboration and Service Framework Agreement with CDB on 14 May 2019 (after trading hours).

(2) New Business Collaboration and Service Framework Agreement

Date: 14 May 2019

Parties: CDB

The Company

Principal terms:

- The New Business Collaboration and Service Framework Agreement is valid for three years from 1 January 2019 until expiration on 31 December 2021;
- The Group and CDB and/or its associates will mutually provide business referral, project development, customer management, bank account supervision, agency, project consulting and bonds issue guarantee and other services to each other, and service fees will be paid to the other party in respect of such services.

Pricing policies:

The service fees received from each other in terms of the mutual provision of business referral, project development, customer management, bank account supervision, agency, project consulting and bonds issue guarantee and other services between the Group and CDB and/or its associates are determined based on normal commercial terms after arm's length negotiations between both parties with reference to the rate of service fees for similar services provided by CDB and/or its associates or by the Group to independent third parties, are consistent with the market rate, and are comparable to, or no less favorable to the Group than, those fees charged to independent third parties for the provision of similar services by CDB and/or its associates or the Group.

(3) Historical Amounts

The service fees paid by the Group to CDB and/or its associates were RMB56.50 million, RMB40.85 million and RMB42.64 million for the three years ended 31 December 2018, respectively. The Group did not provide business referral, project development, customer management, project consulting or other services to CDB and/or its associates for the three years ended 31 December 2018. Therefore, there was no historical amount for the three years ended 31 December 2018 charged on CDB and/or its associates.

(4) Annual caps and basis of determination

Annual caps: In relation to the New Business Collaboration and Service Framework Agreement, the maximum total annual amounts in respect of the service fees to be paid/received by the Group to/from CDB and/or its associates for the years ending 31 December 2019, 2020 and 2021 shall not exceed the proposed annual caps set out below:

	Proposed annual cap for the year ending		
	31 December		
	2019	2020	2021
	<i>(RMB in millions)</i>		
Service fees to be paid by the Group to CDB and/ or its associates	246.00	93.50	101.00
Service fees to be paid by CDB and/or its associates to the Group	5.00	5.00	5.00

Basis of determination:*Service fees to be paid by the Group to CDB and/or its associates*

The above proposed annual caps of the service fees to be paid by the Group to CDB and/or its associates are determined with reference to the following basis: (i) historical transaction amounts; (ii) for the three years ended 31 December 2018, CDB and/or its associates provided services including business referral, project development, customer management, project consulting (project-related financial consulting and risk evaluation) and assistance in project execution to the Group. Based on the business demand of both parties, CDB and/or its associates intend to provide services including but not limited to business referral, project development, customer management, bank account supervision, agency, project consulting and bonds issue guarantee and other services in addition to the aforesaid services, and agree to further strengthen collaborative business cooperation with the Group; (iii) the Group's estimates on the above proposed annual caps are consistent with its business development plan. The Group's leasing business is expected to achieve significant growth within the next three years. Accordingly, the Group proposes to enhance cooperation with CDB and/or its associates proactively to further explore potential customers to expand the Group's leasing business. As a result, the service fees to be paid by the Group to CDB and/or its associates will increase significantly. In addition, CDB has extensive experience in financing in the infrastructure industry. Along with the expansion of the Group's lease business in infrastructure segment, its business needs for the business referral and leasing account management services provided by CDB will grow accordingly; (iv) for the three years ended 31 December 2018, for the leasing account management service provided by CDB and/or its associates to the Group, the Group paid service fee to CDB and/or its associates at the rate that was equal to 1‰–3‰ of the principal balance on an annual basis for the leasing business entrusted through the leasing account under the assistance of CDB and/or its associates. In 2016, the amount of unfinished projects managed through leasing accounts under the assistance of CDB and/or its associates reached approximately RMB27 billion. In 2017, the amount of unfinished

projects managed through leasing accounts under the assistance of CDB and/or its associates increased by approximately RMB28 billion. In 2018, the amount of unfinished projects managed through leasing accounts under the assistance of CDB and/or its associates increased by approximately RMB16 billion. Calculated at an average rate of 1‰, the current account service fee paid for the unfinished projects amounted to approximately RMB71 million, meanwhile the new projects will continue to increase the amount of supervision service fees. The Group intends to apply similar fee rate for such service in the next three years; for the consulting business referral services provided by CDB and/or its associates to the Group, the Group proposes to pay CDB and/or its associates at a rate that is equal to 10% of the consulting service fees the Group received from customers referred by CDB and/or its associates; as for other services to be provided by CDB and/or its associates, including but not limited to project consulting and assisting in project execution, the Group will apply the prevailing market fee rates, which are comparable to, or no less favorable to the Group than, those fee rates applicable to independent third parties; and (v) the Company, through Amber Circle Funding Limited, an offshore special purpose vehicle (SPV), issued US\$1.5 billion senior bonds in December 2012. Among which, US\$1 billion 10 years senior bonds will be due in 2022, and the remaining US\$500 million five years senior bond were due in 2017. Two tranches of US dollar senior bonds were both guaranteed by CDB Hong Kong Branch. According to the revised guarantee letter entered into between Amber Circle Funding Limited and CDB Hong Kong Branch, the guarantee fee will be paid in US dollars by the Group to CDB Hong Kong Branch during the term of such bonds, and is calculated based on 0.15% per annum to the aggregate outstanding principal amount of the bonds since 1 January 2015. For the three years ended 31 December 2018, the guarantee fee paid by the Group to CDB Hong Kong Branch was RMB11.03 million, RMB11.03 million and RMB9.99 million, respectively. It is currently estimated that the guarantee fee to be paid by the Group to CDB Hong Kong Branch will be approximately RMB12 million for each of the three years ending 31 December 2019, 2020 and 2021.

Service fees to be paid by CDB and/or its associates to the Group

The above proposed annual caps of service fees to be paid by CDB and/or its associates to the Group are determined with reference to the following basis: (i) the Group's estimates on the above proposed annual caps are consistent with its business development plan. It is expected that the Group's leasing business is expected to grow significantly in the next three years, and its customer base will increase accordingly. Therefore, the Group plans to provide business referral, project development and customer management services related to the Group's leasing business to CDB and/or its associates in the next three years. For example, the Company intends to provide bond underwriting business referral service to CDB Securities, and provide investment business referral service to CDB Capital; (ii) along with the development of the Group's business, the Group's industry knowledge and experience have constantly deepened, thus the Group plans to provide project consulting services related to its leasing business to CDB and/or its associates in the next three years; and (iii) with respect to the rate of service fees to be paid by CDB and/or its associates to the Group, for instance for the consulting business referral service provided by the Group to CDB and/or its associates, the Group proposes to charge CDB and/or its associates at a rate equals to 10% of the consulting service fees charged on the customers referred by the Group. For other services to be provided by the Group to CDB and/or its associates, including but not limited to project development, customer management and project consulting services, the Group will apply the prevailing market fee rates, which are comparable to, or no less favorable to the Group than, those fee rates applicable to independent third parties.

(5) *Reasons for and Benefits of Entering into the New Business Collaboration and Service Framework Agreement*

The business collaboration and mutual provision of services between the Group and CDB and/or its associates will enable the Group to take advantage of the high quality and broad customer base and information resources of CDB and/or its associates, and further develop the Group's leasing business and maximize the interests of the Company and its Shareholders as a whole. In addition, CDB and/or its associates have been providing business referral, project development, customer management and bonds issue guarantee services to the Group for the three years ended 31 December 2018 and as of the date of this announcement, and have developed a deep understanding of the Group's business model and business needs. Meanwhile, the provision of the above services by CDB and/or its associates to the Group is able to satisfy its business needs for project development and customer management, including the management of its rental account at CDB. In addition, the Group's provision of business referral, project development, customer management and project consulting services to CDB and/or its associates will help to further increase the Group's income.

(6) *Listing Rules Implications*

As at the date of this announcement, CDB is a connected person of the Company under Chapter 14A of the Listing Rules as it holds 64.40% equity interest of the Company. Accordingly, the transactions under the New Business Collaboration and Service Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of the New Business Collaboration and Service Framework Agreement calculated in accordance with the Listing Rules is more than 0.1% but less than 5%, the continuing connected transactions under the New Business Collaboration and Service Framework Agreement are subject to the announcement and annual reporting requirements under Chapter 14A of the Listing Rules, but exempt from the Independent Shareholders' approval requirement.

As the profits ratio for the proposed annual caps of the New Business Collaboration and Service Framework Agreement calculated in accordance with the Listing Rules is more than 5% but less than 25%, the transactions under the New Business Collaboration and Service Framework Agreement constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules, and are subject to the announcement requirements, but exempt from the Shareholders' approval requirements.

2. New Bond Underwriting Service Framework Agreement

(1) *Background*

Reference is made to the Prospectus relating to, among other things, the non-exempt continuing connected transactions and the annual cap amounts under the Bond Underwriting Service Framework Agreement entered into between the Company and CDB. As disclosed in the Prospectus, CDB and/or its associates, such as CDB Securities (being a subsidiary thereof), acted as one of the underwriters of the Group's bond issuance under the Bond Underwriting Service Framework Agreement, and the Group paid commissions, including sales commissions and underwriting fees, based on the commission rate agreed upon by both parties.

As the Bond Underwriting Service Framework Agreement and its respective annual caps had expired on 31 December 2018, and the Group continued to carry on the transactions under the aforesaid Bond Underwriting Service Framework Agreement after 31 December 2018, the Company entered into the New Bond Underwriting Service Framework Agreement with CDB on 14 May 2019 (after trading hours).

(2) *New Bond Underwriting Service Framework Agreement*

Date: 14 May 2019

Parties: CDB, as the service provider

The Company, as the service recipient

Principal Terms:

- The New Bond Underwriting Service Framework Agreement is valid for three years from 1 January 2019 until expiration on 31 December 2021;
- CDB and/or its associates (such as CDB Securities, being a subsidiary thereof) will act as one of the underwriters of the Group's bonds issuance, and the Group will pay commissions, including sales commissions and underwriting fees, based on the commission rates agreed upon by both parties.

Pricing Policies:

The commission rate to be charged by CDB and/or its associates for providing bond underwriting service to the Group shall be determined based on arm's length negotiations between CDB and/or its associates and the Group with reference to the prevailing market commission rate for similar bond issuance, and would take into account factors such as the credit rating of the bond issuance, which is consistent with market practice and would be applicable to all underwriters for any given issuance of bond by our Company.

(3) *Historical Amounts*

For the three years ended 31 December 2018, the commissions paid for the provision of bond underwriting service to the Group by CDB and/or its associates amounted to approximately RMB4.80 million, RMB8.30 million and RMB0, respectively.

(4) Annual Caps and Basis of Determination

Annual caps: In relation to the New Bond Underwriting Service Framework Agreement, the maximum total annual amount of commissions to be paid by the Group to CDB and/or its associates in respect of providing bond underwriting service for the three years ending 31 December 2019, 2020 and 2021 shall not exceed the proposed annual caps as set out below:

	Proposed annual cap for the year ending		
	31 December		
	2019	2020	2021
	<i>(RMB in millions)</i>		
Commissions to be paid by the Group to CDB and/or its associates	40.00	40.00	40.00

Basis of determination:

The above proposed annual caps of commissions to be paid by the Group to CDB and/or its associates are determined with reference to the following basis: (i) along with the expected growth of our business and the corresponding capital needs, it is estimated that the issuance size of our domestic bonds will increase gradually year by year. Based on the Group's current bond issuance plan, it is estimated that the amount of financial bond issuance of the Group will be no more than RMB20 billion for each of the next three years ending 31 December 2019, 2020 and 2021. CDB will act as the lead underwriter, with a share of 20%–30%. The commission rate is 0.1% per annum with a term of issuance of 5 years. The underwriting fees shall be allocated according to the actual sales by the underwriters, which may exceed the proportion of underwriting shares. The Group estimated that the commissions paid to CDB for the three years ending 31 December 2019, 2020 and 2021 will be RMB30 million, RMB30 million and RMB30 million, respectively; and (ii) at the general meeting held on 28 September 2018, Shareholders approved and authorized the Group to issue tier-2 capital bonds and capital bonds with no fixed term with a principal amount of not more than RMB5 billion. CDB proposes as the lead underwriter and CDB Securities proposes to act as the joint lead underwriter, with a total share of 40% and the estimated commission rate of 0.1% per annum. Accordingly, the commission with a total amount of not more than RMB10 million, RMB10 million and RMB10 million will be paid

to CDB and CDB Securities by the Group in 2019, 2020 and 2021. In addition, the Group will pay commissions to underwriters in a lump sum upon issuance of the above bonds, which is consistent with the market practice of domestic bonds. With reference to the commissions paid by the Group to CDB and/or its associates in the recent three years and the above bond issuance plan of the Group, it is estimated that the total commissions to be paid to CDB and/or its associates for the three years ending 31 December 2019, 2020 and 2021 will be RMB40 million, RMB40 million and RMB40 million, respectively.

(5) *Reasons for and Benefits of Entering into the New Bond Underwriting Service Framework Agreement*

As major underwriters in the PRC bond market, CDB and CDB Securities have extensive underwriting experience and strong sales and investment capacities. It is expected that CDB and/or its associates, acting as the underwriters of the Group, will greatly benefit the issuance, sale and pricing of the Group.

(6) *Listing Rules Implications*

As of the date of this announcement, CDB is a connected person of the Company under Chapter 14A of the Listing Rules as it holds 64.40% equity interest of the Company. Accordingly, the transactions under the New Bond Underwriting Service Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of the New Bond Underwriting Service Framework Agreement calculated in accordance with the Listing Rules is more than 0.1% but is less than 5%, the continuing connected transactions under the New Bond Underwriting Service Framework Agreement are subject to the announcement and annual reporting requirements under Chapter 14A of the Listing Rules, but exempt from the Independent Shareholders' approval requirement.

3. New Operating Lease Framework Agreement

(1) Background

Reference is made to the Prospectus relating to, among other things, the non-exempt continuing connected transactions and the annual cap amounts under the Operating Lease Framework Agreement entered into between the Company and CDB. As disclosed in the Prospectus, pursuant to the Operating Lease Framework Agreement, the Group provided operating lease services to CDB and/or its associates, including but not limited to property leases and electronic equipment leases. In turn, we received lease income from CDB and/or its associates for the provision of such operating lease services.

As the Operating Lease Framework Agreement and its respective annual caps had expired on 31 December 2018, and the Group has been carrying on the transactions under the aforesaid Operating Lease Framework Agreement after 31 December 2018, the Company entered into the New Operating Lease Framework Agreement with CDB on 14 May 2019 (after trading hours).

(2) New Operating Lease Framework Agreement

Date: 14 May 2019

Parties: CDB

The Company

Principal Terms:

- The New Operating Lease Framework Agreement is valid for three years from 1 January 2019 until expiration on 31 December 2021;
- The Group shall provide CDB and/or its associates with operating lease services, including but not limited to property leases and electronic equipment leases, and shall receive lease income from CDB and/or its associates for the provision of such operating lease services.

Pricing Policies:

For the operating lease services provided by the Group to CDB and/or its associates, the lease income to be received by the Group for the provision of operating lease services shall be determined on normal commercial terms after arm's length negotiations between both parties, and with reference to market rates of similar transactions as well as the lease income the Group receives from independent third parties for provision of operating lease services. The lease income is consistent with the market practice and no less favorable to the Group than the lease income to be paid to the Group by independent third parties in similar transactions.

(3) *Historical Amounts*

For the three years ended 31 December 2018, the lease income paid by CDB and/or its associates to the Group were approximately RMB1.25 million, RMB3.27 million and RMB106.42 million, respectively.

(4) *Annual Caps and Basis of Determination*

Annual Caps: In respect of the New Operating Lease Framework Agreement, the maximum total annual amount of the lease fees the Group to be received from CDB and/or its associates for the three years ending 31 December 2019, 2020 and 2021 shall not exceed the proposed annual caps as set out below:

	Proposed annual cap for the year ending 31 December		
	2019	2020	2021
	<i>(RMB in millions)</i>		
Lease income to be paid by CDB and/or its associates to the Group	160.00	170.00	170.00

Basis of Determination:

The proposed annual caps for the aforesaid lease income to be paid by CDB and/or its associates to the Group are determined based on the following criteria: (i) historical amounts; (ii) the Group's current plan for its operating lease business. The Group's leasing business, including operating lease business, is expected to achieve significant growth in the following three years due to the Group's business development and expansion, and its cooperation with CDB and/or its associates in terms of operating lease will increase accordingly. Therefore, despite the historical amounts decreased due to the expiry of certain operating lease contracts, the Group expects that the annual cap for the lease income for the year ending 31 December 2019 will reach a level close to our highest historical amount for the three years ended 31 December 2015, 2016 and 2017; and (iii) the current operating lease arrangement under negotiation between the Company and CDB and/or its associates, such as (a) CDB Shenzhen Branch proposes to rent a certain area of CDB Financial Center located at No.2003 Fuzhong Third Road, Futian District, Shenzhen, the PRC, starting from 2019. The lease area is 17,494 sq.m., with lease income of approximately RMB378/sq.m. per month and property fee of RMB40/sq.m. per month for each of 2019, 2020 and 2021. Other fees such as utilities, parking lot usage fee and restaurant usage fee will also be increased. Accordingly, the annual lease income for this project is expected to be RMB90 million; (b) CDB Securities proposes to rent a certain area of CDB Financial Center located at No.2003 Fuzhong Third Road, Futian District, Shenzhen, the PRC, starting from 2019. The lease area is 446 sq.m., with lease income of approximately RMB500/sq.m. per month and property fee of RMB40/sq.m. per month for each of 2019, 2020 and 2021. Other fees such as utilities, parking lot usage fee and restaurant usage fee will also be increased. Accordingly, the annual lease income for this project is expected to be RMB30 million.

(5) *Reasons for and Benefits of Conducting the Transactions under the New Operating Lease Framework Agreement*

The operating lease is a major part of the Group's leasing business. The Group's provision of operating lease service to CDB and/or its associates is able to satisfy the business needs of both parties. On the one hand, as the Group's quality customers, CDB and/or its associates have a strong capital background and solid financial strength. Engaging in operating lease business with CDB and/or its associates will help the Group obtain stable and low-risk income from our leasing business; and on the other hand, by providing operating lease services, the Group is able to meet the financing demand for property, electronic equipment and other fixed assets of CDB and its associates, such as CDB Capital and China-Africa Development Fund. Thirdly, the Group has its own newly-constructed office buildings in Wuhan and Shenzhen, and entering into lease contracts with CDB and/or its associates meets the property leasing needs of Hubei Branch, Shenzhen Branch of CDB and CDB Securities.

(6) *Listing Rules Implications*

As of the date of this announcement, CDB is a connected person of the Company under Chapter 14A of the Listing Rules as it holds 64.40% equity interest of the Company. Accordingly, the transactions under the New Operating Lease Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of the New Operating Lease Framework Agreement calculated in accordance with the Listing Rules is more than 0.1% but less than 5%, the continuing connected transactions under the New Operating Lease Framework Agreement are subject to the announcement and annual reporting requirements under Chapter 14A of the Listing Rules, but exempt from the Independent Shareholders' approval requirement.

As the profits ratio for the proposed annual caps of the New Operating Lease Framework Agreement calculated in accordance with the Listing Rules is more than 5% but less than 25%, the transactions under the New Operating Lease Framework Agreement constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules, and are subject to the announcement requirements, but exempt from the Shareholders' approval requirements.

4. New Financing Service Framework Agreement

(1) Background

Reference is made to the Prospectus relating to, among other things, the non-exempt continuing connected transactions and the annual cap amounts under the Financing Service Framework Agreement entered into between the Company and CDB. As disclosed in the Prospectus, pursuant to the Financing Service Framework Agreement, CDB provided financing service to the Group, and in turn the Group paid interest to CDB. The Group also provided our leased assets, balances in our rental account with CDB or bonds held by the Group, as collateral. Credit financing provided by CDB were used to carry out leasing business, including but not limited to aircraft leasing, ship leasing and infrastructure leasing, in order to meet our funding requirements for the daily business operations of the Group.

As the Financing Service Framework Agreement and its respective annual caps had expired on 31 December 2018, and the Group has been carrying on the transactions under the aforesaid Financing Service Framework Agreement after 31 December 2018, the Company therefore entered into the New Financing Service Framework Agreement with CDB on 14 May 2019 (after trading hours).

(2) New Financing Service Framework Agreement

Date: 14 May 2019

Parties: CDB

The Company

Principal Terms:

- The New Financing Service Framework Agreement is valid for three years from 1 January 2019 until expiration on 31 December 2021;
- CDB shall provide financing service to the Group, and in turn the Group shall pay interest to CDB. The Group shall also provide our leased assets, balances in our rental account with CDB or bonds held by the Group, as collateral; and
- Financing facilities provided by CDB will be used to carry out leasing business, including but not limited to aircraft leasing, ship leasing and infrastructure leasing, in order to meet our funding requirements for the daily business operations of the Group.

Pricing Policies:

The interest rate on financing to be provided by CDB with collaterals will be determined based on arm's length negotiations between CDB and the Group with reference to the prevailing market interest rate for similar financing service provided by CDB to independent third parties on normal commercial terms. For US dollar-denominated loans, the interest rate will apply a certain spread over LIBOR at the time of financing plus a certain number of basis points. For Renminbi-denominated loans, the interest rate will apply a certain spread over or below the PBOC benchmark lending rate.

(3) Historical Amounts

For the three years ended 31 December 2018, the maximum daily balance of financing provided by CDB to the Group with collaterals were RMB7,723.52 million, RMB6,495.57 million and RMB4,545.87 million, respectively. The interests paid by the Group to CDB were RMB354.87 million, RMB564.36 million and RMB166.15 million, respectively.

(4) Annual Caps and Basis of Determination

Annual Caps: In respect of the New Financing Service Framework Agreement, the maximum daily balance of financing to be provided by CDB to the Group with collaterals and the maximum total annual amount of the interests to be paid by the Group to CDB for the years ending 31 December 2019, 2020 and 2021 shall not exceed the proposed annual caps as set out below:

	Proposed annual caps for the year ending		
	31 December		
	2019	2020	2021
	<i>(RMB in millions)</i>		
Maximum daily balance of financing to be provided by CDB to the Group with collaterals	14,000.00	15,000.00	15,000.00
Interests to be paid by the Group to CDB	494.00	758.00	784.00

Basis of Determination:

Maximum daily balance of financing to be provided by CDB to the Group with collaterals

The above proposed annual caps of the maximum daily balance of financing to be provided by CDB to the Group with collaterals are determined with reference to the following basis: (i) the historical amounts; (ii) the Group's business development plan. It is expected that the Group's leasing business, in particular the aircraft leasing business, ship leasing business and infrastructure leasing business will achieve continuous stable growth in the next three years. Since the Group's financing from CDB is mainly used to support the financing needs in the leasing business of the Group, in particular our aircraft leasing business, ship leasing business and infrastructure leasing business, the Group's financing demand from CDB is therefore expected to increase; (iii) along with the expected increase in the Group's international business, its foreign-currency financing demand for international business will increase accordingly, and the Group's maximum daily balance of financing from CDB, the largest domestic foreign-currency loan bank, is expected to increase significantly compared with the historical amounts; and (iv) for the three years ended 31 December 2018, the secured financing obtained by the Group from CDB was mainly project loans denominated in US dollar. The Group will plan to commence cooperation in project loans denominated in Renminbi and bank factoring in the future in order to expand the Renminbi financing channel of the Group and reduce the dependence on interbank capitals. Under the growing business needs of the Group, the financing support from CDB will provide an indispensable guarantee for the Company's long-term stable development and its needs in liquidity.

Interests to be paid by the Group to CDB

In respect of the US dollar financing service provided by CDB to the Group, the above proposed annual caps for the interests to be paid by the Group to CDB are determined with reference to the following basis: (i) for the three years ended 31 December 2018, the terms of US dollar-denominated loans provided by CDB ranged from 1 to 15 years; and (ii) taking into consideration the effect of the interest rate hike cycle of the US dollars, it is estimated that the average interest rate of medium- and long-term loans denominated in US dollar will be 5.10%, 5.10% and 5.10% for the three years ending 31 December 2019, 2020 and 2021, respectively.

In respect of the Renminbi financing service provided by CDB to the Group, the above proposed annual caps for the interests to be paid by the Group to CDB are determined with reference to the PBOC benchmark lending rate for loans of five years or longer with an increase of 10% approximately. For the financing service priced based on the PBOC benchmark lending rate provided by independent third party banks and CDB for the three years ended 31 December 2018, the interests paid by the Group were determined with reference to the PBOC benchmark lending rate with certain discount, which reflects the credit profile of the Group.

(5) Reasons for and Benefits of Entering into the New Financing Service Framework Agreement

CDB has been providing credit financing to the Group for the three years ended 31 December 2018, thus it has developed a deep understanding of the leasing industry as well as the Group's capital needs and business model. Its financing products are able to meet the diversified financing needs of the leasing business of the Group.

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

(6) Listing Rules Implications

As of the date of this announcement, CDB is a connected person of the Company under Chapter 14A of the Listing Rules as it holds 64.40% equity interest of the Company. Accordingly, the transactions under the New Financing Service Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of the New Financing Service Framework Agreement calculated in accordance with the Listing Rules is more than 5%, the continuing connected transactions under the New Operating Lease Framework Agreement are subject to the announcement, annual reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of the New Financing Service Framework Agreement calculated in accordance with the Listing Rules is more than 25%, transactions under the New Financing Service Framework Agreement constitute major transactions of the Company under Chapter 14 of the Listing Rules, and are subject to the announcement and Shareholders' approval requirements.

5. New Deposit Service Framework Agreement

(1) Background

Reference is made to the Prospectus relating to, among other things, the non-exempt continuing connected transactions and the annual cap amounts under the Deposit Service Framework Agreement entered into between the Company and CDB. As disclosed in the Prospectus, pursuant to the Deposit Service Framework Agreement, CDB provided deposit service to the Group, including but not limited to demand deposits, term deposits and agreement deposits. In particular, the Group deposited cash balances into its bank accounts at CDB's various branches, including: (a) cash generated from the Group's daily business operations, including lease income and security deposits received from the leasing business of the Group; and (b) cash from credit financing provided by CDB to the Group. In turn, CDB paid interests to the Group for such deposits.

As the Deposit Service Framework Agreement and its respective annual caps had expired on 31 December 2018, the Group has been carrying on the transactions under the aforesaid Deposit Service Framework Agreement after 31 December 2018, the Company entered into the New Deposit Service Framework Agreement with CDB on 14 May 2019 (after trading hours).

(2) New Deposit Service Framework Agreement

Date: 14 May 2019

Parties: CDB

The Company

Principal Terms:

- The New Deposit Service Framework Agreement is valid for three years from 1 January 2019 until expiration on 31 December 2021;
- CDB shall provide deposit service to the Group, including but not limited to demand deposits, term deposits and agreement deposits; and
- The Group shall deposit cash balances into its bank accounts at CDB's various branches, including: (a) cash generated from the Group's daily business operations, including lease income and security deposits received from the leasing business of the Group; (b) funds raised from the Group's bond issuance; and (c) cash from financing facilities provided by CDB to the Group. In turn, CDB shall pay interests to the Group for such deposits.

Pricing Policies:

- (i) The deposit interest rate has been determined based on arm's length negotiations between CDB and the Group with reference to the interest rates of the Group's previous deposits placed with CDB, as well as the prevailing interest rate for deposit, which is also in line with the prevailing market interest rate for similar deposit service provided by CDB to independent third parties and on normal commercial terms;
- (ii) Subject to the specific circumstances: (a) the interest rate for deposit in US dollars will be consistent with the prevailing market deposit rate; (b) the interest rate for demand deposit in Renminbi will be determined with reference to the PBOC benchmark deposit rate; and (c) the interest rate for Renminbi term deposit will be no less than the PBOC benchmark deposit rate; and
- (iii) In respect of our deposits placed with CDB, the level of the interest rate to be paid by CDB to the Group is consistent with, or no less favorable to the Group than, the level of the interest rate to be paid by independent third party banks for their provision of deposit service to the Group.

(3) Historical Amounts

For the three years ended 31 December 2018, the historical amounts of the maximum daily balance of deposits placed by the Group with CDB were RMB2,206.14 million, RMB2,265.62 million and RMB1,812.49 million, respectively, and the interests paid by CDB to the Group were RMB0.48 million, RMB0.69 million and RMB0.46 million, respectively.

(4) Annual Caps and Basis of Determination

Annual Caps: In respect of the New Deposit Service Framework Agreement, the maximum daily balance of deposits to be placed by the Group with CDB and the interests to be paid by CDB to the Group for the years ending 31 December 2019, 2020 and 2021 shall not exceed the proposed annual caps as set out below:

	Proposed annual caps for the year ending		
	31 December		
	2019	2020	2021
	<i>(RMB in millions)</i>		
Maximum daily balance of deposits to be placed by the Group with CDB	5,000.00	5,000.00	5,000.00
Interests to be paid by CDB to the Group	67.00	68.00	69.00

Basis of Determination:

Maximum daily balance of deposits to be placed by the Group with CDB

The above proposed annual caps of the maximum daily balance of deposits to be placed by the Group with CDB are determined with reference to the following basis: (i) historical amounts; (ii) the estimated maximum daily balance of financing to be provided by CDB to the Group, as the financing provided by CDB to the Group may also be temporarily deposited in the Group's accounts at CDB, for which CDB pays short-term deposit interests to the Group. CDB acts as the lead underwriter regarding the Group's issuance of domestic financial bonds and secondary capital bonds. The fund raising account of the Group was opened in CDB. After each single issuance, the delivery of such raised funds would result in a temporary higher balance of CDB account on such day; and (iii) the Group's estimates of the above proposed annual

caps is in line with its business development plan. It is expected that the Group's leasing business will achieve significant growth in the next three years. Since the Group places part of its leasing income and security deposits received from the leasing business at CDB, the maximum daily balance of the Group's deposits at CDB is expected to grow accordingly.

Interests to be paid by CDB to the Group

Taking into consideration the respective percentages of US dollar- and Renminbi- denominated deposits provided by CDB to the Group for the three years ended 31 December 2018, as well as the Group's deposit needs for the three years ending 31 December 2019, 2020 and 2021, it is estimated that the percentages of the Group's US dollar- and Renminbi- denominated deposits out of its total deposits placed at CDB for the three years ending 31 December 2019, 2020 and 2021 will be 20% and 80%, respectively.

In respect of the Renminbi deposit service provided by CDB to the Group, the above proposed annual caps for the interests to be paid by CDB to the Group are determined with reference to the following basis: (i) the interest rate of the Group's Renminbi deposits placed with CDB for the three years ended 31 December 2016, 2017 and 2018; and (ii) the agreed deposit interest rate among domestic financial institutions. As of 31 December 2018, the agreed deposit average interest rate among domestic financial institutions was approximately 2.80% per annum.

In respect of the US dollar deposit service provided by CDB to the Group, the above proposed annual caps for the interests to be paid by CDB to the Group are determined with reference to the following basis: (i) the interest rate of the Group's US dollar deposits placed with CDB for the three years ended 31 December 2018; and (ii) the market interest rate of US dollar deposits as well as the interest rate hike cycle of US dollars. The US dollar-denominated one-month LIBOR was approximately 2.50% as of 31 December 2018, and the US dollar is in the interest rate hike cycle. Based on such information, the Group estimated the annual caps for the interests to be paid by CDB to the Group for the US dollar deposits for the three years ending 31 December 2021.

(5) *Reasons for and Benefits of Entering into the New Deposit Service Framework Agreement*

CDB has been providing deposit service to the Group for the three years ended 31 December 2018, thus it has developed a deep understanding of the capital needs and business model of the Group. CDB's deposit service is able to satisfy the liquidity management needs of the Group. In addition, CDB has been providing financing service to the Group for the three years ended 31 December 2018 as detailed under "4. New Financing Service Framework Agreement" of this announcement, and such financing funds provided by CDB to the Group are also temporarily deposited in the Group's accounts maintained at CDB.

(6) *Listing Rules Implications*

As of the date of this announcement, CDB is a connected person of the Company under Chapter 14A of the Listing Rules as it holds 64.40% equity interest of the Company. Accordingly, the transactions under the New Deposit Service Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of the New Deposit Service Framework Agreement calculated in accordance with the Listing Rules is more than 5%, the continuing connected transactions under the New Deposit Service Framework Agreement are subject to the announcement, annual reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of the New Deposit Service Framework Agreement calculated in accordance with the Listing Rules is more than 25%, transactions under the New Deposit Service Framework Agreement constitute major transactions of the Company under Chapter 14 of the Listing Rules, and are subject to the announcement and Shareholders' approval requirements.

6. New Debt Financing Instruments Investment Framework Agreement

(1) Background

Reference is made to the Prospectus relating to, among other things, non-exempt continuing connected transactions and the annual cap amounts under the Debt Financing Instruments Investment Framework Agreement entered into between the Company and CDB. As disclosed in the Prospectus, pursuant to the Debt Financing Instruments Investment Framework Agreement, the Group invested in debt financing instruments issued by CDB and/or its associates. In turn, CDB and/or its associates paid bond interests to the Group.

As the Debt Financing Instruments Investment Framework Agreement and its respective annual caps had expired on 31 December 2018, and the Group has been carrying on the aforesaid transactions under the Debt Financing Instruments Investment Framework Agreement after 31 December 2018, the Company entered into the New Debt Financing Instruments Investment Framework Agreement with CDB on 14 May 2019 (after trading hours).

(2) New Debt Financing Instruments Investment Framework Agreement

Date: 14 May 2019

Contracting Parties: CDB

The Company

Principal Terms:

- The New Debt Financing Instruments Investment Framework Agreement is valid for three years from 1 January 2019 until expiration on 31 December 2021;
- The Group shall invest in debt financing instruments to be issued by CDB and/or its associates. In turn, CDB and/or its associates shall pay bond interests to the Group.

Pricing Policy:

In respect of the debt financing instruments to be issued by CDB and/or its associates and to be purchased by the Group, the bond interest rate to be paid to the Group by CDB and/or its associates will be determined with reference to the bond interest rate in national bond market, the interest rate is also in line with market practice and applicable to all investors of such debt financing instruments, including independent third party investors.

(3) *Historical Amounts*

For the three years ended 31 December 2018, the historical amounts of debt financing instruments purchased by the Group from CDB were RMB152.15 million, RMB266.57 million and nil, respectively; the bond interest amounts paid by CDB to the Group were RMB0, RMB9.43 million and RMB32.40 million, respectively.

(4) *Annual Caps and Basis of Determination*

Annual caps: In respect of the New Debt Financing Instruments Investment Framework Agreement, the amount of the debt financial instruments to be issued by CDB and/or its associates and to be purchased by the Group and the maximum annual total amounts in respect of the bond interest amounts payable by CDB and/or its associates to the Group for the three years ending 31 December 2019, 2020 and 2021 shall not exceed the proposed annual caps as set out below:

	Proposed annual cap for the year ending 31 December		
	2019	2020	2021
	<i>(RMB in millions)</i>		
Amount of debt financing instruments to be issued by CDB and/or its associates and to be purchased by the Group	2,000.00	2,500.00	3,000.00
Bond interests to be paid by CDB and/or its associates to the Group	91.00	114.00	137.00

Basis of Determination:

Amount of debt financing instruments to be issued by CDB and/or its associates and to be purchased by the Group

According to the Measures on Financial Leasing Companies, as a financial leasing company, the Group is allowed to invest in fixed-income financial products, including debt financing instruments up to no more than 20% of net capital. Based on this, the Group plans to invest in the debt financing instruments in domestic open market within the above transaction amount limit, including the purchase of debt financing instruments to be issued by CDB and/or its associates. The Group did not carry out self-operated fixed-income investments as its key business in the past three years. From 2018 onwards, the Group plans to fully develop such business within its investment limit in order to strive for further profits margins. The bonds issued by CDB are interest rate type bonds with zero risk weight, processing the best and strongest liquidity. They are the main underlying products of the Group's fixed-income investment. Based on the liquidity management strategies and current investment plan of the Group, under normal market conditions, the investment amount of the Group's debt financing instruments will be limited to 20% of the Group's net capital. Accordingly, proposed investment amount of the Group in the debt financing instruments to be issued by CDB and/or its associates for the three years ending 31 December 2019, 2020 and 2021 is expected to be RMB2,000 million, RMB2,500 million and RMB3,000 million respectively.

Bond interests to be paid by CDB and/or its associates to the Group

The estimated bond interests to be paid by CDB and/or its associates to the Group are determined with reference to the average yield to maturity for 10-year bonds issued by CDB in the secondary market for the period from 1 September 2017 to 31 August 2018, i.e., approximately 4.53%.

(5) Reasons for and Benefits of Entering into the New Debt Financing Instruments Investment Framework Agreement

The Group was approved by the PBOC to participate in the interbank bond market on 23 June 2015, based on which the Group is allowed to purchase debt financing instruments issued in the nationwide bond market. In addition, according to the Measures on Financial Leasing Companies issued by the CBRC, a financial leasing company is allowed to invest in fixed-income financial products, including debt financing instruments. The debt financing instruments to be issued by CDB and/or its associates will be among the principal investments in fixed-income financial products. CDB is the largest bond issuer in the domestic bond market. The debt financing instruments issued by CDB are among the main investment products in the interbank market with high ratings, leading market share and ample liquidity. The investment in the debt financing instruments to be issued by CDB and/or its associates will help the Group to improve the Group's investment returns and to function as one of its liquidity management reserve tools.

(6) Listing Rules Implications

As at the date of the announcement, CDB is a connected person of the Company under Chapter 14A of the Listing Rules as it holds 64.40% equity interest of the Company. Accordingly, the transactions under the New Debt Financing Instruments Investment Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of the New Debt Financing Instruments Investment Framework Agreement calculated in accordance with the Listing Rules is more than 5%, the continuing connected transactions under the New Debt Financing Instruments Investment Framework Agreement are subject to the announcement, annual reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

7. New Lease Service Framework Agreement

(1) Background

Reference is made to the announcement of the Company dated 17 November 2016 relating to, among other things, the non-exempt continuing connected transactions and the annual cap amounts under the Lease Service Framework Agreement entered into between the Company and CDB New Energy. As disclosed in the announcement dated above, pursuant to the Lease Service Framework Agreement, the Company shall provide lease services (including but not limited to sale-and-leaseback and direct lease services) to CDB New Energy and/or its subsidiaries in respect of its power plants and other power generating equipment.

As the Lease Service Framework Agreement and its respective annual caps had expired on 31 December 2018, and the Group has been carrying on the aforesaid transactions under the Lease Service Framework Agreement after 31 December 2018, the Company entered into the New Lease service Framework Agreement with CDB New Energy on 14 May 2019 (after trading hours).

(2) New Lease Service Framework Agreement

Date: 14 May 2019

Contracting Parties: CDB New Energy, as the lessee

The Company, as the lessor

Principal Terms:

- New Lease Service Framework Agreement is valid for three years from 1 January 2019 until expiration on 31 December 2021;
- Both parties will enter into a specific agreement for each lease service. The lease term of the lease service under each Specific Agreement Concerned shall be determined with reference to the useful life of lease objects, the Lessee's financing needs and the lessor's financial status, and shall not exceed the useful life of lease objects;

- Lease objects are the power plant equipment of CDB New Energy and/or its subsidiaries, including but not limited to, the new energy power generating equipment such as photovoltaic grid-connected plant equipment;
- For the purpose of financing, CDB New Energy shall pay the principal and interests to the Company on a mutually agreed repayment schedule in accordance with the terms, conditions and interest rate set out in the Specific Agreements Concerned entered into from time to time through methods including but not limited to sale-and-leaseback and direct lease; and
- Pursuant to the New Lease Service Framework Agreement, CDB New Energy or its subsidiaries shall provide asset, equity interests, receivables and credit guarantee as credit enhancement measures. In addition, the Company will charge CDB New Energy a lump-sum security deposit in an amount of not less than the maximum installment of the rent in accordance with each Specific Agreement Concerned. The security deposit shall be refunded in full to CDB New Energy upon the expiry of the Specific Agreement Concerned.

Pricing Policy:

Leasing business is the Company's core business, and the transaction price and credit structure under the New Lease Service Framework Agreement are determined based on normal commercial terms after arm's length negotiation between both parties following the principles of good faith and fairness for their respective benefits. As the basis of determining the value of the leased equipment is the fair market value of the power plant equipment, the lease amount will not exceed the fair market value of the power plant equipment. In determining the comprehensive interests to be charged against CDB New Energy, the Company has considered (among others): (1) the terms and conditions which are no less favorable to the Company than those offered to any Independent Third Party; (2) the benchmark lending rate published by the PBOC as may be adjusted from time to time; and (3) the interest rates charged by other major financial institutions for the same or similar lease services as may be adjusted from time to time.

According to the New Lease Service Framework Agreement:

- 1) In terms of the sale-and-leaseback services, both parties agreed that the lease amount for the power plant equipment shall not deviate from its fair market value (i.e. 20% higher or lower than the benchmark lending interest rate published by the PBOC for the same period). As at the date of this announcement, the benchmark lending interest rate for loans of more than five years published by the PBOC for the same period is approximately 4.9%.
- 2) In terms of the direct lease service, both parties agreed that the lease amount for the power plant equipment shall not deviate from its fair market value (i.e. 20% higher or lower than the benchmark lending interest rate published by the PBOC for the same period). As at the date of this announcement, the benchmark lending interest rate for loans of more than five years published by the PBOC for the same period is approximately 4.9%.

The Company proposes to charge no more than to 8% of the total lease amount from CDB New Energy as commission charges.

(3) *Historical Amounts*

For the three years ended 31 December 2018, aggregate principals paid by CDB New Energy and/or its subsidiaries to the Group were RMB0, RMB192.35 million and RMB354.84 million, respectively; the comprehensive interests paid by CDB New Energy and/or its subsidiaries to the Group were RMB0, RMB25.02 million and RMB29.17 million, respectively.

(4) Annual Caps and Basis of Determination

Annual caps: In respect of the New Lease Service Framework Agreement, the proposed annual caps for the lease services to be provided by the Company to CDB New Energy for each of the years ending 31 December 2019, 2020 and 2021, respectively, are set out below:

	Proposed annual cap for the year ending 31 December		
	2019	2020	2021
	<i>(RMB in millions)</i>		
Aggregate lease principal to be paid by CDB New Energy to the Company under the Specific Agreements Concerned	800.00	800.00	800.00
Comprehensive interests to be paid by CDB New Energy to the Company under the Specific Agreements Concerned	10.00	10.00	10.00

Note: The comprehensive interests to be paid by CDB New Energy to the Company include interests, commission charges and security deposit.

Basis of Determination:

The above-mentioned annual caps were determined with reference to, inter alia, (1) the current market conditions (including the interest rate, which is no less favorable to the Company than those offered by an Independent Third Party for similar services) and the possible future adjustment of the annual RMB benchmark lending interest rate published by the PBOC; (2) the expected accumulated rents and interests under the New Lease Service Framework Agreement; (3) the nature, value and expected useful life of the power plant equipment as leased properties; and (4) the Company expected that the power plant asset of CDB New Energy will continue to increase in the next three years. It is expected that CDB New Energy will cooperate with the Company in the areas of sale-and-leaseback and direct leasing, with amount over RMB2.4 billion for the three years ending 31 December 2019, 2020 and 2021.

(5) *Reasons for and Benefits of Entering into the New Lease Service Framework Agreement*

Lease service (including but not limited to sale-and-leaseback and direct lease services) is the core business of the Company. The provision of lease service by the Company to CDB New Energy is able to satisfy the business needs of both parties. On the one hand, as a quality customer of the Company, CDB has a strong capital background and solid financial strength. Our provision of lease services to CDB New Energy and its subsidiaries, as our connected persons, will help the Group obtain stable and low-risk income; on the other hand, our provision of lease services is able to meet the respective business demands of the Company and CDB New Energy. The Directors (including independent non-executive Directors) are of the view that the New Lease Service Framework Agreement has been entered into on normal commercial terms, and is fair and reasonable, and in line with the interests of the Company and its Shareholders as a whole.

(6) *Listing Rules Implications*

As at the date of this announcement, CDB directly holds 64.40% equity interest of the Company, and is therefore the Controlling Shareholder of the Company. Meanwhile, as CDB holds approximately 30.46% equity interest of CDB New Energy through CDB Capital, a wholly-owned subsidiary of CDB, CDB New Energy and its subsidiaries are connected persons of the Company and the proposed transactions contemplated under the New Lease Service Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of the New Lease Service Framework Agreement calculated in accordance with the Listing Rules is more than 0.1% but less than 5%, the continuing connected transactions under the New Lease Service Framework Agreement are subject to the announcement and annual reporting requirements under Chapter 14A of the Listing Rules, but exempt from the Independent Shareholders' approval requirement.

(7) View of Gram Capital

Since the duration of certain specific lease agreements (sale-and-leaseback service agreement, direct leasing service agreement, etc.) under the New Lease Service Framework Agreement (the “**Specific Agreements Concerned**”) may be longer than three years, pursuant to Rule 14A.52 of the Listing Rules, the Company must appoint an independent financial adviser to explain why the Specific Agreements Concerned require a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration. For this purpose, the Company has engaged Gram Capital as the Independent Financial Adviser.

In assessing the reasons for the duration of the Specific Agreements Concerned to be longer than three years, Gram Capital has considered the following factors:

- (i) the operation with the relevant Power Plant Equipment are expected to be longer than three years;
- (ii) the lease period of each Specific Agreements Concerned shall be determined with reference to the useful life of relevant Power Plant Equipment, the Lessee’s financial needs and the Lessor’s financial status, and shall not exceed the useful life of the relevant Power Plant Equipment (which is expected to be longer than three years); and
- (iii) by entering into finance leases with a longer duration, the Lessee’s payment obligation on relevant Power Plant Equipment costs is allowed to be spread over a longer period.

In considering whether it is normal business practice for agreements of similar nature with the Specific Agreements Concerned to have a term of such duration, Gram Capital has identified transactions entered into by companies listed on the Stock Exchange involving finance lease with duration of more than three years. In addition, Gram Capital has also reviewed finance lease agreements which are similar in nature with the Specific Agreements Concerned, entered into between the Company and independent third parties (the “**Comparable Agreements**”). The terms of the Comparable Agreements are over three years.

Taking into account of the above, Gram Capital confirms that the duration of the Specific Agreements Concerned, which may be longer than three years, is required and it is normal business practice for the Specific Agreements Concerned to be of such duration.

II. INTERNAL CONTROL PROCEDURES AND CORPORATE GOVERNANCE MEASURES

1. Independent Financial System

The Group has established an independent financial department, composed of independent financial staff and supervised by the Chief Financial Officer of our Company. The Group has adopted a sound and independent audit system and a comprehensive financial management system. The Group also maintains accounts at independent third party banks. CDB and CDB New Energy do not share any bank account with the Group. The Group has independent tax registrations and have paid tax independently pursuant to relevant PRC laws and regulations. Please see “Relationship with CDB – Independence from CDB – Financial Independence” of the Prospectus for details of the independence of the Group from CDB.

2. Risk Management Measures

- The Group shall monitor the maximum daily balance of deposits to be placed by the Group with CDB, as well as that of the credit financing to be provided by CDB to the Group on a regular basis, to ensure the applicable annual caps are not exceeded. The Group will regularly check with CDB on deposits and loans balance of the Group, thus enabling the Group to monitor the account of the Group and to ensure that the relevant annual caps will not exceed the annual caps under the New Deposit Service Framework Agreement and New Financing Service Framework Agreement. If the balance is close to the applicable maximum daily balance in respect of the deposits of the Group, the Group will consider transferring certain amount to the Group’s bank account opened with an independent commercial bank; in respect of the Group’s loans, the Group will consider obtaining financing from independent third party banks;
- The Group shall closely monitor the financial position and operating conditions of CDB through its annual report, its website and information such as its bond issuances in the open market. If the Group considers that there are material adverse changes in the financial condition of CDB and/or any of its associates, the Group will take appropriate measures, including early withdrawal of deposits and suspension of further deposits, to protect the financial position of the Group; and
- The Group shall request from time to time at its own discretion to withdraw or terminate early all, or any part of, its deposits placed with CDB (except for security deposits for the financing provided by CDB to the Group) to ensure the liquidity and safety of its deposits at CDB.

3. Internal Control Measures

In order to ensure the terms under relevant framework agreements for the non-exempt continuing connected transactions are fair and reasonable and are carried out under normal commercial terms, the Company has adopted the following internal control procedures:

- The Company has adopted and implemented a management system on connected transactions. Under such system, the Related Party Transaction Control Committee under the Board is responsible for conducting reviews on compliance with relevant laws, regulations, our Company's policies and the Listing Rules in respect of the non-exempt continuing connected transactions. In addition, the Related Party Transaction Control Committee under the Board, Compliance Management Department and other relevant business departments of the Company are jointly responsible for evaluating the terms under framework agreements for the non-exempt continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement;
- The independent non-executive Directors will review the framework agreements for non-exempt continuing connected transactions to ensure that the agreements have been entered into on normal commercial terms and on terms that are fair and reasonable and in accordance with the terms of such agreements. The auditor of our Company will also conduct an annual review on the pricing policies and annual caps of such agreements; and
- In determining the actual prices for the services provided to the Company, CDB and/or its associates will quote to the Company in advance. As mentioned above, in order to ensure that the pricing policies under relevant framework agreements for the non-exempt continuing connected transactions are fair and reasonable, the Related Party Transaction Control Committee under the Board and other relevant business departments of the Company shall review the proposed prices offered by CDB and/or its associates through the following review procedures:
 - if there are market prices available, they will compare the proposed price with the market price to ensure that the proposed price is equivalent to or no less favorable to the Company than the price offered by independent third parties providing similar services. The Company will make enquiries from certain independent third parties service providers for their prices and conduct internal assessments;

- if no market price is available, they will take into consideration several factors, such as regulatory requirements, actual needs of our Company, and the financial position and creditworthiness of the service provider, in determining whether the pricing is fair and reasonable; and
 - review the proposed price to ensure it is consistent with the pricing terms under the relevant framework agreements for the non-exempt continuing connected transactions, and that the terms offered by CDB and/or its associates to the Company are no less favorable to the Company than those offered to independent third parties.
- In determining the actual prices for the services provided by the Company to CDB and/or its associates, CDB New Energy and/or its subsidiaries, the Company shall consider factors such as regulatory requirements, the Company's costs and its profit margin to determine whether the relevant pricing policies are fair and reasonable. In addition, as mentioned above, in order to ensure the fairness and reasonableness of the pricing policies under the relevant framework agreements for the non-exempt continuing connected transactions, the Related Party Transaction Control Committee under the Board and other relevant business departments of the Company shall follow the corresponding review procedures to evaluate the price of the Group to ensure it is consistent with the pricing policies under the relevant agreements for the non-exempt continuing connected transactions, and the terms offered by the Company to CDB and/or its associates, CDB New Energy and/or its subsidiaries are no less favorable to the Group than those offered to independent third parties.

Opinions of the Board

Mr. Li Yingbao, a non-executive Director, is deemed to be associated with the New Business Collaboration and Service Framework Agreement, New Bond Underwriting Service Framework Agreement, New Operating Lease Framework Agreement, New Financing Service Framework Agreement, New Deposit Service Framework Agreement, New Debt Financing Instruments Investment Framework Agreement, New Lease Service Framework Agreement and the transactions thereunder for holding office in CDB. Accordingly, Mr. Li has abstained from voting on the Board resolutions for approving those framework agreements and the proposed annual caps thereunder. Save as disclosed above, no other Director has any material interest in those framework agreements and no other Director shall abstain from voting on the Board resolutions for considering and approving those framework agreements and the proposed annual caps thereunder.

In consideration of the aforesaid pricing policies, basis of determination for proposed annual caps, reasons and benefits as well as internal control procedures, the Directors (including independent non-executive Directors) are of the view that the terms of the transactions contemplated under the New Business Collaboration and Service Framework Agreement, New Bond Underwriting Service Framework Agreement, New Operating Lease Framework Agreement and New Lease Service Framework Agreement and the proposed annual caps thereunder are entered into subject to market condition and on normal commercial terms in the ordinary and usual course of business of the Company, are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole. Directors (excluding independent non-executive Directors who will provide recommendation based on the advice of the Independent Financial Advisor) are of the view that the terms of the transactions contemplated under the New Financing Service Framework Agreement, New Deposit Service Framework Agreement, New Debt Financing Instruments Investment Framework Agreement and the proposed annual caps thereunder are entered into on normal commercial terms in the ordinary and usual course of business of the Company, are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

Information on Relevant Counterparties

(1) Information on the Company

The Company mainly engages in providing comprehensive leasing services to high-quality customers in industries including aviation, infrastructure, shipping, vehicles and construction machinery.

(2) Information on CDB

CDB, being the sole Controlling Shareholder and a connected person of the Company, was established in 1994 and owned by the Ministry of Finance of the PRC, Central Huijin Investment Ltd., Wutongshu Investment Platform Co., Ltd. and the National Council for Social Security Fund of the PRC.

(3) Information on CDB New Energy

CDB New Energy, a limited liability company incorporated in the PRC on 17 December 2014, is a subsidiary of CDB Capital and mainly engaged in the development, investment, construction, operation and maintenance of new energy projects. It has more than 10 project companies of photovoltaic grid-connected power plants including Ningxia Lineng Photovoltaic Power Development Company Limited (寧夏利能光伏電力開發有限公司) and Ningxia Guoxin Photovoltaic Energy Company Limited (寧夏國信光伏能源有限公司).

III. AGM

The Company intends to submit the relevant resolutions to the forthcoming AGM to seek Independent Shareholders' approval on the New Financing Service Framework Agreement, New Deposit Service Framework Agreement, New Debt Financing Instruments Investment Framework Agreement and the proposed annual caps for 2019, 2020 and 2021 thereunder. At the AGM, CDB and its associates will abstain from voting on the resolutions in relation to the New Financing Service Framework Agreement, New Deposit Service Framework Agreement, New Debt Financing Instruments Investment Framework Agreement and the proposed annual caps for 2019, 2020 and 2021 thereunder. The resolutions to be submitted will be passed by way of ordinary resolutions and voting will be taken by way of poll in accordance with the requirements of the Listing Rules. As at the date of this announcement, to the best knowledge and belief of the Directors having made all reasonable enquiries, save as disclosed herein, no other Shareholders will be required to abstain from voting in respect of the relevant resolutions.

The Independent Board Committee, comprising of all of the independent non-executive Directors, namely Mr. Zheng Xueding, Mr. Xu Jin and Mr. Zhang Xianchu, will be established to advise the Independent Shareholders in relation to the New Financing Service Framework Agreement, New Deposit Service Framework Agreement, New Debt Financing Instruments Investment Framework Agreement and the proposed annual caps for 2019, 2020 and 2021 thereunder. The Company has appointed Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the same matter. The Independent Board Committee will, upon receipt of the advice from Gram Capital, provide its recommendation in the AGM circular.

A circular containing, among others, (1) details of the New Financing Service Framework Agreement, New Deposit Service Framework Agreement, New Debt Financing Instruments Investment Framework Agreement and the proposed annual caps thereunder; (2) the recommendation from the Independent Board Committee to the Independent Shareholders; (3) the advice from Gram Capital to the Independent Board Committee and the Independent Shareholders; and (4) a notice convening the AGM is expected to be despatched to Shareholders on or before 7 June 2019. As additional time is required to prepare the information to be included in the circular, the circular will be despatched to Shareholders after 15 business days upon publication of this announcement.

IV. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“AGM”	the annual general meeting of 2018 to be held by the Company at 10 a.m., on Friday, 28 June 2019
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Bond Underwriting Service Framework Agreement”	the bond underwriting service framework agreement entered into between the Company and CDB on 13 June 2016
“Business Collaboration and Service Framework Agreement”	the business collaboration and services framework agreement entered into between the Company and CDB on 13 June 2016
“CDB”	China Development Bank, a joint stock company established in the PRC in 1994 and the Controlling Shareholder of the Company which holds 64.40% equity interest of the Company
“CDB Capital”	CDB Capital Co., Ltd. (國開金融有限責任公司), a limited liability company incorporated in the PRC on 24 August 2009 and a wholly-owned subsidiary of CDB, the Controlling Shareholder of the Company, which is mainly engaged in investment and investment management
“CDB New Energy”	CDB New Energy Science and Technology Company Limited (國開新能源科技有限公 司), a limited liability company incorporated in the PRC on 17 December 2014 and a subsidiary of CDB Capital, which is mainly engaged in development, investment, construction, operation and maintenance of new energy projects

“CDB Securities”	CDB Securities Company Limited (國開證券股份有限公司), a company incorporated in the PRC on 29 December 2003 and a subsidiary of CDB Capital, which is mainly engaged in securities brokerage, securities investment and consulting
“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 stock code of 1606
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Debt Financing Instruments Investment Framework Agreement”	the debt financing instruments investment framework agreement entered into between the Company and CDB on 13 June 2016
“Deposit Service Framework Agreement”	the deposit service framework agreement entered into between the Company and CDB on 13 June 2016
“Director(s)”	the director(s) of the Company
“Financing Service Framework Agreement”	the financing service framework agreement entered into between the Company and CDB on 13 June 2016

<p>“Gram Capital” or “Independent Financial Adviser”</p>	<p>Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the New Financing Service Framework Agreement, New Deposit Service Framework Agreement, New Debt Financing Instruments Investment Framework Agreement, and the proposed annual caps for 2019, 2020 and 2021 thereunder, and to explain why the Specific Agreements Concerned under the New Lease Service Framework Agreement may be longer than three years and to confirm that it is normal business practice for agreements of this type to be of such duration</p>
<p>“Group”</p>	<p>the Company and its subsidiaries or SPVs, or the Company and any one or more of its subsidiaries or SPVs, as the context may require</p>
<p>“Hong Kong”</p>	<p>the Hong Kong Special Administrative Region of the PRC</p>
<p>“Independent Board Committee”</p>	<p>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 respect of New Financing Service Framework Agreement, New Deposit Service Framework Agreement and New Debt Financing Instruments Investment Framework Agreement, and the proposed annual caps for 2019, 2020 and 2021 thereunder</p>

“Independent Shareholder(s)”	Shareholder(s) who is/are not required to abstain from voting on New Financing Service Framework Agreement, New Deposit Service Framework Agreement and New Debt Financing Instruments Investment Framework Agreement, and the proposed annual caps for 2019, 2020 and 2021 thereunder
“Lease Service Framework Agreement”	the lease service framework agreement entered into between the Company and CDB New Energy on 17 November 2016
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Bond Underwriting Service Framework Agreement”	the new bond underwriting service framework agreement entered into between the Company and CDB on 14 May 2019 (after trading hours)
“New Business Collaboration and Service Framework Agreement”	the new business collaboration and service framework agreement entered into between the Company and CDB on 14 May 2019 (after trading hours)
“New Debt Financing Instruments Investment Framework Agreement”	the new debt financing instruments investment framework agreement entered into between the Company and CDB on 14 May 2019 (after trading hours)
“New Deposit Service Framework Agreement”	the new deposit service framework agreement entered into between the Company and CDB on 14 May 2019 (after trading hours)
“New Financing Service Framework Agreement”	the new financing service framework agreement entered into between the Company and CDB on 14 May 2019 (after trading hours)
“New Lease Service Framework Agreement”	the new lease service framework agreement entered into between the Company and CDB New Energy on 14 May 2019 (after trading hours)
“New Operating Lease Framework Agreement”	the new operating lease framework agreement entered into between the Company and CDB on 14 May 2019 (after trading hours)

“Operating Lease Framework Agreement”	the operating lease framework agreement entered into between the Company and CDB on 13 June 2016
“PBOC”	The People’s Bank of China, the central bank of the PRC
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 24 June 2016
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Shenzhen, the PRC
14 May 2019

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