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CHINA DEVELOPMENT BANK LEASING

國銀金融租賃股份有限公司*

CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.*

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

(Stock Code: 1606)

CONNECTED TRANSACTION FINANCE LEASE TRANSACTION

The Board announces that on 26 December 2017, the Company (as the Lessor) entered into the Finance Lease Agreement with the Lessee, pursuant to which (i) the Lessee has agreed to transfer the ownership of the Leased Assets under the name of the Lessor for a consideration of RMB800,000,000, and (ii) the Lessor has agreed to lease back the Leased Assets to the Lessee with the lease principal of RMB800,000,000, the lease interest of approximately RMB121,910,861 (tax inclusive) and the total rent (lease principal and lease interest) of approximately RMB921,910,861.

Pursuant to Rule 14.07 of the Listing Rules, as the highest applicable percentage ratio (as defined under the Listing Rules) of the transactions contemplated under the Finance Lease Agreement is lower than 5%, the transactions contemplated under the Finance Lease Agreement do not constitute discloseable transactions of the Company.

As at the date of this announcement, given that CDB is the controlling shareholder of the Company, and holds approximately 32.02% equity interest in the Lessee through its wholly-owned subsidiary CDB Development Fund, the Lessee constitutes a Connected Person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the Finance Lease Agreement entered into between the Company and the Lessee constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

* *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.*

As the highest applicable percentage ratio (as defined under the Listing Rules) of the transactions contemplated under the Finance Lease Agreement is over 0.1% but less than 5%, the transactions are subject to the reporting and announcement requirements, but exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including independent non-executive Directors) are of view that the terms of the Finance Lease Agreement are fair and reasonable, and in the interests of the Company and its shareholders as a whole. As Mr. GENG Tiejun, Ms. LIU Hui and Mr. LI Yingbao, the non-executive Directors, also hold positions at CDB, they are deemed to have material interests in the Finance Lease Agreement and the transactions thereunder. The above Directors have abstained from voting when the resolution regarding the Finance Lease Agreement was approved at the Board meeting.

FINANCE LEASE AGREEMENT

On 26 December 2017, the Company (as the Lessor) entered into the Finance Lease Agreement with the Lessee, pursuant to which (i) the Lessee has agreed to transfer the ownership of the Leased Assets under the name of the Lessor for a consideration of RMB800,000,000, and (ii) the Lessor has agreed to lease back the Leased Assets to the Lessee with the lease principal of RMB800,000,000, the lease interest of approximately RMB121,910,861 (tax inclusive) and the total rent (lease principal and lease interest) of approximately RMB921,910,861.

Details of the Finance Lease Agreement are summarized as follows:

Date

26 December 2017

Parties

“Lessor”: the Company

“Lessee”: a state-owned enterprise located in Qianjiang City, Hubei Province, the PRC

Leased Assets

The Leased Assets are certain municipal infrastructure assets in Qianjiang City, Hubei Province, the PRC, which are self-constructed by the Lessee. The net appraised value of the Leased Assets amounted to approximately RMB948,560,683.

Lease Period

The lease period shall be five years commencing from the date of payment of the transfer consideration to the Lessee by the Lessor.

Rent and Method of Payment

Pursuant to the Finance Lease Agreement, the Lessor agreed to lease back the Leased Assets to the Lessee. The total rent, including value-added tax, comprises lease principal and lease interest. The lease principal amounted to RMB800,000,000 and the lease interest is calculated based on the number of days, of which the calculation method is: $\text{lease interest} = \text{outstanding lease principal} \times \text{actual days of the lease period} \times \text{lease interest} \div 360$. The total amount of lease interest for the lease period is approximately RMB121,910,861 (tax inclusive), and the total rent (lease principal and lease interest) is approximately RMB921,910,861.

The total rent is calculated and payable in RMB. After each quarter ends, the parties determine the rent amount (non-equivalent amount) for the corresponding quarter and the rent shall be payable by the Lessee to the Lessor and divided into 20 consecutive periods. The payment date for the first installment of rent is 10 March 2018, and on 10 March, 10 June, 10 September and 10 December of every subsequent year, the rest rent will be paid respectively. The last payment of rent is settled on the expiry date of the lease period.

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

Leased Assets and their Ownership

The Lessee has agreed to transfer the ownership of the Leased Assets under the name of the Lessor during the lease period at a transfer consideration of RMB800,000,000. The consideration shall be financed with the self-owned capital of the Lessor and loans from commercial banks. At the same time, the Lessor has agreed to lease back such Leased Assets to the Lessee. The Lessee is entitled to the possession, usage and benefits of such assets. Upon the expiration of the lease period, the Lessee may purchase back the Leased Assets from the Lessor at nominal value of RMB100.

Advance Repayment

During the lease period, the Lessee may submit an application for advance repayment to the Lessor in advance. With written consent of the Lessor, the Lessee may repay all or part of the lease principal in advance.

Guarantee

A subsidiary controlled by the Lessee agrees to provide the Lessee with joint guarantee for the fulfillment of obligation to the Lessor under the Finance Lease Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE AGREEMENT

The Finance Lease Agreement is entered into by the Company during its ordinary course of business. Entering into the Finance Lease Agreement with the Lessee is beneficial for the Company to increase the income of its finance lease business and is consistent with the Company's business development strategy.

The Directors (including independent non-executive Directors) are of the view that the terms under the Finance Lease Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

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, commercial vehicle and construction machinery.

Information of the Lessee

The Lessee is a state-owned enterprise located in Qianjiang City, Hubei Province in the PRC. It is principally engaged in the construction and operation of urban infrastructures, public utilities and basic industries, earth-rock works service, land development services and property development operation, franchised operation of governmental public resources, financing, investment, entrusted loan, consultation and assessment services for enterprises, businesses and projects in Qianjiang City, Hubei Province, the PRC, and investment in hydraulic projects. CDB, the controlling shareholder of the Company, holds approximately 32.02% equity interest in the Lessee through its wholly-owned subsidiary CDB Development Fund.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.07 of the Listing Rules, as the highest applicable percentage ratio (as defined under the Listing Rules) of the transactions contemplated under the Finance Lease Agreement is lower than 5%, the transactions contemplated under the Finance Lease Agreement do not constitute discloseable transactions of the Company.

As at the date of this announcement, given that CDB is the controlling shareholder of the Company, and holds approximately 32.02% equity interest in the Lessee through its wholly-owned subsidiary CDB Development Fund, the Lessee constitutes a Connected Person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the Finance Lease Agreement entered into between the Company and the Lessee constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) of the transactions contemplated under the Finance Lease Agreement is over 0.1% but less than 5%, the transactions are subject to the reporting and announcement requirements, but exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including independent non-executive Directors) are of view that the terms of the Finance Lease Agreement are fair and reasonable, and in the interests of the Company and its shareholders as a whole. As Mr. GENG Tiejun, Ms. LIU Hui and Mr. LI Yingbao, the non-executive Directors, also hold positions at CDB, they are deemed to have material interests in the Finance Lease Agreement and the transactions thereunder. The above Directors have abstained from voting when the resolution regarding the Finance Lease Agreement was approved at the Board meeting.

DEFINITIONS

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

“Board”	the board of directors of the Company
“CDB”	China Development Bank Corporation (國家開發銀行股份有限公司), a joint stock company with limited liability established in the PRC in 1994, and the controlling shareholder holding 64.40% equity interest of the Company
“CDB Development Fund”	CDB Development Fund Corporation (國開發展基金有限公司), a limited liability company established in the PRC in 2015, and a wholly-owned subsidiary of CDB
“Company”	China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), a company established in the PRC in 1984 and converted into a joint stock limited company on 28 September 2015, the H Shares of which are listed on the Stock Exchange with stock code of 1606
“Connected Person”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“Finance Lease Agreement”	the finance lease agreement entered into between the Lessor and Lessee on 26 December 2017
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Leased Assets”	certain municipal infrastructure assets in Qianjiang City, Hubei Province, the PRC
“Lessee”	a state-owned enterprise located in Qianjiang City, Hubei Province, the PRC
“Lessor”	the Company
“Listing Rules”	the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Shenzhen, the PRC
26 December 2017

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