THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this supplemental circular, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in China Development Bank Financial Leasing Co., Ltd., you should at once hand this supplemental circular and the proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

国银租赁
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)

SUPPLEMENTAL CIRCULAR
RENEWAL OF FRAMEWORK AGREEMENTS ON CONTINUING CONNECTED TRANSACTIONS
FINANCE LEASE TRANSACTIONS IN RELATION TO SALE AND LEASEBACK OF INFRASTRUCTURE
AND
NON-RECOURSE FACTORING TRANSACTIONS ON CREDITOR'S RIGHT UNDER FINANCE LEASE

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

Gram Capital Limited
嘉林資本有限公司

This supplemental circular should be read in conjunction with the circular (the "**Original Circular**") dated 6 June 2019 and the notice of the Company dated 14 May 2019 dispatched to Shareholders in relation to the 2018 Annual General Meeting.

The 2018 Annual General Meeting will be held by the Company at the Meeting Room, CDB Financial Center, No. 2003 Fuzhong Third Road, Futian District, Shenzhen, Guangdong Province, the PRC at 10:00 a.m. on 28 June 2019.

A proxy form for use at the 2018 Annual General Meeting (the "**Proxy Form**") is enclosed in the Original Circular and published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (http://www.cdb-leasing.com).

If you intend to appoint a proxy to attend the 2018 Annual General Meeting, you are required to complete and return the Proxy Form in accordance with the instructions printed thereon not less than 24 hours before the time appointed for the holding of the 2018 Annual General Meeting (i.e. before 10:00 a.m. on Thursday, 27 June 2019) or any adjournment thereof (as the case may be). Completion and return of the Proxy Form will not preclude you from attending and voting in person at the 2018 Annual General Meeting or any adjournment thereof if you so wish.

13 June 2019

* *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.*

CONTENTS

Unless the context otherwise requires, the following expressions in this supplemental circular shall have the following meanings:

"2018 Annual General Meeting"	the 2018 annual general meeting of the Company to be held at 10:00 a.m. on Friday, 28 June 2019 at the Conference Room, CDB Financial Center, No. 2003 Fuzhong Third Road, Futian District, Shenzhen, Guangdong Province, the PRC
"Articles of Association"	the Articles of Association of the Company (as amended from time to time)
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of directors of our Company
"CDB"	China Development Bank, a joint stock company with limited liability established in the PRC in 1994 and the Controlling Shareholder of the Company which holds 64.40% equity interest of the Company
"Company", "our Company" or "the Company"	China Development Bank Financial Leasing Co., Ltd., a joint stock limited company incorporated in the PRC on 25 December 1984, the H Shares of which are listed on the Stock Exchange with the stock code of 1606
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"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)"	director(s) of the Company

"Domestic Share(s)"	ordinary shares in the Company's share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"Factoring Agreement I"	the factoring agreement proposed to be entered into among the Company, the Factoring Bank and the Lessee under the Finance Lease Agreement I in respect of the transfer of creditor's rights and relevant rights of the Lease Receivables under the Finance Lease Agreement I
"Factoring Agreement II"	the factoring agreement proposed to be entered into among the Company, the Factoring Bank and the Lessee under the Finance Lease Agreement II in respect of the transfer of creditor's rights and relevant rights of the Lease Receivables under the Finance Lease Agreement II
"Factoring Agreement III"	the factoring agreement proposed to be entered into among the Company, the Factoring Bank and the Lessee under the Finance Lease Agreement III in respect of the transfer of creditor's rights and relevant rights of the Lease Receivables under the Finance Lease Agreement III
"Factoring Agreements"	collectively, the Factoring Agreement I, the Factoring Agreement II and the Factoring Agreement III
"Factoring Bank"	Agricultural Bank of China Limited and/or its subsidiaries and branches. It is a large state-owned bank controlled by Central Huijin Investment Ltd. (中央匯金投資有限責任公司) and the Ministry of Finance of the PRC
"Finance Lease Agreement I"	the finance lease agreement previously entered into between the Company and Ningbo Metro Group Co., Ltd. (寧波市軌道交通集團有限公司), the ultimate beneficial owner of which is Ningbo Municipal People's Government, in relation to the assets including certain rail equipment and ancillary facilities in Zhejiang Province, the PRC, and the undue Lease Receivables thereunder is RMB759 million

"Finance Lease Agreement II"	the finance lease agreement previously entered into between the Company and Chengdu Rail Transit Group Co., Ltd. (成都軌道交通集團有限公司), the ultimate beneficial owner of which is the State-owned Assets Supervision and Administration Commission of Chengdu Municipal Government, in relation to the assets including certain rail equipment and ancillary facilities in Sichuan Province, the PRC, and the undue Lease Receivables thereunder is RMB2,179 million
"Finance Lease Agreement III"	the finance lease agreement previously entered into between the Company and Sichuan Yaxi Expressway Co., Ltd. (四川雅西高速公路有限責任公司), the ultimate beneficial owner of which is Sichuan Provincial People's Government, in relation to one road asset and ancillary facilities in Sichuan Province, the PRC, and the undue Lease Receivables thereunder is RMB3,825 million
"Finance Lease Agreements"	collectively, the Finance Lease Agreement I, the Finance Lease Agreement II and the Finance Lease Agreement III
"Financing Service Framework Agreement"	the financing service framework agreement entered into between the Company and CDB on 13 June 2016
"Gram Capital" or "Independent Financial Adviser"	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, 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 and New Debt Financing Instruments Investment Framework Agreement and the respective proposed annual caps for the years 2019, 2020 and 2021 thereunder
"Group"	the Company and its subsidiaries
"H Share(s)"	overseas listed foreign share(s) contained in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Stock Exchange and traded in Hong Kong dollars
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	the independent board committee under the Board, comprising all of the independent non-executive Directors, namely, Mr. Zheng Xueding, Mr. Xu Jin, and Mr. Zhang Xianchu. The committee was established to advise the 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 respective proposed annual caps for the years 2019, 2020 and 2021 thereunder
"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
"Independent Third Party(ies)"	individuals or companies independent to, and do not have any connected relationship with any members of the Group, Directors, substantial executive officer and substantial shareholders of the Company and its subsidiaries as well as their respective associates (as defined in the Listing Rules)
"Latest Practicable Date"	11 June 2019, being the latest practicable date prior to the printing of this supplemental circular for ascertaining certain information in the supplemental circular
"Leased Assets"	fixed assets including four certain items of road assets and ancillary facilities thereof located in Shanxi Province
"Lease Receivables"	the remaining lease rent under the Finance Lease Agreements, amounting to approximately RMB6,784 million
"Lessee"	Shanxi Transportation Holdings Group Co., Ltd. (山西交通控股集團有限公司)
"Lessee(s) under the Finance Lease Agreement(s)" or "Lessee(s) under the Factoring Transactions"	each or all lessees under the Finance Lease Agreement I, the Finance Lease Agreement II and the Finance Lease Agreement III
"Lessor"	the Company

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"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 Finance Lease Agreements"	one or more finance lease agreements to be signed by the Lessor and the Lessee after the approval of the Company's 2018 Annual General Meeting in respect of the Leased Assets under the transaction
"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)
"PBOC"	the People's Bank of China, the central bank of the PRC
"PRC" or "China"	the People's Republic of China, but for the purposes of this supplemental circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Company Law"	the Company Law of the PRC
"Previous Factoring Agreements"	the two factoring agreements entered into among the Company, the Factoring Bank and the Previous Lessee on 30 October 2018 and 28 December 2018 in respect of the transfer of creditor's rights and relevant rights of the lease receivables under the Previous Finance Lease Agreements
"Previous Finance Lease Agreements"	the two finance lease agreements entered into between the Company and the Previous Lessee on 9 November 2017 and 30 October 2018 in respect of two road assets and ancillary facilities in Hubei Province, the PRC, the lease principals of which were RMB1,500 million and RMB3,000 million, respectively

"Previous Lessee"	the lessee under the Previous Finance Lease Agreements, a state-owned enterprise located in Hubei Province, the PRC
"Prospectus"	the prospectus issued by the Company in connection with the Hong Kong public offering
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, including H Share(s) and Domestic Share(s)
"Shareholder(s)"	holders of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	supervisor(s) of the Company
"USD" or "US dollar(s)"	United States dollar(s), the lawful currency of the United States
"%"	percent

国银租赁
CHINA DEVELOPMENT BANK LEASING

國銀金融租賃股份有限公司*
CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.*
(A joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 1606)

Executive Directors:
Mr. Wang Xuedong *(Chairman)*
Mr. Huang Min

Non-executive Director:
Mr. Li Yingbao

Independent Non-executive Directors:
Mr. Zheng Xueding
Mr. Xu Jin
Mr. Zhang Xianchu

Registered Office:
CDB Financial Center,
No. 2003 Fuzhong Third Road
Futian District
Shenzhen
Guangdong Province
PRC

Principal Place of Business in Hong Kong:
31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

13 June 2019

To the Shareholders

Dear Sir or Madam,

SUPPLEMENTAL CIRCULAR
RENEWAL OF FRAMEWORK AGREEMENTS ON CONTINUING CONNECTED TRANSACTIONS
FINANCE LEASE TRANSACTIONS IN RELATION TO SALE AND LEASEBACK OF INFRASTRUCTURE
AND
NON-RECOURSE FACTORING TRANSACTIONS ON CREDITOR'S RIGHT UNDER FINANCE LEASE

INTRODUCTION

References are made to the Original Circular and the notice of the Company dated 14 May 2019 dispatched to Shareholders in relation to the 2018 Annual General Meeting.

The purpose of this supplemental circular is to provide you with further information on the following proposed resolutions to be considered at the 2018 Annual General Meeting to enable you to make an informed decision on whether to vote for or against the resolutions at the 2018 Annual General Meeting:

(i) consider and approve the renewal of framework agreements on continuing connected transactions for 2019 to 2021 and the proposed annual caps; (ii) consider and approve the finance lease transactions in relation to sale and leaseback of infrastructure; and (iii) consider and approve the non-recourse factoring transactions on creditor's right under finance lease.

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

An ordinary resolution will be proposed at the 2018 Annual General Meeting to approve the renewal of framework agreements on continuing connected transactions for 2019 to 2021 and the proposed annual caps.

Reference is made to the announcement of the Company dated 14 May 2019, in relation to, among others, the entering into (i) the New Financing Service Framework Agreement; (ii) the New Deposit Service Framework Agreement; and (iii) the New Debt Financing Instruments Investment Framework Agreement by the Company and CDB, of which details are set out below:

1. 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. Financing facilities 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 number of basis points 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 number of basis points spread over or below the PBOC benchmark lending rate. The specific interest rate will be determined based on the level of market interest rate when loans are drawn down.

When determining the price, the Group will obtain the loan interest rates in the same period, fees and other major terms from one or more large-scale state-owned banks which can provide same terms and same types with equivalent strength as CDB, and compare these offers with the corresponding terms provided by the CDB. If the rates, fees and terms of the CDB are better than those of large-scale state-owned banks, the Group will enter into a financing service agreement with CDB. If the terms and conditions provided by CDB are same as those of the large-scale state-owned banks, the Group will give priority to entering into a financing service agreement with CDB. If the Group is of the view that the terms and conditions provided by other large-scale state-owned banks are more favorable, the Group will enter into financing service agreements with other banks at its discretion.

(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

Historical Annual Caps: The annual caps under the Finance Service Framework Agreement for the years ended 31 December 2016, 2017 and 2018 are set out as below:

	Historical annual caps for the year ended 31 December		
	2016	**2017**	**2018**
	(RMB in millions)		
Maximum daily balance of financing provided by CDB to the Group with collaterals	20,000	33,000	37,000
Interests paid by the Group to CDB	576	1,519	2,006

Proposed 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**
	(RMB in millions)		
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) although the historical amounts were at a relatively low level, it is expected that the Group will still have greater financing needs in the next three years as the Group enters into a new development stage after listing on the Stock Exchange with an expansion in business scale; (ii) leading by "13th Five-Year Plan" of the State, the development of areas such as Guangdong-Hong Kong-Macau Bay Area, Beijing-Tianjin-Hebei, and Yangtze River Economic Belt will promote the development of local infrastructure projects and key production and construction projects, the financing needs of which will bring the Group more business opportunities. 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. Such business expansion will increase the medium- and long-term financing demand for CDB by the Group; (iii) along with the implementation of the "One Belt One Road" Initiative, the Group's international business is also expected to increase, its foreign-currency financing demand will increase accordingly, and the Group's maximum daily balance of financing from CDB, the most major foreign-currency medium- and long-term loan bank, is expected to increase significantly compared with the historical amounts; (iv) for the three years ended 31 December 2018, the financing obtained by the Group from CDB with collaterals 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; and (v) according to the business development plan and the stock financing repayment plan of the Group, the Group's annual RMB financing demand (excluding turnover) for the three years ending 31 December 2021 is estimated to range from approximately RMB150 billion to RMB250 billion and the US dollar financing demand (excluding turnover) is estimated to range from approximately USD9 billion to USD20 billion. Of which, it is estimated that 4% to 7% will be from the financing of CDB with collaterals, and the other financing demands will be satisfied by the bank loans, bonds issuance, bank acceptance bills and interbank lending.

In order to enhance operational stability and ease the pressure on liquidity, the Group needs to expand the proportion of medium- and long-term financing. In terms of domestic financing, in addition to issuing bonds, medium- and long-term financing demand will be mainly resolved through project loans or factoring of CDB. For US dollars financing, medium- and long-term funds can be obtained overseas through issuance of bonds and withdrawal of medium- and long-term bank loans. Due to the limited medium- and long-term US dollar financing types of normal commercial banks in China, CDB will be the major bank providing medium- and long-term mortgage and pledged loans denominated in US dollar to the Group. 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 mortgage and pledged loans are all medium- and long-term period over three years; and (ii) as mortgage and pledged loans are all medium- and long-term period, according to the current lending rate of medium- and long-term loans denominated in US dollar in the market, 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.

According to the current market pricing of medium- and long-term mortgage and pledged loans denominated in RMB, 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 approximately 10%. 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 of basis points, 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. As the Group focuses on the leasing business of aircraft, infrastructure, ship, equipment manufacturing and other industries, the lease term is longer and it is necessary to maintain a certain proportion of medium- and long-term financing to mitigate liquidity risk, and such leased assets are suitable for applying pledged loans from the banks. There is a lack of medium- and long-term financing types in China. CDB is the most major bank in the Chinese financial market to provide medium- and long-term mortgage and pledged loans denominated in RMB and US dollar. It has extensive industry experience in areas such as aviation, infrastructure and shipping, which is consistent with the scope of the core business of the Group. As such, CDB is able to provide financing products that meet the development characteristics of the leasing business of the Group.

Therefore, the strength of CDB in medium- to long-term loans 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) Financial Effects of the New Financing Service Framework Agreement

The transactions under the New Financing Service Framework Agreement will increase the Group's assets and liabilities. However, the Company does not expect the above-mentioned transactions to have a material adverse impact on the Group's cash flow position or its business operations. Save as disclosed above, the above-mentioned transactions are not expected to result in a material impact on the earnings, assets and liabilities of the Group.

(7) Listing Rules Implications

As of the Latest Practicable Date, 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 maximum daily balance of financing (including any outstanding balance brought forward from 31 December 2018) to be provided by CDB to the Group with collaterals and interest paid by the Group to CDB for the period from 1 January 2019 to 14 May 2019 is lower than 0.1%, such transactions are exempt from the requirements of announcement, annual reporting and Independent Shareholders' approval 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 5%, the continuing connected transactions under the New Financing 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 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.

2. 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; (b) funds raised from the Group's issuance of domestic financial bonds; and (c) cash from financing facilities 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) In respect of term deposits placed with CDB: (a) the interest rate for Renminbi term deposit will be no less than the PBOC benchmark deposit rate; and (b) the interest rate for US-dollar deposit will be determined with reference to LIBOR and after comparing with the deposit interest rates for the same period and other principal terms from one or more large-scale state-owned banks which can provide similar deposit services as CDB; and

(iii) In respect of our demand deposits placed with CDB, most are temporary deposits in the raised funds account for bonds issuance after each single issuance, while the rest small portion is the deposits for risk mitigation purpose made by the Group in the account at CDB when it receives financing with collaterals from CDB, including Renminbi and US-dollar deposits. When determine the interest rates, (a) the one for Renminbi deposits will be referred to the current benchmark interest rate of PBOC which is same among the one adopted by large banks; and (b) the one for US-dollar deposits will be compared with the interest rates from one or more large-scale state-owned banks. The Group will also take into account the factors that (a) CDB serves as the lead underwriter of the Group's bonds issuance; and (b) CDB provides financing services to the Group to ensure 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

Historical Annual Caps: The annual caps under the Deposit Service Framework Agreement for the years ended 31 December 2016, 2017 and 2018 are set out as below:

	Historical annual caps for the year ended 31 December		
	2016	**2017**	**2018**
	(RMB in millions)		
Maximum daily balance of deposits placed by the Group with CDB	3,000	3,000	3,000
Interests paid by CDB to the Group	21	28	36

Proposed 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**
	(RMB in millions)		
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) although the historical amounts were at a low level, it is expected that the Group will still have a higher temporary deposit balance with CDB on such day in the next three years; (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 benchmark current interests to the Group. CDB acts as the lead underwriter regarding the Group's issuance of domestic financial bonds and tier 2 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. It is expected that the Group will issue financial bonds of approximately RMB20 billion per annum for the next three years ending 31 December 2021, and issue tier 2 capital bonds of no more than RMB5 billion between 2019 and 2021. Such raised funds may be credited upon completion, resulting in a temporary higher balance of CDB account on such day; and (iii) the Group's estimate 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. The average US dollar-denominated deposit rate of the Group was approximately 2.50% as of 31 December 2018. Taking into consideration that the expand of the cooperation with the banks, bargaining range of the Group's US dollar-denominated deposits can be further enhanced. Based on such information, the Group estimated the average interest rate of the US dollar deposits to be paid by CDB to the Group will be 2.50%, 2.75% and 3.00% for the three years ending 31 December 2019, 2020 and 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. On one hand, CDB has been providing financing service to the Group for the three years ended 31 December 2018 as detailed under "1. New Financing Service Framework Agreement" of this supplemental circular, and such financing funds provided by CDB to the Group are also temporarily deposited in the Group's accounts maintained at CDB. On the other hand, when the Group issues domestic financial bonds or tier 2 capital bonds, as CDB is the lead underwriter of the Group, the raised fund account of the Group is opened at CDB. After each single issuance, the raised funds will be temporarily deposited in the CDB account within one/two days upon completion for subsequent arrangement of the Group.

(6) Financial Effects of the New Deposit Service Framework Agreement

The transactions under the New Deposit Service Framework Agreement will increase the Group's assets and liabilities. However, the Company does not expect the above-mentioned transactions to have a material adverse impact on the Group's cash flow position or its business operations. Save as disclosed above, the above-mentioned transactions are not expected to result in a material impact on the earnings, assets and liabilities of the Group.

(7) Listing Rules Implications

As of the Latest Practicable Date, 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 maximum daily balance of deposits (including any outstanding balance brought forward from 31 December 2018) placed with CDB by the Group and interest paid by CDB to the Group for the period from 1 January 2019 to 14 May 2019 is lower than 0.1%, such transactions are exempt from the requirements of announcement, annual reporting and Independent Shareholders' approval 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 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.

3. 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 the coupon rate of bonds issued by CDB in the 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.

Prior to entering into the debt financing instruments investment agreement, the Group will check the usual coupon rate of issued bonds in the national bond market and the terms and conditions of two other comparable debt financing instruments, so as to make sure the terms and conditions provided by CDB on the whole is no less favorable than those provided by the Independent Third Parties on the premise that they have similar liquidity in the secondary market.

(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 RMB159.14 million, RMB289.24 million and RMB1,153.51 million, respectively; the bond interest paid by CDB to the Group were nil, RMB9.43 million and RMB32.40 million, respectively.

(4) Annual Caps and Basis of Determination

Historical Annual Caps: The annual caps under the Debt Financing Instruments Investment Framework Agreement for the years ended 31 December 2016, 2017 and 2018 are set out as below:

	Historical annual caps for the year ended 31 December		
	2016	**2017**	**2018**
	(RMB in millions)		
Amount of debt financial instruments issued by CDB and/or its associates and purchased by the Group	500	1,000	1,500
Bond interests paid by CDB and/or its associates to the Group	19	37	55

Proposed 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 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 caps for the year ending 31 December		
	2019	**2020**	**2021**
	(RMB in millions)		
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, and expects to invest 40% to 60% of such amount to purchase debt financing instruments to be issued by CDB and/or its associates. The Group implements a three-level liquidity reserve system to mitigate liquidity risk. Level I refers to cash equivalent reserves, which include demand deposits and short-term contracted deposits as well as short-term lending and reverse repurchase in the money market; Level II refers to overdraft bank accounts, which provide unconditional commitments from banks for working capital support within the credit lines upon our request at predetermined interest rates; and Level III refers to high credit rating bonds. The bonds issued by CDB ("**CDB Bonds**") are interest rate type bonds with zero risk weight, processing the best and strongest liquidity. They are important tools for liquidity management in all financial institutions in China and the main underlying products of the Group's fixed-income investment, which is a Level III liquidity reserve of the Group. The Group may obtain capital in a very short period of time by disposing of CDB Bonds in the inter-bank market in China and conducting pledge repurchase of CDB Bonds when liquidity management is needed. Apart from CDB Bonds, the Group will also invest in other fixed income products. Investing in the CDB Bonds and other fixed income products at the same time is in the interests of the Company and its Shareholders as a whole.

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 China Banking Regulatory Commission, 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 bonds issued by CDB are interest rate type bonds with zero risk weight, possessing the best and strongest liquidity. They are important tools for liquidity management in all financial institutions in China. The Group established a three-tier liquidity reserve system to mitigate liquidity risk, and held interest rate bonds such as CDB Bonds as liquidity tier-three reserves. The Group may obtain capital in a very short period of time by disposing CDB Bonds in the inter-bank market in China and conducting pledge repurchase of CDB Bonds when liquidity management is needed. Therefore, the investment in the debt financing instruments to be issued by CDB and/or its associates is one of its liquidity management reserve tools.

(6) Listing Rules Implications

As at the Latest Practicable Date, 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 debt financing instruments investment transactions between the Company and CDB for the period from 1 January 2019 to 14 May 2019 is lower than 0.1%, such transactions are exempt from the requirements of announcement, annual reporting and Independent Shareholders' approval under Chapter 14A of 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.

4. 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 does not share any bank account with the Group. The Group has independent tax registrations and has 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 monthly, to ensure the applicable annual caps are not exceeded. The Group will check with CDB on deposits and loans balance of the Group monthly, 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 deposits, the Group will consider transferring certain funds to the Group's bank account opened with an independent commercial bank; in respect of 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;

- 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; and

- The Compliance Management Department of the Group collects the balance of purchasing bonds from related parties from the Fund Management Department on monthly basis, and issues quota management requirements. The Fund Management Department establishes a fixed income investment ledger for management and monitoring, confirms whether the limit exceeds before adding each transaction, and regularly reports the monitoring data to the Compliance Management Department.

(3) Internal Control Measures

In order to ensure the terms under New Financing Service Framework Agreement, New Deposit Service Framework Agreement and New Debt Financing Instruments Investment Framework Agreement (the "**Framework Agreements**") 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, in particular, the fairness of the pricing policies and annual caps under each agreement;

- The independent non-executive Directors will review the Framework Agreements 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 the Framework Agreements 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 prices 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 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.

For the New Financing Service Framework Agreement, the Compliance Management Department of the Group collects data from the Fund Management Department and Financial and Accounting Department in respect of financing to CDB on a monthly basis. The large-amount capital transfer is subject to approval by the Compliance Management Department in accordance with internal procedures. The Compliance Management Department would issue a quota to manage the requirement. The Fund Management Department would conduct a comprehensive financial management and monitoring by establishing a financial ledger. Every new borrowing from CDB should be subject to review and approval, and be reported to the Related Party Transaction Control Committee under the Board for review. The Group can conduct the monitoring towards the approval section of a new financing capital and report the monitoring data to the Compliance Management Department regularly.

For the New Deposit Service Framework Agreement, the Compliance Management Department of the Group has issued a quota management requirement. The Financial and Accounting Department has carried out a financial ledger to monitor, in order to manage the quota and newly added business situation thoroughly, and it should monitor the information and report to the Compliance Management Department regularly. Each department that may generate deposit business will consult the Compliance Management Department before the transaction occurs, and the transaction can be conducted only if it does not exceed the quota, as well as the terms are in compliance with the New Deposit Service Framework Agreement.

For the New Debt Financing Instruments Investment Framework Agreement, the Compliance Management Department of the Group collects the balance of purchasing bonds from related parties from the Fund Management Department on monthly basis, and issues quota management requirements. The Fund Management Department establishes a fixed income investment ledger for management and monitoring, confirms whether the quota exceeds and whether the terms of the New Debt Financing Instruments Investment Framework Agreement are met before entering into each transaction, and regularly reports the monitoring data to the Compliance Management Department.

5. Opinions of the Board

Mr. Li Yingbao, a non-executive Director, is deemed to be associated with New Financing Service Framework Agreement, New Deposit Service Framework Agreement, New Debt Financing Instruments Investment 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 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.

6. Independent Board Committee

The Independent Board Committee, comprising of all of the independent non-executive Directors, namely Mr. Zheng Xueding, Mr. Xu Jin and Mr. Zhang Xianchu, has been 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.

7. 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. (中央匯金投資有限責任公司), Wutongshu Investment Platform Co., Ltd. (梧桐樹投資平台有限責任公司) and the National Council for Social Security Fund of the PRC (中國全社會保障基金理事會).

FINANCE LEASE TRANSACTIONS IN RELATION TO SALE AND LEASEBACK OF INFRASTRUCTURE

An ordinary resolution will be proposed at the 2018 Annual General Meeting to approve the finance lease transactions in relation to sale and leaseback of infrastructure.

NEW FINANCE LEASE AGREEMENTS

On 14 May 2019 (after trading hours), the Company (as the Lessor) and the Lessee agreed on the principal terms of the New Finance Lease Agreements, pursuant to which (i) the Lessee agreed to transfer the Leased Assets under the transaction and/or change the registration to the name of the Lessor with a transfer consideration of RMB6,050 million, and (ii) the Lessor agreed to lease back the Leased Assets under the transaction to the Lessee with the lease principal of RMB6,050 million, the lease interest of approximately RMB2,315,548,991 and the total rent (lease principal plus lease interest) of approximately RMB8,365,548,991.

Details of the New Finance Lease Agreements are summarized as follows:

Date

The Company will determine the execution date and enter into the New Finance Lease Agreements with the Lessee upon the approval by the 2018 Annual General Meeting.

Parties

"Lessor"	:	the Company
"Lessee"	:	Shanxi Transportation Holdings Group Co., Ltd. (山西交通控股集團有限公司), a wholly-owned company of Shanxi Provincial People's Government, and is principally engaged in investment, construction, operation and management of expressway and other major transportation infrastructure, and development, operation and construction engineering of land and related resources along the traffic route

To the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Lessee and its ultimate beneficial owners are independent third parties of the Company and its connected persons (as defined under the Listing Rules).

Leased Assets

Leased Assets are four items of newly-built road assets and ancillary facilities thereof located in Shanxi Province, with the current net book value of RMB9,212 million.

Lease Period

The lease period is 15 years from the date on which the Lessor pays the transfer consideration to the Lessee.

Rent and Payment Method

Pursuant to the New Finance Lease Agreements, the Lessor agreed to lease back the Leased Assets to the Lessee. The rent (including value-added tax) comprises lease principal and lease interest. The lease principal, which is consistent with the transfer consideration, amounts to RMB6,050 million in total. The lease interest is calculated based on actual days, of which the calculation method is: lease interest = outstanding lease principal × lease interest rate × actual days of the lease period ÷ 360. According to the benchmark lending rate for the same period of loan with five years or over issued by the PBOC on 14 May 2019 (i.e. 4.9%, which is equal to the value as at the Latest Practicable Date) and the expected rental payment date of the Company and the Lessee, the total amount of lease interest for the lease period is approximately RMB2,315,548,991, and the total rent is approximately RMB8,365,548,991, which is calculated and payable in RMB. The New Finance Lease Agreements are divided into 30 consecutive periods for rent payment. The payment date of the first installment of rent is expected to be 10 December 2019, and 10 June and 10 December on every subsequent year will be the respective rent payment dates. The Company will determine the execution date and enter into the New Finance Lease Agreements with the Lessee upon the approval by the 2018 Annual General Meeting, therefore the aforementioned lease rate and payment date shall be adjusted according to the execution date and the lease interest shall also be adjusted accordingly.

The terms of the New Finance Lease Agreements, including the transfer consideration for the Leased Assets, lease principal, lease interest and other expenses under the New Finance Lease Agreements were determined upon arm's length negotiation between the Lessee and the Lessor with reference to the net book value of the Leased Assets, the benchmark lending rate for the same period of loan issued by PBOC, the credit level and repayment capacity of the Lessee as well as the prevailing market prices of finance lease products of the same category in the PRC.

Leased Assets and Its Ownership

The Lessee agreed to transfer the Leased Assets and/or change the registration to the name of the Lessor in the lease period with a transfer consideration of RMB6,050 million in aggregate. The consideration will be paid by the Lessor's self-owned funds and/or commercial loans. At the same time, the Lessor has agreed to lease back such fixed assets to the Lessee. The Lessee is entitled to the possession, usage and benefits of such fixed assets. Upon expiration of the lease period, the Lessee may purchase back each of the Leased Assets from the Lessor at a consideration of RMB100 in nominal value.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW FINANCE LEASE AGREEMENTS

The New Finance Lease Agreements are entered into by the Company in its ordinary and usual course of business. Entering into the Previous Finance Lease Agreement with the Lessee and proposing to enter into the New Finance Lease Agreements with the Lessee are beneficial for the Company to increase the income of its finance lease business and are consistent with the Company's business development strategy.

The Directors are of the view that the terms under the New Finance Lease Agreements are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

FINANCIAL IMPACT OF THE NEW FINANCE LEASE AGREEMENTS

The transactions under the New Finance Lease Agreements (the "**Finance Lease Transactions**") will increase the assets and liabilities of the Group. However, the Company expected that the Finance Lease Transactions would not cause material impact on the cash flow of the Group or its business operation. Save as disclosed above, it is expected that the Finance Lease Transactions would not cause material impact on the profit, assets and liabilities of the Group.

INFORMATION OF PARTIES

Information of the Company

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

Information of the Lessee

A state-owned enterprise located in Shanxi Province, the PRC, which is principally engaged in investment, construction, operation and management of expressway and other major transportation infrastructure, and development, operation and construction engineering of land and related resources along the traffic route.

LISTING RULES IMPLICATIONS

References are made to the announcements of the Company dated 27 July 2018 and 21 September 2018 in relation to the finance lease agreements entered into by the Company and the Lessee in respect of fixed assets including certain road assets and ancillary facilities thereof located in Shuozhou City, Shanxi Province and two items of road assets and ancillary facilities thereof located in Datong City to Yuanping City, Shanxi Province (the "**Disclosed Transactions**").

Save as the Disclosed Transactions, within the past twelve months, the Company has also entered into the Previous Finance Lease Agreement in respect of fixed assets including certain road assets and ancillary facilities thereof located in Shanxi Province (the "**Previous Transaction**") with the Lessee on 17 April 2019. Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio of the Previous Transaction was lower than 5% and lower than 25% when aggregated with the Disclosed Transactions, therefore the Previous Transaction was exempted from announcement requirement under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.22 of the Listing Rules, the transactions under the New Finance Lease Agreements shall be aggregated with the Previous Transaction and the Disclosed Transactions. As the highest applicable percentage ratio of transactions under the New Finance Lease Agreements is higher than 25% but lower than 100% when aggregated with the Previous Transaction and the Disclosed Transactions, the transactions under the New Finance Lease Agreements constitute major transactions of the Company, and are subject to announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the knowledge of Directors, having made all reasonable enquiries, no Shareholders shall abstain from voting at the 2018 Annual General Meeting in respect of approving the transactions under the New Finance Lease Agreements.

NON-RECOURSE FACTORING TRANSACTIONS ON CREDITOR'S RIGHT UNDER FINANCE LEASE

An ordinary resolution will be proposed at the 2018 Annual General Meeting to approve the non-recourse factoring transactions on creditor's right under finance lease.

FACTORING AGREEMENTS

The Company and the Factoring Bank agreed on the principal terms of the Factoring Agreements on 16 May 2019 (after trading hours), pursuant to which the Company will transfer the creditor's rights and relevant rights of the undue Lease Receivables under the Finance Lease Agreements to the Factoring Bank, and the Factoring Bank will receive such creditor's rights and relevant rights of the Lease Receivables and provide the Company with factoring facilities of no more than RMB6,784 million and no less than RMB5,572 million, as well as factoring facility services.

The principal terms of the Factoring Agreements are summarized as follows:

Date

The Company will determine the execution date and enter into the Factoring Agreements with the Factoring Bank and the Lessee(s) under the Factoring Transactions upon the approval by the 2018 Annual General Meeting and the final review by the competent authority of the Factoring Bank.

Parties

(1) The Company;

(2) The Factoring Bank; and

(3) The Lessee(s) under the Factoring Transactions

After making all reasonable enquiries, to the best of the Directors' knowledge, information and belief, the Factoring Bank, the Lessee(s) under the Factoring Transactions and their ultimate beneficial owners are all independent third parties of the Company and its connected persons (as defined under the Listing Rules).

Factoring Facilities

Pursuant to the Factoring Agreements, the Factoring Bank will provide factoring facility services for the Lease Receivables with an aggregate factoring facilities of no more than RMB6,784 million and no less than RMB5,572 million to the Company. The purpose of such factoring facilities is to supplement the working capital of the Company or repay the bank debts. Factoring facilities shall be equal to the balance of Lease Receivables. While the balance of Lease Receivables continuously decreases along with the repayment of principal and interest, a different transaction time and place would lead to a different amount of factoring facilities. Therefore, the amount of the abovementioned factoring facilities is the range of the balance of Lease Receivables within one year from 14 May 2019.

Financing Term

Financing term under the Factoring Agreements will be less than 9.5 years and will be adjusted according to the execution date of the Factoring Agreements.

Type of Factoring

No recourse right is attached. If the Lessee(s) under the Factoring Transactions fails to fully pay the Lease Receivables within the agreed time limit due to credit issues, the Factoring Bank has no recourse for a claim against the Company in respect of the outstanding payment.

Subject of the Transactions

The Company will transfer the creditor's rights and relevant rights of the undue Lease Receivables under the Finance Lease Agreements to the Factoring Bank. The Factoring Bank will receive such creditor's rights and relevant rights of the Lease Receivables and provide factoring facility services to the Company.

Factoring Services

According to the Factoring Agreements, the Factoring Bank will provide the Company with factoring facilities of no more than RMB6,784 million and no less than RMB5,572 million, and the payment date of the factoring facilities shall be adjusted according to the execution date of the Factoring Agreements.

Factoring Charge and Interests

The Company will pay the charge for the factoring facility services provided by the Factoring Bank, and the specific amount will be determined upon the duly execution of the Factoring Agreements. The charge for factoring services shall be paid by the Company to the Factoring Bank at the date on which the Company receives the factoring facilities under the Factoring Agreements. The interest rate applicable to the Factoring Agreements shall be no less than 10% below the rate on the factoring facilities payment date equivalent to the five-year benchmark interest rate of loans denominated in RMB as announced by the People's Bank of China for the corresponding financing term, and will be determined upon the duly execution of the Factoring Agreements. Factoring facilities interest = factoring facilities balance × factoring facilities interest rate × actual occupancy days/360. The amount of the factoring facilities interest is equivalent to the amount of interest payable by the Lessee(s) under the Factoring Transactions under the Finance Lease Agreements, and will be paid by the Company to the Factoring Bank upon receipt of the rent paid by the Lessee(s) under the Factoring Transactions on each rent payment date.

Guarantee

The Company will transfer all of the pledge under the Lease Receivables to the Factoring Bank.

REASONS AND BENEFITS FOR THE PROPOSED ENTERING INTO THE FACTORING AGREEMENTS

The Factoring Agreements will be entered into by the Company in the ordinary and usual course of business, and is conducive to giving full play to the advantages of all parties. With expected proceeds and controllable risks, entering into the Factoring Agreements is beneficial for the Company to activate its credit assets, accelerate the circulation of its assets, widen its finance channels, generate incomes from intermediate business, and enhance its development strength.

The terms of the Factoring Agreements (including factoring facilities, charge and interests) were reached among all parties after arm's length negotiation, with reference to prevailing commercial practice and the financial position of the counterparties.

The Directors are of the view that that the terms of the Factoring Agreements are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT OF THE FACTORING AGREEMENTS

The factoring charge for the factoring services under the Factoring Agreements may represent a reduction in the profit margin of the Group. Yet, such factoring charge to the Company will only represent a small proportion of the Company's earnings. On the other hand, as the Group will be able to receive the consideration of the Lease Receivables factored earlier than the original due dates, thereby improving the financial position and increasing flexibility in cash flow management of the Group. Accordingly, the Company anticipates that the factoring services under the Factoring Agreements will not have any material impact on its corresponding earnings, assets and liabilities.

INFORMATION ABOUT THE PARTIES

Information about the Company

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

Information about the Factoring Bank

The Factoring Bank is a large state-owned bank which is principally engaged in banking and related financial services.

Information about the Lessee(s) under the Factoring Transactions

The Lessee under the Finance Lease Agreement I is a state-owned enterprise located in Zhejiang Province, the PRC. It is principally engaged in investment in, and construction, operation (approved by special license) and management of, rail transit engineering, real estate development, property leasing, field leasing, property services, and advertisement services. The Lessee under the Finance Lease Agreement II is a state-owned enterprise located in Sichuan Province, the PRC. It is principally engaged in urban (intercity) rail transit projects including the metro, tram, and light rail, urban infrastructure, civil and industrial construction, and development and management of resources in underground spaces. The Lessee under the Finance Lease Agreement III is a state-owned enterprise located in Sichuan Province, the PRC. It is principally engaged in investment in and operation of expressway and related service facilities.

LISTING RULES IMPLICATIONS

References are made to the announcements of the Company dated 30 October 2018 and 28 December 2018 in relation to the Previous Factoring Agreements entered into among the Company, the Factoring Bank and the Previous Lessee regarding the creditor's rights and relevant rights of the lease receivables under the Previous Finance Lease Agreements (the "**Completed Transactions**"). Pursuant to Rule 14.22 of the Listing Rules, the transactions under the Factoring Agreements shall be aggregated with the Completed Transactions. As the highest applicable percentage ratios of transactions under the Factoring Agreements on standalone basis and when aggregated with the Completed Transactions are both higher than 25% but lower than 75%, the transactions under the Factoring Agreements constitute major transactions of the Company and are subject to the announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the knowledge of Directors, having made all reasonable enquiries, no Shareholders shall abstain from voting at the 2018 Annual General Meeting in respect of approving the transactions under the Factoring Agreements.

THE ANNUAL GENERAL MEETING OF 2018

The Company will convene the 2018 Annual General Meeting at 10:00 a.m. on 28 June 2019 at Meeting Room, CDB Financial Center, No. 2003 Fuzhong Third Road, Futian District, Shenzhen, Guangdong Province, the PRC. The Notice has been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (http://www.cdb-leasing.com) on 14 May 2019 and set out in the Original Circular to notify Shareholders of the resolutions detailed in the Original Circular and this supplemental circular. The resolutions detailed in the Original Circular dispatched by the Company on 6 June 2019 remain unchanged.

As disclosed in the Original Circular, in order to determine the list of Shareholders who are entitled to attend the 2018 Annual General Meeting, the register of members of the Company will be closed from 29 May 2019 to 28 June 2019, both days inclusive, during which period no transfer of Shares will be effected. Holders of H Shares and domestic Shares whose names appear on the register of members of the Company on 28 June 2019 shall be entitled to attend and vote at the 2018 Annual General Meeting. For unregistered holders of H Shares who intend to attend the 2018 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 28 May 2019 for registration.

The Proxy Form for use at the 2018 Annual General Meeting has also been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (http://www.cdb-leasing.com). If you intend to appoint a proxy to attend the 2018 Annual General Meeting, you are required to complete and return the Proxy Form in accordance with the instructions printed thereon not less than 24 hours before the time appointed for the holding of the 2018 Annual General Meeting or any adjournment thereof (as the case may be). Completion and return of the Proxy Form will not preclude you from attending and voting in person at the 2018 Annual General Meeting or any adjournment thereof if you so wish. Holders of H Shares who intend to attend the 2018 Annual General Meeting in person or by proxy should deposit the reply slip at the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before 7 June 2019. The Proxy Form is intended to be used for the resolutions specified in the Notice.

PROCEDURES FOR VOTING AT THE 2018 ANNUAL GENERAL MEETING

According to Rule 13.39(4) of the Listing Rules, the votes of Shareholders at the 2018 Annual General Meeting will be taken by poll.

RECOMMENDATION

The Independent Board Committee, comprising of all of the independent non-executive Directors, namely Mr. Zheng Xueding, Mr. Xu Jin and Mr. Zhang Xianchu, has been 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.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 33 to 34 of this supplemental circular. The Independent Board Committee, having taken into account the advice of Gram Capital, the text of which is set out on pages 35 to 56 of this supplemental circular, is of the view that the terms 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 have been entered into in the ordinary and usual course of business of the Company and on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Independent Board Committee, as stated in its letter, recommends the Independent Shareholders to vote in favour of the resolution to approve 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 Directors (including the independent non-executive Directors having considered the advice of Gram Capital) are of the view that all proposals as set out in the notice of the 2018 Annual General Meeting to be considered and approved by the Shareholders are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that Shareholders vote in favor of the resolutions to be proposed at the 2018 Annual General Meeting.

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

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

国银租赁
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)

13 June 2019

Dear Sir/Madam,

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

We refer to the supplemental circular of the Company dated 13 June 2019 to its Shareholders of which this letter forms part. Capitalized terms used in this letter have the same meanings as those defined in the supplemental circular unless specified otherwise.

As independent non-executive Directors, we have been appointed as the members of the Independent Board Committee, to advise Independent Shareholders on the renewal of the New Financing Service Framework Agreement, the New Deposit Service Framework Agreement and New Debt Financing Instruments Investment Framework Agreement for 2019 to 2021 and the proposed annual caps thereunder (details are set out in the Letter from the Board contained in the supplemental circular). Gram Capital has been appointed to advise the Independent Board Committee and Independent Shareholders on the renewal of framework agreements on continuing connected transactions for 2019 to 2021 and the proposed annual caps thereunder. We have reviewed the qualifications and experience of Gram Capital and believe that it meets the requirements of independent financial adviser under the Listing Rules.

We request your attention to the Letter from the Board and the Letter from Gram Capital to us, i.e., the Independent Board Committee, and Independent Shareholders in respect of its opinion on the renewal of framework agreements on continuing connected transactions for 2019 to 2021 and the proposed annual caps thereunder contained in this supplemental circular. Upon review of the terms and proposed annual caps of the New Financing Service Framework Agreement, the New Deposit Service Framework Agreement and New Debt Financing Instruments Investment Framework Agreement, considering the main considerations and reasons of Gram Capital and its conclusion and opinion, we are of the view that the renewal of framework agreements on continuing connected transactions for 2019 to 2021 and the proposed annual caps thereunder are entered into on normal commercial terms in the ordinary and usual course of business of the Company, and are fair and reasonable and meets the interests of the Company and all Shareholders as a whole.

In view of the above, we recommend Independent Shareholders voting for the ordinary resolutions in respect of approving the renewal of framework agreements on continuing connected transactions for 2019 to 2021 and the proposed annual caps thereunder to be submitted to the 2018 Annual General Meeting.

Yours faithfully,

Mr. Zheng Xueding	**Mr. Xu Jin**	**Mr. Zhang Xianchu**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

Independent Board Committee

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreements for the purpose of inclusion in this supplemental circular.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

13 June 2019

To: *The Independent Board Committee and the Independent Shareholders of China Development Bank Financial Leasing Co., Ltd.*

Dear Sirs,

RENEWAL OF FRAMEWORK AGREEMENTS ON CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Financing Service Framework Agreement, the New Deposit Service Framework Agreement and the New Debt Financing Instruments Investment Framework Agreement (collectively, the "**Framework Agreements**"), details of which are set out in the letter from the Board (the "**Board Letter**") contained in the supplemental circular dated 13 June 2019 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 13 June 2016, the Company entered into the Financing Service Framework Agreement, the Deposit Service Framework Agreement and the Debt Financing Instruments Investment Framework Agreement (the "**Previous Framework Agreements**") with CDB, and set up annual caps for relevant non-exempt continuing connected transactions for the three years ended 31 December 2018. Due to the fact that the Previous Framework Agreements expired on 31 December 2018, their respective annual caps 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.

On 14 May 2019, the Company entered into the Framework Agreements with CDB and proposed the relevant annual caps for the three years ending 31 December 2021 under those framework agreements so as to renew the relevant continuing connected transactions.

With reference to the Board Letter, the transactions under the Framework Agreements entered into with CDB by the Company constitute continuing connected transactions of the Company under the Listing Rules and are subject to the announcement, annual reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Zheng Xueding, Mr. Xu Jin and Mr. Zhang Xianchu (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Framework Agreements are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether transactions contemplated under the Framework Agreements are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Framework Agreements and transactions contemplated thereunder at the 2018 Annual General Meeting. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Mr. David Kwan was the person signing off the opinion letter from the independent financial adviser in respect of the duration of a continuing connected transaction of the Company announced on 14 May 2019. Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Framework Agreements. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiry, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters omitted which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, CDB or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of entering into of the Framework Agreements. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Framework Agreements, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Framework Agreements

Business overview of the Group

With reference to the Board Letter, the Company mainly engages in providing comprehensive leasing services to high-quality customers in industries including aviation, infrastructure, shipping, commercial vehicles and construction machinery.

Set out below is the audited consolidated financial information of the Group for the two years ended 31 December 2018 as extracted from the annual report of the Company for the year ended 31 December 2018 (the "**2018 Annual Report**"):

	For the year ended 31 December 2018	For the year ended 31 December 2017	Change from 2017 to 2018
	RMB'000	*RMB'000*	*%*
Total revenue	13,621,120	11,800,290	15.43
– *Finance lease income*	7,036,316	5,784,289	21.65
– *Operating lease income*	6,584,804	6,016,001	9.45
Profit attributable to owners of the Company	2,506,984	2,130,963	17.65

	As at 31 December 2018	As at 31 December 2017	Change from 2017 to 2018
	RMB'000	*RMB'000*	*%*
Cash at bank and on hand	23,497,845	16,207,073	44.99

As illustrated in the above table, the Group's total revenue amounted to approximately RMB13.62 billion for the year ended 31 December 2018 ("**FY2018**"), representing an increase of approximately 15.43% as compared with that for the year ended 31 December 2017 ("**FY2017**"). With reference to the 2018 Annual Report, such increase was primarily due to continuous growth of the Group's business scale arising from greater investment in leasing assets. The Group recorded profit attributable to owners of the Company of approximately RMB2.51 billion for FY2018, representing an increase of approximately 17.65% as compared with that for FY2017. With reference to the 2018 Annual Report, such increase was primarily due to the growth of total leasing assets resulting from the increase in financing to lessees, a high growth rate in leasing income and a rapid growth in non-leasing income such as asset trading and exchange gains or losses.

As at 31 December 2018, the Group had cash and cash equivalents of approximately RMB23.50 billion.

With reference to the 2018 Annual Report, in 2019, the Company will continue to adhere to the principle of a steady development pace with progress. The Group will adhere to new development concepts, in strict compliance with the requirements of high-quality development, grasp the key points on risk prevention and control, thus pushing forward all works to a new level by sticking to strict management, strengthening innovation and promoting transformation.

Information on CDB

With reference to the Board Letter, 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.

Reasons for and benefits of entering into the Framework Agreements

I. New Financing Service Framework Agreement

With reference to the Board Letter, 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. As the Group focuses on the leasing business of aircraft, infrastructure, ship, equipment manufacturing and other industries, the lease term is longer and it is necessary to maintain a certain proportion of medium-term and long-term financing to mitigate liquidity risk, and such leased assets are suitable for applying pledged loans from the banks. There is a lack of medium-term and long-term financing types in China. CDB is the major bank in the Chinese financial market to provide medium-term and long-term mortgage and pledged loans denominated in RMB and US dollar, 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. As such, CDB is able to provide financing products that meet the development characteristics of the leasing business of the Group.

Therefore, the strength of CDB in medium-term 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-term to long-term loan needs of the Group's business.

II. New Deposit Service Framework Agreement

With reference to the Board Letter, 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. On one hand, CDB has been providing financing service to the Group for the three years ended 31 December 2018 as detailed under the section headed "1. New Financing Service Framework Agreement" of the Board Letter, and such financing funds provided by CDB to the Group are also temporarily deposited in the Group's accounts maintained at CDB. On the other hand, when the Group issues domestic financial bonds or tier 2 capital bonds, as CDB is the lead underwriter of the Group, the raised fund account of the Group is opened at CDB. After each single issuance, the raised funds will be temporarily deposited at the CDB account within one/two days upon completion for subsequent arrangement of the Group.

III. New Debt Financing Instruments Investment Framework Agreement

With reference to the Board Letter, 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 bonds issued by CDB are interest rate type bonds with zero risk weight, processing the best and strongest liquidity. They are important tools for liquidity management in all financial institutions in China. The Group established a three-tier liquidity reserve system to mitigate and resolve liquidity risks, and holding interest rate bonds such as CDB Bonds as liquidity tier-three reserves. The Group may obtain capital in a very short period of time by disposing of CDB Bonds in the inter-bank market in China and conducting pledge repurchase of CDB Bonds when liquidity management is needed. Therefore, the investment in the debt financing instruments to be issued by CDB and/or its associates is one of its liquidity management reserve tools.

Having considered the reasons for and benefits of entering into the Framework Agreements above, we are of the view that the Framework Agreements can facilitate the business operation of the Group. Accordingly, we consider that the entering into of the Framework Agreements is in the interests of the Company and the Shareholders as a whole and is conducted under the ordinary and usual course of business of the Group.

2. Principal terms of the Framework Agreements

New Financing Service Framework Agreement

The following table tabulates a summary of the major terms of the 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 leased assets, balances in 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 number of basis points spread over or below the PBOC benchmark lending rate.

The specific interest rate will be determined based on the level of market interest rate when loans are drawn down. When determining the price, the Group will obtain the loan interest rates in the same period, fees and other major terms from one or more large-scale state-owned banks which can provide same term and same types with equivalent strength as CDB, and compare these quotas with the corresponding terms provided by the CDB. If the rates, fees and terms of the CDB are better than those of large-scale state-owned banks, the Group will enter into a financing service agreement with CDB. If the terms and conditions provided by CDB are same as those of the large-scale state-owned banks, the Group will give priority to entering into a financing service agreement with CDB. If the Group is of the view that the terms and conditions provided by other large-scale state-owned banks are more favorable, the Group will enter into financing service agreements with other banks at its discretion.

For our due diligence purpose, we obtained a set of documents (including board resolution and resolution of 關聯交易控制委員會 (Related Party Transaction Control Committee*) approving a loan transaction under Financing Service Framework Agreement in 2016, which were provided by the Company on random basis. Nothing came to our attention that caused us to believe that the pricing under the aforementioned documents was not complied with the above pricing policies.

With reference to the 2018 Annual Report and as confirmed by the Directors, the independent non-executive Directors have reviewed, among other things, the continuing connected transactions under the Previous Framework Agreements for FY2018 (the "**INED Review**") and confirmed that the transactions (i) were entered into in the ordinary and usual course of business of the Company; (ii) were conducted on normal commercial terms or better terms; and (iii) were conducted in accordance with relevant terms of the transaction agreement and the transaction terms are fair and reasonable and in the interests of the Shareholders as a whole (the "**INED Confirmation**").

With reference to the 2018 Annual Report and as confirmed by the Directors, the Company's auditor was engaged by the Board to conduct a limited assurance engagement (the "**Auditor Review**") on the continuing connected transactions under the Previous Framework Agreements for FY2018 in accordance with Hong Kong Standard on Assurance Engagements 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740, Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The auditor reported the results of their procedures to the Board stating that: (i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board; (ii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreement governing such transactions; and (iii) with respect to the aggregate amount of the continuing connected transactions, nothing has come to the their attention that causes them to believe that such continuing connected transactions have exceeded the applied maximum aggregate annual caps for FY2018 (the "**Auditor Confirmation**").

The Group also adopted internal control measures as set out under the section headed "4. Internal Control Procedures And Corporate Governance Measures" of the Board Letter to ensure compliance of relevant pricing policies for continuing connected transaction.

Having considered the aforesaid internal control measures, the INED Confirmation and the Auditor Confirmation, we have no doubt on the effectiveness of the internal control measures. We also consider that the effective implementation of the internal control measures would help to ensure fair pricing of the transactions contemplated under the New Financing Service Framework Agreement in compliance with its pricing policies.

Basis of the proposed annual caps under the New Financing Service Framework Agreement

We noted that the proposed annual caps of the maximum daily balance of financing to be provided by CDB to the Group with collaterals and interests to be paid by the Group to CDB are determined with reference to various basis, details of which are set out under the section headed "New Financing Service Framework Agreement – (4) Annual Caps and Basis of Determination" of the Board Letter.

The historical maximum the maximum daily balance of financing provided by CDB to the Group with collaterals and the maximum total annual amount of the interests paid by the Group to CDB for the three years ended 31 December 2018 are set out as follows:

Historical transaction amounts	**For the year ended 31 December 2016** *(in RMB'million)*	**For the year ended 31 December 2017** *(in RMB'million)*	**For the year ended 31 December 2018** *(in RMB'million)*
Maximum daily balance of financing provided by CDB to the Group with collaterals	7,723.52	6,495.57	4,545.87
Historical annual caps	20,000.00	33,000.00	37,000.00
Utilisation rate *(%)*	38.62	19.68	12.29
Interests paid by the Group to CDB	354.87	564.36	166.15
Historical annual caps	576.00	1,519.00	2,006.00
Utilisation rate *(%)*	61.61	37.15	8.28

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:

	For the year ending 31 December 2019 *(in RMB'million)*	For the year ending 31 December 2020 *(in RMB'million)*	For the year ending 31 December 2021 *(in RMB'million)*
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

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

To assess the fairness and reasonableness of the proposed annual caps, we discussed with the Company's management regarding the basis of determination of 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 as aforementioned and obtained the calculation for the corresponding annual caps. We noticed that the annual caps calculation is consistent with the basis of determining the annual caps as set out in the Board Letter.

We noted that the historical transaction amounts were low for the three years ended 31 December 2018. As advised by the Directors, the Group mainly obtained financing from independent financial institutions for the three years ended 31 December 2018. We also noted that the utilisation of the historical cap for FY2018 only reached approximately 12.29%. As such, the proposed annual cap for the year ending 31 December 2019 was set well below the historical cap for FY2018.

As for the annual caps for each of the years ending 31 December 2020 and 31 December 2021, we noted that it represents increment of around 7.14% as compared to the relevant cap for the year ending 31 December 2019.

With reference to the Board Letter, although the historical amounts were at relatively low levels, it is expected that the Group will still have greater financing needs in the next three years as the Group enters into a new development stage after listing on the Stock Exchange with an expansion in business scale. With reference to the 2018 Annual report, the Group's finance lease income and operating lease income amounted to approximately RMB7,036 million and RMB6,585 million respectively for FY2018, representing an increase of 21.6% and 9.5% as compared to those for FY2017. As advised by the Directors, it is expected that the Group's leasing business will continue to grow. Since the Group's financing from CDB is mainly used to carry out the leasing business of the Group, the Group's financing demand from CDB is therefore expected to increase.

We noted from the annual caps calculation that (i) the Group's annual RMB financing needs for the three years ending 31 December 2021 are estimated to be RMB6.0 billion, RMB6.5 billion and RMB6.5 billion; (ii) and the Group's annual US dollar financing needs for the three years ending 31 December 2021 are estimated to be RMB8.0 billion (equivalent amount), RMB8.5 billion (equivalent amount) and RMB8.5 billion (equivalent amount). The annual caps for the three years ending 31 December 2021 are set to cater for such demand.

We noted from the 2018 Annual Report that (i) the Group's borrowings was approximately RMB157.19 billion as at 31 December 2018; and (ii) the Group's increase in borrowings under its consolidated statement of cash flows was approximately RMB40.94 billion for FY2018. Accordingly, we consider that the annual caps in respect of the maximum daily balance of financing to be provided by CDB to the Group with collaterals for the three years ending 31 December 2021 (i.e. RMB14 billion, RMB15 billion and RMB15 billion) respectively can provide flexibility for the Group to seek financing from CDB.

Interests to be paid by the Group to CDB

As abovementioned, the historical transaction amounts were low for the three years ended 31 December 2018. We noted that the utilisation of the historical cap for FY2018 only reached approximately 8.28%. As such, the proposed annual cap for the year ending 31 December 2019 was set well below the historical cap for FY2018.

As for the annual caps for the years ending 31 December 2020 and 2021, we noted the increment of approximately 53.44% and 3.43% as compared to the relevant caps for the prior financial year.

We noted from the annual caps calculation that (i) the annual caps for interests to be paid are estimated based on the expected interest rate; and (ii) the significant increment in annual cap for the year ending 31 December 2020 as compared to that for the year ending 31 December 2019 is mainly due to that the average of estimated finance needs for the year ending 31 December 2019 and the actual balance of financing provided by CDB to the Group as at 31 December 2018 is much lower than the average of estimated finance needs for the two years ending 31 December 2020.

Having considered the above factors, we consider that the proposed annual caps under the New Financing Service Framework Agreement are fair and reasonable.

In light of the above, we consider that the terms of the New Financing Service Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

New Deposit Service Framework Agreement

The following table tabulates a summary of the major terms of the 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) In respect of term deposits placed with CDB: (a) the interest rate for Renminbi term deposit will be no less than the PBOC benchmark deposit rate; and (b) the interest rate for US-dollar deposit will be determined with reference to LIBOR and after comparing with the deposit interest rates for the same period and other principal terms from one or more large-scale state-owned banks which can provide similar deposit services as CDB; and

(iii) In respect of the Group's demand deposits placed with CDB, most are temporary deposits in the raised funds account for bonds issuance after each single issuance, while the rest small portion is the deposits for risk mitigation purpose made by the Group in the account at CDB when it receives financing with collaterals from CDB, including Renminbi and US-dollar deposits. When determining the interest rates, (a) the one for Renminbi deposits will be referred to the current benchmark interest rate of PBOC which is the same with the one adopted by large banks; and (b) the one for US-dollar deposits will be compared with the interest rates from one or more large-scale state-owned banks. The Group will also take into account the factors that (a) CDB serves as the lead underwriter of the Group's bonds issuance; and (b) CDB provides financing services to the Group to ensure 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.

As advised by the Directors, the interest rates of the Group's deposits placed with CDB are also in line with the prevailing market interest rate for similar deposit service provided by CDB to independent third parties. The Directors advised us that most of the Group's deposit in CDB are temporary deposits (demand deposit interest rate applies). We noted that the CDB's interest rate for RMB demand deposit has been 0.30% per annum since 24 October 2015 and the CDB's interest rate for demand deposit in US dollars has been 0.05% per annum since 23 June 2017, which are the same as the prevailing interest rates of Bank of China Limited (stock code: 3988), China Construction Bank Corporation (stock code: 939) and Industrial and Commercial Bank of China Limited (stock code: 1398) (being other major banks in the PRC).

We also noted that the CDB's interest rates for RMB term deposits for various terms since 24 October 2015 are the same as the prevailing interest rates of the aforesaid banks and the CDB's interest rates for US dollars term deposits for various terms since 24 June 2017 are equal to or above the prevailing interest rates of the aforesaid banks.

As aforementioned, (i) the independent non-executive Directors conducted the INED Review and provided the INED Confirmation regarding the continuing connected transactions under the Previous Framework Agreements; (ii) the auditor of the Company conducted the Auditor Review and provided the Auditor Confirmation regarding the continuing connected transactions under the Previous Framework Agreements.

The Group also adopted internal control measures as set out under the section headed "4. Internal Control Procedures And Corporate Governance Measures" of the Board Letter to ensure compliance of relevant pricing policies for continuing connected transaction.

Having considered the aforesaid internal control measures, the INED Confirmation and the Auditor Confirmation, we have no doubt on the effectiveness of the internal control measures. We also consider that the effective implementation of the internal control measures would help to ensure fair pricing of the transactions contemplated under the New Deposit Service Framework Agreement in compliance with its pricing policies.

Basis of the proposed annual caps under the New Deposit Service Framework Agreement

We noted that the proposed annual caps of 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 are determined with reference to various basis, details of which are set out under the section headed "New Deposit Service Framework Agreement – (4) Annual Caps and Basis of Determination" of the Board Letter.

The historical maximum daily balance of deposits placed by the Group with CDB and the interests paid by CDB to the Group for the three years ended 31 December 2018 are set out as follows:

Historical transaction amounts	**For the year ended 31 December 2016** *(in RMB'million)*	**For the year ended 31 December 2017** *(in RMB'million)*	**For the year ended 31 December 2018** *(in RMB'million)*
Maximum daily balance of deposits placed by the Group with CDB	2,206.14	2,265.62	1,812.49
Existing annual caps	3,000.00	3,000.00	3,000.00
Utilisation rate *(%)*	73.54	75.52	60.42
Interests paid by CDB to the Group	0.48	0.69	0.46
Existing annual caps	21.00	28.00	36.00
Utilisation rate *(%)*	2.29	2.46	1.28

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:

	For the year ending 31 December 2019 *(in RMB'million)*	**For the year ending 31 December 2020** *(in RMB'million)*	**For the year ending 31 December 2021** *(in RMB'million)*
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

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

We noted that the utilisation of the historical cap for FY2017 reached approximately 75.52%. Nevertheless, the utilisation of the historical cap for FY2018 only reached approximately 60.42% of the historical cap. As advised by the Directors, the decrease in utilisation rate was mainly due to the delay of issuance of domestic financial bonds and tier 2 capital bonds of the Group.

To assess the fairness and reasonableness of the annual caps, we discussed with the Company's management regarding the basis of determination of 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 as aforementioned and obtained the calculation for the corresponding annual caps. We noticed that the annual caps calculation is consistent with the basis of determining the annual caps as set out in the Board Letter.

We noted that the annual caps for each of the three years ending 31 December 2021 represent increment of around 66.67% as compared to the annual cap for each of the three years ended 31 December 2018.

With reference to the Original Circular, in order to leverage on the favorable opportunities in the market, the Board intends to propose at the 2018 Annual General Meeting to grant a general mandate to the Board to issue Debt Financing Instruments of the Company. The size of new issuances will be no more than RMB64 billion.

With reference to Board Letter, it is expected that the Group will issue financial bonds of approximately RMB20 billion per annum for the three years ending 31 December 2021, and issue tier 2 capital bonds of no more than RMB5 billion between 2019 and 2021. Such raised funds may be credited upon completion, resulting in a temporary higher balance of CDB account on such day. The annual caps for maximum daily balance of deposits to be placed by the Group with CDB for the three years ending 31 December 2021 (i.e. RMB5 billion for each year) can cater for the aforesaid needs of the Group.

We noted from the 2018 Annual Report that (i) the Group's cash and bank balances were approximately RMB23.50 billion as at 31 December 2018; and (ii) the Group's proceeds from issue of bonds payable under its consolidated statement of cash flows was approximately RMB8.68 billion for FY2018. Accordingly, we consider that annual caps for maximum daily balance of deposits to be placed by the Group with CDB for the three years ending 31 December 2021 (i.e. RMB5 billion for each year) can also provide flexibility for the Group to place deposit with CDB.

As also abovementioned, it is expected that the Group's leasing business will continue to grow. As advised by the Directors, 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

We noted that the utilisation of the historical cap for FY2018 only reached approximately 1.28%. As advised by the Directors, it was mainly due to the low interest rate environment and provisional funds only deposited very short period of time.

As for the annual caps for the years ending 31 December 2019, 2020 and 2021, we noted that they represent increments of around 86.11%, 1.49% and 1.47% as compared to the relevant caps for the prior financial year.

We noted from the annual caps calculation that (i) the annual caps for interests to be paid are estimated based on the expected interest rate; and (ii) the significant increment in annual cap for the year ending 31 December 2019 as compared to that for FY2018 is mainly due to higher annual cap for the maximum daily balance of deposits.

Having considered the above factors, we consider that the proposed annual caps under the New Deposit Service Framework Agreement are fair and reasonable.

In light of the above, we consider that the terms of the New Deposit Service Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

New Debt Financing Instruments Investment Framework Agreement

The following table tabulates a summary of the major terms of the New Debt Financing Instruments Investment Framework Agreement:

Date:	14 May 2019
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 Policies: 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 the coupon rate of issued bonds by CDB in the 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.

Prior to entering into the debt financing instruments investment agreement, the Group will check the usual coupon rate of issued bonds in the national bond market and the terms and conditions of two other comparable debt financing instrument, so as to make sure the terms and conditions provided by CDB on the whole is no less favorable than those provided by the Independent Third Parties on the premise that they have similar liquidity in the secondary market.

For our due diligence purpose, we obtained records of (together with copies of five execution orders) the Group's investment in bonds issued by CDB in 2018, which were provided by the Company on random basis. We noted that (i) such bonds are traded in the open market and the interest rates of such bonds are quoted on Wind Info (Based on the website of Wind Info, Wind Info was founded in 1994. As the market leader in China's financial information services industry, Wind Info is dedicated to provide accurate and real-time information, as well as sophisticated communication platforms for financial professionals.) and applicable to all investors. Nothing came to our attention that caused us to believe that the pricing under the aforementioned documents was not complied with the above pricing policies.

As aforementioned, (i) the independent non-executive Directors conducted the INED Review and provided the INED Confirmation regarding the continuing connected transactions under the Previous Framework Agreements; (ii) the auditor of the Company conducted the Auditor Review and provided the Auditor Confirmation regarding the continuing connected transactions under the Previous Framework Agreements.

The Group also adopted internal control measures as set out under the section headed "4. Internal Control Procedures And Corporate Governance Measures" of the Board Letter to ensure compliance of relevant pricing policies for continuing connected transaction.

Having considered the aforesaid internal control measures, the INED Confirmation and the Auditor Confirmation, we have no doubt on the effectiveness of the internal control measures. We also consider that the effective implementation of the internal control measures would help to ensure fair pricing of the transactions contemplated under the New Debt Financing Instruments Investment Framework Agreement in compliance with its pricing policies.

Basis of the proposed annual caps under the New Debt Financing Instruments Investment Framework Agreement

We noted that the proposed annual caps of 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 bond interest amounts to be paid by CDB and/or its associates to the Group are determined with reference to various basis, details of which are set out under the section headed "New Debt Financing Instruments Investment Framework Agreement – (4) Annual Caps and Basis of Determination" of the Board Letter.

The historical amount of the debt financial instruments issued by CDB and/or its associates and purchased by the Group and the bond interest paid by CDB and/or its associates to the Group for the three years ended 31 December 2018 are set out as follows:

Historical transaction amounts	**For the year ended 31 December 2016** *(in RMB'million)*	**For the year ended 31 December 2017** *(in RMB'million)*	**For the year ended 31 December 2018** *(in RMB'million)*
Amount of debt financing instruments issued by CDB and/or its associates and purchased by the Group	159.14	289.24	1,153.51
Existing annual caps	500.00	1,000.00	1,500.00
Utilisation rate *(%)*	31.83	28.92	76.90
Bond interests paid by CDB and/or its associates to the Group	Nil	9.43	32.40
Existing annual caps	19.00	37.00	55.00
Utilisation rate *(%)*	N/A	25.49	58.91

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:

	For the year ending 31 December 2019 *(in RMB'million)*	For the year ending 31 December 2020 *(in RMB'million)*	For the year ending 31 December 2021 *(in RMB'million)*
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

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

To assess the fairness and reasonableness of the annual caps, we discussed with the Company's management regarding the basis of determination of 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 as aforementioned and obtained the calculation for the corresponding annual caps. We noticed that the annual caps calculation is consistent with the basis of determining the annual caps as set out in the Board Letter.

We noted that the utilisation of the historical caps for the three years ended 31 December 2018 were approximately 31.83%, 28.92% and 76.90% respectively. As advised by the Directors, there was substantial increase in historical cap utilisation rate in FY2018 as the Group invested more debt financing instruments issued by CDB and/or its associates, under its liquidity reserve management. Given the above, we consider the increases in annual caps for the three years ending 31 December 2021 (as compared to prior financial year) to be reasonable.

With reference to the Board Letter, 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 CDB Bonds are interest rate type bonds with zero risk weight, processing the best and strongest liquidity. They are important tools for liquidity management in all financial institutions in China and the main underlying products of the Group's fixed-income investment, which is Level III liquidity reserve of the Group.

The following table sets forth the Group's net capital for the three years ended 31 December 2018:

	As at 31 December 2016 *(RMB in millions)*	As at 31 December 2017 *(RMB in millions)*	As at 31 December 2018 *(RMB in millions)*
Net capital	23,312.9	25,134.8	26,873.5

Based on the Group's net capital as of 31 December 2018 of RMB26,873.5 million, the Group is allowed to invest in fixed-income financial products, including debt financing instruments up to no more than RMB5,374.7 million, representing 20% of the Group's net capital as of 31 December 2018. The proposed annual caps do not exceed 20% of the Group's net capital as of 31 December 2018.

With reference to the Board Letter, the Group plans to invest in the debt financing instruments in domestic open market within the above transaction amount limit, and expects to invest 40% to 60% of such limit to purchase debt financing instruments to be issued by CDB and/or its associate. Accordingly, the Group's proposed investment amount 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, which are roughly 40% to 60% of "20% of the Group's net capital" as at 31 December 2018.

We noted from the 2018 Annual Report that, as at 31 December 2018, the Group's financial assets at fair value through profit or loss (mainly consist of asset management schemes issued and managed by non-bank financial institutions, which mainly invested on debt securities listed on exchanges and interbank bond market in the PRC) amounted to approximately RMB1.92 billion and financial assets at fair value through other comprehensive income amounted to approximately RMB0.50 billion. Accordingly, we consider that annual caps for amount of debt financing instruments to be issued by CDB and/or its associates and to be purchased by the Group for the three years ending 31 December 2021 (i.e. RMB2,000 million, RMB2,500 million and RMB3,000 million respectively) can provide flexibility for the Group to conduct investment.

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

We noted that the utilisation of the historical cap for FY2018 only reached approximately 58.91%.

As for the annual caps for the three years ending 31 December 2021, we noted that they represent increment of around 65.45%, 25.27% and 20.18% as compared to the relevant cap for the prior financial year.

With reference to the Board Letter, 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%. We noted from the annual caps calculation that the aforesaid rate is multiplied by the amount of debt financing instruments to be issued by CDB and/or its associates and to be purchased by the Group for the three years ending 31 December 2021 to derive the annual caps for bond interests to be paid.

Having considered the above factors, we consider that the proposed annual caps under the New Debt Financing Instruments Investment Framework Agreement are fair and reasonable.

In light of the above, we consider that the terms of the New Debt Financing Instruments Investment Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the maximum values of the continuing connected transactions contemplated under the Framework Agreements must be restricted by the annual caps for the period concerned under the Framework Agreements; (ii) the terms of the Framework Agreements must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Framework Agreements must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Framework Agreements (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the annual caps. In the event that the maximum amounts of the Framework Agreements are anticipated to exceed the annual caps, or that there is any proposed material amendment to the terms of the Framework Agreements, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

With the stipulation of the above requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the transactions contemplated under the Framework Agreements and hence the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into account that above factors and reasons, we are of the opinion that (i) the Framework Agreements are entered into under the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Framework Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the 2018 Annual General Meeting to approve the Framework Agreements and transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
David Kwan
Director

Note: Mr. David Kwan is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 10 years of experience in investment banking industry.

* *For identification purpose only*

1. FINANCIAL INFORMATION OF THE GROUP FOR THE YEARS ENDED 31 DECEMBER 2016, 2017 AND 2018

The financial information of the Group for the three financial years ended 31 December 2016, 2017 and 2018 is disclosed in pages 117 to 220 of the 2016 annual report[1], pages 124 to 235 of the 2017 annual report[2] and pages 133 to 256 of the 2018 annual report[3] of the Company, respectively, all published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.cdb-leasing.com).

2. STATEMENT OF INDEBTEDNESS

As of 30 April 2019, which is the latest practicable date for the purpose of determining the amount of indebtedness, the Company had outstanding interest-bearing balance of bank borrowings and long-term borrowings in the total amount of RMB195,496,841,862.

As of 30 April 2019, the bank borrowings are secured by (a) in addition to the legal charges, certain of the aircraft leased to airline companies by the Company under either finance leases or operating leases; (b) pledge of the shares in the special established vehicles of the Company owning the certain aircraft; (c) guarantees from certain members of the Group; and (d) pledge of deposits amounting to RMB774,246,591.

Save as aforesaid or as otherwise disclosed in this supplemental circular, and apart from intra-group liabilities, as of 30 April 2019, being the latest practicable date for determining indebtedness, the Company did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or other similar indebtedness or finance lease commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments or guarantees or other material contingent liabilities.

3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the presently available banking facilities and the internally generated resources of the Group, the Group has sufficient working capital for its requirements within the next 12 months from the date of this supplemental circular.

Notes:

1. Please see link at:

   http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0421/LTN20170421911.pdf

2. Please see link at:

   http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0424/LTN20180424645.pdf

3. Please see link at:

   http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0426/LTN201904262479.pdf

4. FINANCIAL AND TRADING PROSPECTS

Financial status

The major business segments of the Group include Aircraft Leasing, Infrastructure Leasing, Ship, Vehicle and Construction Machinery Leasing and Other Leasing Business.

For the year ended 31 December 2018, the total lease financing to lessees amounted to RMB82.744 billion, among which the lease financing to lessees in Aircraft Leasing was RMB17.342 billion, the lease financing to lessees in Infrastructure Leasing was RMB33.702 billion, the lease financing to lessees in Ship, Vehicle and Construction Machinery Leasing was RMB24.794 billion, and the lease financing to lessees in Other Leasing Business was RMB6.906 billion, respectively.

As at 31 December 2018, total assets of the Group amounted to RMB238,067.0 million, representing an increase of 27.2% and RMB50,967.7 million as compared with that at the end of 2017.

For the year ended 31 December 2018, total revenue of the Group amounted to RMB13,621.1 million, representing an increase of 15.4% and RMB1,820.8 million as compared with that of 2017.

For the year ended 31 December 2018, total expenses of the Group amounted to RMB12,267.1 million, representing an increase of 29.0% and RMB2,760.2 million as compared with that of 2017.

Prospects

In 2019, the Group will continue to consolidate the development foundation, optimize the business layout, enhance the capability of risk management and control as well as compliance management, and improve the management efficiency. Meanwhile, the Group will take the further improvement of corporate operating mechanism as an opportunity to accelerate the refinement of the market-oriented operation mechanism and improve the corporate governance. Besides, adapting to the requirements of the new policies under the new situations, the Group will strengthen the professional abilities, facilitate the innovation of varieties and models of business and enhance the vitality and motivation of development, so as to continuously enhance the core competitiveness, push forward the long-term and sustained development of the Group and create greater values for all Shareholders.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date on which the latest published audited accounts of the Company have been made up.

1. RESPONSIBILITY STATEMENT

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

2. INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

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

3. SERVICE CONTRACTS

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

4. COMPETING INTERESTS

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

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

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2018 (being the date on which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

6. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Name	Class of Shares	Capacity/Nature of interest	Number of Shares	Long position/ Short position	Approximate shareholding percentage in the relevant class of Shares *(%)*	Approximate percentage in the Company's total shareholdings *(%)*
Central Huijin Investment Ltd.	Domestic Shares	Interests of controlled corporation (1)	8,141,332,869	Long position	88.63	64.40
	H Shares	Interests of controlled corporation (5)	439,702,000	Long position	12.72	3.48
China Development Bank	Domestic Shares	Beneficial owner (1)	8,141,332,869	Long position	88.63	64.40
Shengtang Development (Yangpu) Co., Ltd.	Domestic Shares	Interests of controlled corporation (2)	795,625,000	Long position	8.66	6.29
Hainan Traffic Administration Holding Co., Ltd.	Domestic Shares	Interests of controlled corporation (2)	795,625,000	Long position	8.66	6.29
HNA Group Company Limited	Domestic Shares	Beneficial owner (2)	795,625,000	Long position	8.66	6.29
China Three Gorges Corporation	H Shares	Interests of controlled corporation (3)	1,306,500,000	Long position	37.80	10.33

Name	Class of Shares	Capacity/Nature of interest	Number of Shares	Long position/ Short position	Approximate shareholding percentage in the relevant class of Shares (%)	Approximate percentage in the Company's total shareholdings (%)
Three Gorges Capital Holdings Co., Ltd.	H Shares	Beneficial owner [3]	1,306,500,000	Long position	37.80	10.33
Hengjian International Investment Holding (Hong Kong) Limited	H Shares	Beneficial owner [4]	523,310,000	Long position	15.14	4.14
Guangdong Hengjian Investment Holding Co., Ltd.	H Shares	Interests of controlled corporation [4]	523,310,000	Long position	15.14	4.14
China Reinsurance (Group) Corporation	H Shares	Beneficial owner [5]	439,702,000	Long position	12.72	3.48
National Council for Social Security Fund	H Shares	Beneficial owner	272,666,000	Long position	7.89	2.16
Sinotak Limited	H Shares	Beneficial owner	271,250,000	Long position	7.85	2.15
State-owned Assets Supervision and Administration Commission of the State Council	H Shares	Interests of controlled corporation [6]	193,984,000	Long position	5.61	1.53
China State Shipbuilding Corporation	H Shares	Interests of controlled corporation [6]	193,984,000	Long position	5.61	1.53
CSSC International Holding Company Limited	H Shares	Beneficial owner [6]	193,984,000	Long position	5.61	1.53
Taiping Assets Management (HK) Company Limited	H Shares	Investment manager	193,750,000	Long position	5.61	1.53

Notes:

(1) Central Huijin Investment Ltd. holds 34.68% of the equity interests in CDB. Hence, pursuant to the SFO, Central Huijin Investment Ltd. is deemed to be interested the 8,141,332,869 Domestic Shares held by CDB.

(2) Shengtang Development (Yangpu) Co., Ltd. holds 50% of the equity interests in Hainan Traffic Administration Holding Co., Ltd., which in turn holds 70% of the equity interests in HNA Group Company Limited. Hence, pursuant to the SFO, each of Shengtang Development (Yangpu) Co., Ltd. and Hainan Traffic Administration Holding Co., Ltd. is deemed to be interested in the 795,625,000 Domestic Shares held by HNA Group Company Limited.

(3) Three Gorges Capital Holdings Co., Ltd. is a wholly-owned subsidiary directly held by China Three Gorges Corporation. Hence, pursuant to the SFO, China Three Gorges Corporation is deemed to be interested in the 1,306,500,000 H Shares held by Three Gorges Capital Holdings Co., Ltd.

(4) Hengjian International Investment Holding (Hong Kong) Limited is wholly-owned by Guangdong Hengjian Investment Holding Co., Ltd. Hence, pursuant to the SFO, Guangdong Hengjian Investment Holding Co., Ltd. is deemed to be interested in the 523,310,000 H Shares held by Hengjian International Investment Holding (Hong Kong) Limited.

(5) Central Huijin Investment Ltd. holds 71.56% of the equity interests in China Reinsurance (Group) Corporation. Hence, pursuant to the SFO, Central Huijin Investment Ltd. is deemed to be interested in the 439,702,000 H Shares held by China Reinsurance (Group) Corporation.

(6) CSSC International Holding Company Limited is a wholly-owned subsidiary of China State Shipbuilding Corporation Limited which is wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China. Therefore, pursuant to the SFO, both China State Shipbuilding Corporation Limited and the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China are deemed to be interested in the 193,984,000 H Shares held by CSSC International Holding Company Limited.

(7) Pursuant to Article 336 of SFO, where certain conditions are materialized, Shareholders of the Company must submit Disclosure of Interests Form. In case of changes in the shareholding of Shareholders in the Company, unless certain conditions are materialized, Shareholders may not notify the Company and the Stock Exchange. Therefore, the latest shareholding of Shareholders in the Company may differ from that submitted to the Stock Exchange.

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

7. DIRECTORS' POSITIONS IN SUBSTANTIAL SHAREHOLDERS

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

Name	**Position in the specific company**
Mr. Li Yingbao	a senior appraisal manager of the first assessment bureau in China Development Bank

8. LITIGATION

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

9. MATERIAL CONTRACTS

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

10. EXPERT QUALIFICATION AND CONSENT

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

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Gram Capital issued a letter dated 13 June 2019, for the purpose of incorporation in this supplemental circular in connection with its recommendation to the Independent Board Committee and the Independent Shareholders. As at the Latest Practicable Date, Gram Capital has given and has not withdrawn its written consent to the issue of this supplemental circular with the inclusion of its letter of recommendation and reference to its name in the form and context in which they appear.

11. EXPERT'S INTERESTS

As at the Latest Practicable Date, Gram Capital:

(a) did not have any direct or indirect interest in any assets acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the settlement date to which the latest published audited consolidated financial statements of the Group were made up; and

(b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

12. OTHER INFORMATION

(1) The company secretaries of the Company are Mr. Huang Min and Ms. Wong Sau Ping (associate member of The Hong Kong Institute of Chartered Secretaries, associate member of The Institute of Chartered Secretaries and Administrators).

(2) The registered address of the Company is CDB Financial Center, No. 2003 Fuzhong Third Road, Futian District, Shenzhen, Guangdong Province, the PRC. The principal place of business of the Company in Hong Kong is located at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

(3) The H share registrar of the Company is Computershare Hong Kong Investor Services Limited, located at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(4) The English text of this supplemental circular shall prevail over the Chinese text in the event of inconsistency.

13. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at 31/F, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong for a period of 14 days (excluding Saturdays and Sundays) from the date of this supplemental circular:

(1) the New Debt Financing Instruments Investment Framework Agreement;

(2) the New Deposit Service Framework Agreement;

(3) the New Financing Service Framework Agreement;

(4) the letter from the Independent Board Committee as set out on pages 33 to 34 of this supplemental circular;

(5) the letter from Gram Capital as set out on pages 35 to 56 of this supplemental circular;

(6) the written consent of Gram Capital referred to in the paragraph headed "Expert's Qualification and Consent" above;

(7) the Articles of Association;

(8) the 2017 annual report and 2018 annual report of the Company; and

(9) this supplemental circular.