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This announcement and the listing document referred to herein have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever. For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.

Notice to Hong Kong investors: the Issuer confirms that the Notes (as defined below) are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) (“Professional Investors”) only and the Programme has been, and the Notes to be listed on the SEHK will be, listed on the SEHK on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved. Furthermore, there are various other risks relating to the keepwell and asset purchase deed, the Company (as defined below) and its subsidiaries, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Notes.

PUBLICATION OF THE OFFERING CIRCULAR

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED

(a company incorporated in Hong Kong with limited liability)

(the Issuer)

U.S.\$5,000,000,000 MEDIUM TERM NOTE PROGRAMME

WITH THE BENEFIT OF A KEEPWELL AND LIQUIDITY SUPPORT DEED AND A DEED OF ASSET PURCHASE UNDERTAKING PROVIDED BY



CCB FINANCIAL LEASING CORPORATION LIMITED

(建信金融租賃有限公司)

(a company incorporated in the People's Republic of China with limited liability)

(the Company)

This announcement is made by the Issuer pursuant to Rule 37.39A of the Listing Rules.

Please refer to the offering circular dated 4 September 2025 (the “Offering Circular”) appended herein in relation to the U.S.\$5,000,000,000 Medium Term Note Programme (the “Programme”) of CCB Shipping and Aviation Leasing Corporation Limited with the benefit of a keepwell and liquidity support deed and a deed of asset purchase undertaking provided by CCB Financial Leasing Corporation Limited (建信金融租賃有限公司). As disclosed in the Offering Circular, any notes to be issued under the Programme (the “Notes”) are intended for purchase by Professional Investors only and the Programme has been, and the Notes to be listed on the SEHK will be, listed on the SEHK on that basis. The Issuer may issue unlisted Notes pursuant to the Programme.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any Notes of the Issuer, and no such inducement is intended.

Hong Kong, 5 September 2025

As at the date of this announcement, the directors of CCB Shipping and Aviation Leasing Corporation Limited are TIAN Jianming, WANG Tao and ZHANG Yichuan, and the directors of CCB Financial Leasing Corporation Limited (建信金融租賃有限公司) are SONG Tao, TIAN Jianming, YAN Xiuxia and LI Qing.

Appendix

Offering Circular dated 4 September 2025

IMPORTANT NOTICE

THE OFFERING CIRCULAR IS AVAILABLE ONLY TO NON-U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”)) PURCHASING THE SECURITIES OUTSIDE THE U.S. IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S.

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the “Offering Circular”), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND SECURITIES IN BEARER FORM ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE SECURITIES MAY NOT BE OFFERED, SOLD OR (IN THE CASE OF NOTES IN BEARER FORM) DELIVERED WITHIN THE UNITED STATES AND/OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE OFFERING CIRCULAR MAY NOT BE DOWNLOADED, FORWARDED OR DISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY DOWNLOADING, FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

Confirmation of your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities described in the Offering Circular, investors must be non-U.S. persons (within the meaning of Regulation S) purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S. The Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to us, the Arrangers (as defined in the Offering Circular) and the Dealers (as defined in the Offering Circular) that (1) you and any customers you represent are non-U.S. persons eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act and that the electronic e-mail address that you gave us or any Arranger or Dealer and to which the Offering Circular has been delivered is not located in the United States and (2) that you consent to the delivery of such Offering Circular by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of the Offering Circular to any other person. You should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any reply by e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

The Offering Circular does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealers or such affiliate on behalf of the Issuer (as defined in the Offering Circular) in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Company (as defined in the Offering Circular), the Arrangers, the Dealers, the Trustee (as defined in the Offering Circular) or the Agents (as defined in the Offering Circular), nor any person who controls any of them, nor any director, officer, employee, nor agent of any of them, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

IMPORTANT – EEA RETAIL INVESTORS – Unless the Pricing Supplement (as defined in the Offering Circular) in respect of any Notes (as defined in the Offering Circular) specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – Unless the Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (“FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001 – The Pricing Supplement in respect of any Notes may include a legend entitled “Singapore Securities and Futures Act Product Classification” which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”). If applicable, the Issuer will make a determination and provide the appropriate written notification to “relevant persons” in relation to each issue about the classification of the Notes being offered for the purposes of section 309B(1)(a) and section 309B(1)(c) of the SFA.

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CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED

(a company incorporated in Hong Kong with limited liability)

U.S.\$5,000,000,000

MEDIUM TERM NOTE PROGRAMME

WITH THE BENEFIT OF A KEEPWELL AND LIQUIDITY SUPPORT DEED AND A DEED OF ASSET PURCHASE UNDERTAKING PROVIDED BY



CCB FINANCIAL LEASING CORPORATION LIMITED

(a company incorporated in the PRC with limited liability)

Under the U.S.\$5,000,000,000 Medium Term Note Programme described in this Offering Circular (the “**Programme**”), CCB Shipping and Aviation Leasing Corporation Limited (the “**Issuer**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the “**Notes**”). The Notes may be issued in bearer or registered form. The aggregate principal amount of Notes outstanding will not at any time exceed U.S.\$5,000,000,000 (or the equivalent in other currencies), subject to increase as further described in “*Summary of the Programme*”.

The Issuer and CCB Financial Leasing Corporation Limited (建信金融租賃有限公司) (the “**Company**”) have entered into a keepwell and liquidity support deed dated on or about 4 September 2025 (as amended, restated and/or supplemented from time to time, the “**Keepwell and Liquidity Support Deed**”) and a deed of asset purchase undertaking dated on or about 4 September 2025 (as amended, restated and/or supplemented from time to time, the “**Deed of Asset Purchase Undertaking**”) with China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as trustee of the Notes (the “**Trustee**”), as further described in the “*Description of the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking*”. Investors should be aware that neither the Keepwell and Liquidity Support Deed nor the Deed of Asset Purchase Undertaking constitutes a direct or indirect guarantee of the Programme or the Notes by the Company and may not give rise to a debt claim in the event of any insolvency proceedings in relation to the Company. See “*Risk Factors – Risks Relating to the Notes – Neither the Keepwell and Liquidity Support Deed nor the Deed of Asset Purchase Undertaking is a guarantee of the payment obligations under the Notes and neither may give rise to a debt claim against the Company or be recognised by PRC courts in insolvency proceedings in relation to the Company in the PRC. In addition, performance by the Company of its obligations under the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking is subject to the approvals of the PRC authorities*” beginning on page 33. There are various other risks relating to the Notes, the Issuer, the Company, their subsidiaries, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Notes. See “*Risk Factors*” beginning on page 16.

The Notes will constitute direct, general, unconditional, unsubordinated and (subject to Condition 5(a) (*Negative pledge*) of the terms and conditions of the Notes (the “**Conditions**”)) unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of applicable law that are both mandatory and of general application.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Summary of the Programme*” and any additional Dealer appointed under the Programme from time to time by the Issuer and the Company (each, a “**Dealer**” and, together, the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the “**relevant Dealer**” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Application has been made to The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**” or “**HKSE**”) for the listing of the Programme under which Notes may be issued by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (“**Professional Investors**”) only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer and the Company confirm that the Notes are intended for purchase by Professional Investors only and the Programme and the Notes (to the extent such Notes are to be listed on the Hong Kong Stock Exchange) will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Company confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

HKSE has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme or the Notes on HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer or the Company or the Group (as defined below) or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and HKSE take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Notice of the aggregate principal amount of the Notes, interest (if any) payable in respect of the Notes, the issue price of the Notes and any other terms and conditions not contained herein which are applicable to each Series (as defined in the Conditions) of the Notes will be set out in a pricing supplement (the “**Pricing Supplement**”) which, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange, on or before the date of issue of the Notes of such Series. This Offering Circular may not be used to consummate sales of Notes, unless accompanied by a Pricing Supplement. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange or listed, traded or quoted on or by any other competent authority, exchange or quotation system.

Where the Administrative Measures for the Examination and Registration of Medium and Long-Term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第 56 號)) issued by the National Development and Reform Commission of the People’s Republic of China (the “**NDRC**”) on 5 January 2023 and which came into effect on 10 February 2023 and any relevant implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time (the “**NDRC Foreign Debt Measures**”) applies, for the benefit of the relevant Series or Tranche (as defined in the Conditions) of Notes, the Company undertakes to file or cause to be filed with the NDRC the requisite information and documents within the prescribed time frames after the issue date of the relevant Tranche of the Notes in accordance with the NDRC Foreign Debt Measures.

Each Tranche of Notes in bearer form (“**Bearer Notes**”) will initially be in the form of either a temporary global note in bearer form (each a “**Temporary Global Note**”), or a permanent global note in bearer form (each a “**Permanent Global Note**” and, together with the Temporary Global Notes, the “**Global Notes**”), and will be sold in an “offshore transaction” within the meaning of Regulation S (“**Regulation S**”) under the United States Securities Act of 1933 (the “**Securities Act**”). Interests in Temporary Global Notes generally will be exchangeable for interests in Permanent Global Notes, or if so stated in the relevant Pricing Supplement, definitive Notes (“**Definitive Notes**”), not earlier than 40 days after the issue date of the relevant Tranche of the Notes, upon certification as to non-U.S. beneficial ownership. Interests in Permanent Global Notes will be exchangeable for Definitive Notes in whole but not in part as described under “*Form of the Notes*”.

Each Tranche of Notes in registered form (“**Registered Notes**”) will be represented by a permanent registered global note certificate (each a “**Global Note Certificate**”), which may be deposited on the relevant issue date (a) in the case of a Tranche intended to be cleared through Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking S.A. (“**Clearstream**”), with a common depositary on behalf of Euroclear and Clearstream or (b) in the case of a Tranche intended to be cleared through the Central Money Markets Unit Service (the “**CMU**”), operated by the Hong Kong Monetary Authority (the “**HKMA**”), with a sub-custodian for the CMU or (c) in the case of a Tranche intended to be cleared through a clearing system other than, or in addition to, Euroclear, Clearstream and/or the CMU, or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer. The provisions governing the exchange of interests in Global Notes Certificates for individual note certificates (“**Individual Note Certificates**”) are described in “*Form of the Notes*”.

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), except in certain transaction exempt from the registration requirements of the Securities Act. The applicable Pricing Supplement in respect of such Series of Notes will specify any such restrictions. See “*Subscription and Sale*” and the applicable Pricing Supplement. Bearer Notes are subject to U.S. tax requirements.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

The Pricing Supplement in respect of any Notes may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, “**MiFID II**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR product governance rules set out in the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

The Pricing Supplement in respect of any Notes may include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

IMPORTANT – EEA RETAIL INVESTORS – Unless the Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**EU Prospectus Regulation**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – Unless the Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (“**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”). Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001 – The Pricing Supplement in respect of any Notes may include a legend entitled “Singapore Securities and Futures Act Product Classification” which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “**SFA**”). If applicable, the Issuer will make a determination and provide the appropriate written notification to “relevant persons” in relation to each issue about the classification of the Notes being offered for the purposes of section 309B(1)(a) and section 309B(1)(c) of the SFA.

Fitch Ratings Ltd. (“**Fitch**”) and S&P Global Ratings, a division of S&P Global Inc. (“**S&P**”) are expected to assign a rating of “A” and “A”, respectively, to the Programme. Notes issued under the Programme may be rated or unrated. Where a Series of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Investing in Notes to be issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations in respect of the Notes are discussed under “*Risk Factors*” below.

Arrangers and Dealers

CCB International

Crédit Agricole CIB

CITIC Securities

Standard Chartered Bank

Offering Circular dated 4 September 2025

NOTICE TO INVESTORS

Each of the Issuer and the Company accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms that, to the best of its knowledge and belief, (i) this Offering Circular (including any amendments and supplements hereto) contains all information with respect to the Issuer, the Company, the Issuer Group, the Group, the Notes, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking which is material in the context of the issue, offering, sale, marketing or distribution of the Notes, including all information which is required by applicable laws of Hong Kong or the People's Republic of China or according to the particular nature of the Issuer, the Company, the Issuer Group and the Group and of the Notes, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking and the Relevant Agreement (as defined in the Dealer Agreement (as defined below)) in relation to each Tranche of Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial positions, profits and losses and prospects of the Issuer, the Company, the Issuer Group, the Group and of the rights attaching to the Notes, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, (ii) the statements of fact contained in this Offering Circular, as at the date of this Offering Circular, are in every material respect true and accurate and not misleading, and there are no other facts in relation to the Issuer, the Company, the Issuer Group, the Group or the Notes, the omission of which would in the context of the issue, offering, sale and distribution of the Notes, make any statement in this Offering Circular misleading, (iii) the statements of intention, opinion, belief or expectation contained in this Offering Circular are honestly and reasonably made or held and have been reached after considering all relevant circumstances and based on reasonable assumptions and (iv) all reasonable enquiries have been made by the Issuer and the Company to ascertain such facts and to verify the accuracy of all such information and statements.

Each Tranche of the Notes will be issued on the terms set out herein under “*Terms and Conditions of the Notes*” as amended and/or supplemented by the Pricing Supplement specific to such Tranche. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of the Notes, must be read and construed together with the relevant Pricing Supplement.

The distribution of this Offering Circular, any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Company, CCB International Capital Limited, Crédit Agricole Corporate and Investment Bank, CLSA Limited, Standard Chartered Bank (collectively the “**Arrangers**”), the Trustee and the Agents (as defined in the Conditions) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the possession or distribution of this Offering Circular or any offering or publicity material relating to the Notes in any jurisdiction where action would be required for such purposes. This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful. By purchasing the Notes, investors represent and agree to all of those provisions contained in that section of this Offering Circular.

There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States, the EEA, the UK, Japan, Hong Kong, the PRC and Singapore and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and the distribution of this Offering Circular, see “*Subscription and Sale*”.

Save as specified in the Pricing Supplement, the Notes may be offered or sold outside the United States, to non-U.S. persons in offshore transactions in reliance on Regulation S. Any Series of Notes may be subject to additional selling restrictions. Any additional restrictions on the sale or transfer of any Series of Notes will be specified in the applicable Pricing Supplement for such Notes.

This Offering Circular is to be read in conjunction with all documents, which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

No person has been or is authorised in connection with the issue, offer, sale or distribution of the Notes to give any information or to make any representation concerning the Issuer, the Company, the Issuer Group, the Group, the Notes, the Keepwell and Liquidity Support Deed or the Deed of Asset Purchase Undertaking other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Company, the Issuer Group, the Group, the Arrangers, the Dealers, the Trustee or the Agents or any person who controls any of them, or any of their respective affiliates, directors, officers, employees, agents or advisers. Neither the delivery of this Offering Circular or any Pricing Supplement nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation

that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Company, the Issuer Group or the Group, or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Company, the Issuer Group, the Group, the Arrangers, the Dealers, the Trustee or the Agents or any person who controls any of them, or any of their respective affiliates, directors, officers, employees, agents or advisers to subscribe for or purchase any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Company, the Issuer Group, the Group, the Arrangers, the Dealers, the Trustee, the Agents or any person who controls any of them, or any affiliate, director, officer, employee, agent or adviser of any such person or any of them that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Company.

The maximum aggregate principal amount of the Notes outstanding at any one time under the Programme will not exceed U.S.\$5,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into United States dollars at the date of the agreement to issue such Notes or at such other rate calculated in accordance with the provisions of the Dealer Agreement), **provided that**, the maximum aggregate principal amount of the Notes, which may be outstanding at any one time under the Programme, may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement.

Each Tranche of Notes will be issued on the terms set out herein under “*Terms and Conditions of the Notes*” as amended and/or supplemented by the Pricing Supplement specific to such Tranche. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking.

This Offering Circular is being furnished by the Issuer and the Company in connection with the offering of the Notes exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Notes. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Issuer, the Company and other sources identified in this Offering Circular. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Notes offered by this Offering Circular is prohibited. Each offeree of the Notes, by accepting delivery of this Offering Circular, agrees to the foregoing.

No representation or warranty, express or implied, is made or given by the Arrangers, the Dealers, the Trustee or the Agents or any person who controls any of them, or any of their respective affiliates, directors, officers, employees, agents or advisers as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, any Pricing Supplement or any other information supplied in connection with the Notes, the Keepwell and Liquidity Support Deed or the Deed of Asset Purchase Undertaking, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Arrangers, the Dealers, the Trustee or the Agents or any person who controls any of them, or any of their respective affiliates, directors, officers, employees, agents or advisers. None of the Arrangers, the Dealers, the Trustee, the Agents or any person who controls any of them, or their respective affiliates, directors, officers, employees, agents or advisers have independently verified any of the information contained in this Offering Circular nor can any of them give any assurance that this information is accurate, truthful or complete.

To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee, the Agents or any person who controls any of them, or any of their respective affiliates, directors, officers, employees, agents or advisers accepts any responsibility for the contents of this Offering Circular or any statement made or purported to be made by any such person or on its behalf in connection with the Issuer, the Company, the Issuer Group, the Group, the issue and offering of the Notes, or the entry into the Keepwell and Liquidity Support Deed or the Deed of Asset Purchase Undertaking. Each of the Arrangers, the Dealers, the Trustee, the Agents and any person who controls any of them, and their respective affiliates, directors, officers, employees, agents or advisers accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Arrangers, the Dealers, the Trustee, the Agents or any person who controls

any of them, or any of their respective affiliates, directors, officers, employees, agents or advisers will undertake to review the financial condition or affairs of the Issuer, the Company, the Issuer Group or the Group for so long as the Notes remain outstanding nor to advise any investor or potential investor of the Notes of any information coming to the attention of any of the Arrangers, the Dealers, the Trustee, the Agents or any person who controls any of them, or their respective affiliates, directors, officers, employees, agents or advisers.

This Offering Circular is not intended to provide the basis of any credit or other evaluation, nor should it be considered as a recommendation by the Issuer, the Company, the Issuer Group, the Group, the Arrangers, the Dealers, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

Any of the Arrangers, the Dealers and their respective affiliates may purchase any Tranche of Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer, the Company, the Issuer Group or the Group or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the relevant Tranche of Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes). Furthermore, investors in the relevant Tranche of Notes may include entities affiliated with the Issuer Group or the Group.

Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult their advisers.

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to this Programme (each such offering, a “**CMI Offering**”), including certain Dealers, may be “capital market intermediaries” (“**CMIs**”) subject to paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “**SFC Code**”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (“**OCs**”) for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Company, a CMI or its group companies would be considered under the SFC Code as having an association (“**Association**”) with the Issuer, the Company, the CMI or the relevant group company. Prospective investors associated with the Issuer, the Company or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50 per cent. interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if

such “proprietary order” may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to the relevant CMI Offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealers and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Company, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

The Pricing Supplement in respect of any Notes may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

The Pricing Supplement in respect of any Notes may include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

IMPORTANT – EEA RETAIL INVESTORS – Unless the Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the EU Prospectus Regulation. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – Unless the Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii)

not a qualified investor as defined in Article 2 of the UK Prospectus Regulation. Consequently no key information document required by the UK PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001 – The Pricing Supplement in respect of any Notes may include a legend entitled “Singapore Securities and Futures Act Product Classification” which will state the product classification of the Notes pursuant to section 309B(1) of the SFA. If applicable, the Issuer will make a determination and provide the appropriate written notification to “relevant persons” in relation to each issue about the classification of the Notes being offered for the purposes of section 309B(1)(a) and section 309B(1)(c) of the SFA.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, EACH OF THE DEALERS APPOINTED AND ACTING IN THEIR RESPECTIVE CAPACITY AS A STABILISATION MANAGER (THE “STABILISATION MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) IN THE APPLICABLE PRICING SUPPLEMENT MAY, AFTER CONSULTATION WITH THE DEALERS, OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO OBLIGATION ON THE STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER) TO DO THIS. SUCH STABILISATION, IF COMMENCED, MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISATION SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

Listing of the Programme or Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Company, the Issuer Group, the Group or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Company, the Issuer Group, the Group and the terms of the offering of the Notes, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Notes. The Issuer, the Company, the Issuer Group, the Group, the Arrangers, the Dealers, the Trustee, the Agents and any person who controls any of them, and their respective affiliates, directors, officers, employees, agents or advisers are not making any representation to any purchaser of the Notes regarding the legality of any investment in the Notes by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice. Each person receiving this Offering Circular acknowledges that such person has not relied on the Arrangers, the Dealers, the Trustee, the Agents or any person who controls any of them, or any of their respective affiliates, directors, officers, employees, agents or advisers in connection with its investigation of the accuracy of such information or its investment decision.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer and the Company believe this information to be reliable, it has not been independently verified by the Issuer, the Company, the Issuer Group, the Group, the Arrangers, the Dealers, the Trustee or the Agents or any person who controls any of them, or their respective affiliates, directors, officers, employees, agents or advisers and none of the Issuer, the Company, the Issuer Group, the Group, the Arrangers, the Dealers, the Trustee or the Agents or any person who controls any of them, or their respective affiliates, directors, officers, employees, agents or advisers makes any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Company, the Group and the Notes. Each of the Issuer and the Company accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of this Offering Circular, investors should obtain independent professional advice.

CERTAIN DEFINITIONS AND CONVENTIONS

In this Offering Circular, unless otherwise specified, references to the “**PRC**” or “**China**” are to the People’s Republic of China, excluding Taiwan, Hong Kong and Macau, references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China, references to “**Macau**” are to the Macau Special Administrative Region of the People’s Republic of China, references to the “**U.S.**” or the “**United States**” are to the United States of America, references to “**U.S.\$**”, “**USD**” or “**U.S. dollar**” are to the lawful currency of the United States of America, references to “**Renminbi**”, “**RMB**” or “**CNY**” are to the lawful currency of the PRC, and references to “**Hong Kong dollar**” or “**HK\$**” are to the lawful currency of Hong Kong.

In this Offering Circular, certain amounts and percentages may have been rounded up or down, including but not limited to where information has been presented in thousands, millions or billions of units. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

Solely for convenience, this Offering Circular contains translations of certain U.S. dollar amounts into Renminbi amounts.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only.

In this Offering Circular, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

REFERENCES TO THE GROUP

The Company and the Issuer are both wholly-owned subsidiaries of China Construction Bank Corporation (“**CCB**”, together with its subsidiaries, the “**CCB Group**”). CCB’s leasing business comprises both domestic and offshore leasing businesses.

The domestic financial leasing operations in the PRC are owned and operated by the Company and its subsidiaries (together with the Company, the “**Group**”). In May 2023, the Company established a wholly-owned subsidiary in Hong Kong specialising in ships and aircraft, namely the Issuer. The Issuer and its subsidiaries (together with the Issuer, the “**Issuer Group**”) currently serves as the highly integrated offshore specialised platform for the Company’s aviation and shipping leasing business. See “*Summary*” for more details regarding the relationship between CCB, the Company and the Issuer.

DOCUMENTS INCORPORATED BY REFERENCE

The Issuer hereby incorporates by reference all amendments and supplements from time to time to this Offering Circular (other than any Pricing Supplement), each of which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with the contents of this Offering Circular.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available for inspection free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the specified office of the Issuing and Paying Agent (as defined below) set out at the end of this Offering Circular.

SUPPLEMENTAL OFFERING CIRCULAR

Each of the Issuer and the Company has given an undertaking to the Arrangers and the Dealers that, where the Issuer intends to issue Notes under the Programme, the Issuer and the Company shall update or amend this Offering Circular (following consultation with the Arrangers who will consult with the Dealers) by the publication of a supplement hereto or a new offering circular, in each case in a form approved by the Dealers, in the event that a significant new factor, material mistake or inaccuracy relating to the information included in this Offering Circular arises or is noted which is capable of affecting the assessment of any Notes which may be issued under the Programme.

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Group as at and for the years ended 31 December 2023 and 2024 (the “**Group’s 2023 Audited Financial Statements**” and the “**Group’s 2024 Audited Financial Statements**” respectively, and collectively, the “**Group’s Audited Financial Statements**”) have been prepared and presented in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”). The Group’s Audited Financial Statements have been audited in accordance with International Standards on Auditing issued by IASB by Ernst & Young Hua Ming LLP, the Group’s independent auditors.

The financial information as at and for the year ended 31 December 2022 has been restated in the Group’s 2023 Audited Financial Statements due to the business combinations under common control occurred in 2023 (please see “*Notes to consolidated financial statements – VII.31 Profit distributions*” to the Group’s 2023 Audited Financial Statements for further information). The financial information as at and for the year ended 31 December 2023 has been restated in the Group’s 2024 Audited Financial Statements due to the business combinations under common control occurred in 2024 (please see “*Notes to consolidated financial statements – VI.2 Business combinations under common control*” to the Group’s 2024 Audited Financial Statements for further information).

The audited consolidated financial statements of the Issuer Group as at and for the years ended 31 December 2023 and 2024 (the “**Issuer’s 2023 Audited Financial Statements**” and the “**Issuer’s 2024 Audited Financial Statements**” respectively, and collectively, the “**Issuer’s Audited Financial Statements**”) have been prepared and presented in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The Issuer’s Audited Financial Statements have been audited in accordance with Hong Kong Standards on Auditing issued by HKICPA by Ernst & Young Certified Public Accountants, the Issuer’s independent auditors.

The financial information as at and for the year ended 31 December 2022 has been restated in the Issuer’s 2023 Audited Financial Statements due to the business combinations under common control occurred in 2023 (please see “*Notes to consolidated financial statements – 1 Corporate Information - Business combinations under common control*” to the Issuer’s 2023 Audited Financial Statements for further information). The financial information as at and for the year ended 31 December 2023 has been restated in the Issuer’s 2024 Audited Financial Statements due to the business combinations under common control occurred in 2024 (please see “*Notes to consolidated financial statements – 1 Corporate Information - Business combinations under common control*” to the Issuer’s 2024 Audited Financial Statements for further information).

Notably, the financial information of the Group and the Issuer Group as at and for the year ended 31 December 2022 has not been restated in conjunction with the business combinations under common control occurred in 2024. Therefore, the financial information of the Group and the Issuer Group as at and for the year ended 31 December 2022 is not comparable to their respective financial information as at and for the years ended 31 December 2023 and 2024. Potential investors should exercise caution when conducting any comparative assessment across these three periods and should refer to the relevant notes in the Group’s and Issuer’s Audited Financial Statements for a comprehensive understanding of the adjustments and their impacts on the financial information. See “*Risk Factors – Risks Relating to the Issuer Group’s and the Group’s Business - Incomparability of financial information between 2022 and 2023/2024 due to business combinations under common control occurred in 2024*” for more details.

None of the Arrangers, the Dealers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them make any representation or warranty, express or implied, regarding the accuracy of such consolidated financial statements or their sufficiency for an assessment of, and potential investors must exercise caution when using such data to evaluate the Group’s and the Issuer Group’s financial condition and results of operations.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Offering Circular contains certain forward-looking statements. All statements other than statements of historical fact contained in this Offering Circular, including, without limitation, those regarding each of the Issuer Group's and the Group's future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where each of the Issuer Group and the Group participates or is seeking to participate, and any statements preceded by, followed by or that include the words "believe", "expect", "aim", "intend", "will", "plan", "target", "would", "could", "continue", "may", "anticipate", "seek", "should", "estimate" or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond each of the Issuer Group's and the Group's control, which may cause its actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding each of the Issuer Group's and the Group's present and future business strategies and the environment in which each of the Issuer Group and the Group will operate in the future. Important factors that could cause each of the Issuer Group's and the Group's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- the risks inherent to the industry in which each of the Issuer Group and the Group operates;
- the business and operating strategies and the future business development of the Issuer Group and the Group;
- the general economic, political, social conditions and developments globally;
- changes in competitive conditions and its ability to compete under these conditions;
- the Issuer Group's and the Group's operations and business prospects and maintenance of long-term liquidity;
- the Issuer Group's and the Group's capital expenditure and development plans;
- each of the Issuer Group's and the Group's expectations with respect to its ability to acquire and maintain regulatory qualifications required to operate its business;
- the availability and charges of bank loans and other forms of financing;
- the Issuer Group's and the Group's financial condition and results of operations;
- the Issuer Group's and the Group's dividend distribution plans;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which each of the Issuer Group and the Group operates;
- macroeconomic policies of the PRC government to manage economic growth; and
- other factors beyond the Issuer Group's and the Group's control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "*Risk Factors*" and elsewhere in this Offering Circular. Each of the Issuer Group and the Group cautions investors not to place undue reliance on these forward-looking statements which reflect their managements' view only as at the date of this Offering Circular.

These forward-looking statements speak only as at the date of this Offering Circular. The Issuer and the Company expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in their expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

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SUMMARY

This summary does not contain all the information that may be important to prospective investors in deciding to invest in the Notes. Prospective investors should read the entire Offering Circular, including the section entitled “Risk Factors” and the financial statements and related notes thereto, before making an investment decision.

THE ISSUER

The Issuer is a highly integrated overseas specialised subsidiary for the Company’s aviation and shipping leasing business and functions with strong oversight and control by the Company. All business strategy, risk control and financing decisions are centralised within the Company. The Issuer currently manages all the Company’s offshore aviation and shipping leased assets, which accounted for more than 50 per cent. of the Company’s total aviation and shipping leased assets at the end of 2024. The Issuer’s principal business scope includes aircraft and ship finance leasing and the transfer and acquisition of aircraft and ship finance leasing assets, etc.

As at 31 December 2024, the Issuer Group had total assets of approximately U.S.\$8.21 billion and total leased assets of approximately U.S.\$7.85 billion. For the year ended 31 December 2024, the Issuer Group’s operating income amounted to approximately U.S.\$187.51 million and profit before income tax amounted to approximately U.S.\$124.25 million.

In 2025, the Issuer received ratings of “A” from S&P and “A” from Fitch, same with the Company.

THE GROUP

The Group is one of the leading financial leasing companies in the PRC. The Company is a wholly-owned core subsidiary of CCB and functions as the sole financial leasing platform of CCB. With the strong support from CCB, the Company has grown rapidly since its incorporation in 2007 and has become one of the top companies in the PRC leasing industry. The Company leverages its comprehensive strengths in financing and asset management through its leasing business, and strengthens business synergy with CCB, to provide specialised and distinctive leasing products.

The Company’s key business indicators and operational performance rank among the top in the industry, with steady business development, standardised operational management and high-quality assets. The Group had total assets of RMB182.15 billion as at 31 December 2024, and total operating income of RMB3.80 billion for the year ended 31 December 2024. In 2024, the Company received ratings of “A1” from Moody’s, “A” from S&P and “A” from Fitch.

The Group’s leasing business comprises three segments, including general leasing, aviation leasing and shipping leasing. As at 31 December 2024, the balance of the Group’s leased assets amounted to approximately RMB157.06 billion. Among these, the balance of the general leasing business, aviation leased assets and shipping leased assets was approximately RMB74.55 billion, RMB48.90 billion and RMB33.61 billion, respectively, representing 47.46 per cent., 31.14 per cent. and 21.40 per cent. of the Group’s total leased assets, respectively.

- General leasing – The Group’s general leasing segment covers the following industries: manufacturing, electric power and energy, transportation, public services and construction and infrastructure. In recent years, the Group’s general leasing business has consistently pursued transformation and quality improvement, focusing on the synergistic development of the following key areas: green leasing, inclusive leasing, and digital and technology leasing. As at 31 December 2024, the balance of green assets reached RMB43.4 billion. For the year ended 31 December 2024, the Group deployed RMB1.7 billion in inclusive financing to manufacturers and RMB2.9 billion to technology enterprises, respectively.
- Aviation leasing – The Group commenced its aviation leasing business in 2012 and has since been expanding both

its domestic and offshore aviation leasing operations. The Group's customers include both international and domestic clients. As at December 31 2024, the Group owned and managed a fleet of 199 aircraft, comprising 193 owned and 6 managed aircraft.

- Shipping leasing – The Group leases a range of vessels including containers, bulk carriers, liquefied gas carriers, oil tankers and cruises. As at 31 December 2024, the Group owned a fleet of 72 vessels.

The Group achieved continuous growth in profitability through the past two years. For the years ended 31 December 2023 and 2024, the Group's total operating income was approximately RMB4.26 billion and RMB3.80 billion, respectively, and the Group's net profit for the corresponding years was approximately RMB2.22 billion and RMB2.68 billion, respectively. As at 31 December 2023 and 2024, the Group had total assets of approximately RMB172.80 billion and RMB182.15 billion, respectively.

RECENT DEVELOPMENTS

For the six months ended 30 June 2025, the Group's net profits reached RMB1.94 billion, representing a year-on-year increase of RMB0.02 billion. This financial performance placed the Group the third position in the industry.

COMPETITIVE STRENGTHS

The Group believes that its key strengths include the following:

- Strong shareholder profile with full support;
- Leading position in the PRC leasing industry;
- Diversified business mix and asset portfolio;
- Specialised aviation leasing business;
- Excellent capital strength and improving asset quality;
- Sound fund management, high financial flexibility and diversified funding sources;
- Comprehensive and prudent risk management system; and
- Experienced and professional management team.

See “*Description of the Group – Competitive Strengths*” for more details.

BUSINESS STRATEGIES

The Group's development goal is to adhere to the purpose of serving CCB, take high-quality development as the orientation, and collaborate with the Group to serve the national development strategy and the real economy. It plans to achieve this goal by pursuing the following strategic initiatives:

- Heighten integration with CCB and maintain an industry-leading position in the PRC leasing industry;
- Focus on business development;

- Expand the Group’s client base;
- Propel and advance green leasing;
- Further develop marketing channels and strategies; and
- Strengthen financial and fund management strategies.

See “*Description of the Group – Business Strategies*” for more details.

SUMMARY OF THE PROGRAMME

The following summary contains some basic information about the Programme and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in the Conditions shall have the same meanings in this summary. For a complete description of the Conditions, see “Terms and Conditions of the Notes” in this Offering Circular.

Issuer	CCB Shipping and Aviation Leasing Corporation Limited (Legal Entity Identifier: 836800V637021R4LHK69)
Company	CCB Financial Leasing Corporation Limited (建信金融租賃有限公司)
Keepwell and Liquidity Support Deed and Deed of Asset Purchase Undertaking	The Issuer, the Company and the Trustee have entered into the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, as further described in “ <i>Description of the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking</i> ”.
Programme Size.....	Up to U.S.\$5,000,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement) outstanding at any time. The Issuer and the Company may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Risk Factors	Investing in Notes to be issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Company to fulfil their respective obligations in respect of the Notes, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking and the Agency Agreement are discussed under the section “ <i>Risk Factors</i> ” below.
Issue Price	Notes may be issued at their principal amount or at a discount or premium to their principal amount.
Arrangers	CCB International Capital Limited, Crédit Agricole Corporate and Investment Bank, CLSA Limited, and Standard Chartered Bank
Dealers	CCB International Capital Limited, Crédit Agricole Corporate and Investment Bank, CLSA Limited, and Standard Chartered Bank The Issuer and the Company may from time to time terminate the appointment of any Dealer under the Programme or appoint additional Dealers either in respect of one or more Tranches or in respect of the whole Programme.
Issuing and Paying Agent and Transfer Agent.....	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
Principal Registrar	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
CMU Lodging and Paying Agent, CMU Registrar and CMU Transfer Agent.....	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
Trustee.....	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
Method of Issue.....	The Notes will be issued on a syndicated or non-syndicated basis.

	The Notes will be issued in series (each a “Series”) and each Series may comprise one or more tranches (each a “Tranche”) of Notes. Each Tranche is the subject of a Pricing Supplement which supplements the Conditions.
Clearing Systems	Clearstream, Euroclear and CMU and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent and the relevant Dealer(s).
Form of the Notes	Notes may be issued in bearer form or in registered form. Bearer Notes will not be exchangeable for Registered Notes and Registered Notes will not be exchangeable for Bearer Notes. No single Series or Tranche may comprise both Bearer Notes and Registered Notes. Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, and will be sold in an “offshore transaction” within the meaning of Regulation S. Interests in Temporary Global Notes generally will be exchangeable for interests in Permanent Global Notes, or if so stated in the relevant Pricing Supplement, Definitive Notes, not earlier than 40 days after the issue date of the relevant Tranche of the Notes, upon certification as to non-U.S. beneficial ownership. Interests in Permanent Global Notes will be exchangeable for Definitive Notes in whole but not in part as described under “<i>Form of the Notes</i>”. Each Tranche of Registered Notes will be sold in an “offshore transaction” within the meaning of Regulation S and will be represented by a Global Note Certificate, which may be deposited on the relevant issue date (a) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, with a common depository on behalf of Euroclear and Clearstream or (b) in the case of a Tranche intended to be cleared through the CMU, with a sub-custodian for the CMU or (c) in the case of a Tranche intended to be cleared through a clearing system other than, or in addition to, Euroclear, Clearstream and/or the CMU, or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer. The provisions governing the exchange of interests in Global Notes Certificates for Individual Note Certificates are described in “<i>Form of the Notes</i>”.
Currencies	Notes may be denominated in any currency or currencies, agreed between the Issuer, the Company and the relevant Dealer(s) subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of the Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Denominations	Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Covenants	The Issuer and the Company are subject to certain covenants as further described in Condition 5 (<i>Covenants</i>).
Events of Default	Events of Default for the Notes are set out in Condition 14 (<i>Events of Default</i>).
Cross-Acceleration	The Notes will contain a cross-acceleration provision as further described in Condition 14(c) (<i>Cross-acceleration of Issuer, Company or Principal Subsidiary</i>).

Withholding Tax	All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, to the extent described in Condition 13 (<i>Taxation</i>).
Status of the Notes	The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 5(a) (<i>Negative pledge</i>)) unsecured obligations of the Issuer which will at all times rank <i>pari passu</i> without any preference or priority among themselves and at least <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of applicable law that are both mandatory and of general application.
Redemption	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Pricing Supplement.
Optional Redemption	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement as described in Condition 10(d) (<i>Redemption at the option of the Issuer</i>) and Condition 10(f) (<i>Redemption at the option of the Noteholders</i>).
Redemption for Tax Reasons and Redemption for Change of Control	Notes may be redeemed before their stated maturity (i) for tax reasons as described in Condition 10(b) (<i>Redemption for tax reasons</i>) and (ii) following the occurrence of a Change of Control as described in Condition 10(c) (<i>Redemption for Change of Control</i>).
Interest	Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. All such information will be set out in the relevant Pricing Supplement.
Listing and Trading	Application has been made to the Hong Kong Stock Exchange for the listing of the Programme under which Notes may be issued during the 12- month period after the date of this Offering Circular on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only. Separate application may be made for the listing of the Notes on the Hong Kong Stock Exchange. Notes listed on the Hong Kong Stock Exchange are required to have a denomination of at least HK\$500,000 (or its equivalent in other currencies). However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange or listed, traded or quoted on or by any other competent authority, exchange or quotation system.
Rating	Fitch and S&P are expected to assign a rating of “A” and “A”, respectively, to the Programme. Notes issued under the Programme may be rated or unrated. Where a Series of Notes is to be rated, such rating

will not necessarily be the same as the ratings assigned to the Programme.

Selling Restrictions

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering materials in the United States, the EEA, the UK, Japan, Hong Kong, the PRC and Singapore, see “*Subscription and Sale*”.

Governing Law

The Notes, the Trust Deed, the Agency Agreement, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking and any non-contractual obligations arising out of or in connection therewith are governed by English law.

Jurisdiction

Each of the Issuer and the Company has in the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking and the Agency Agreement agreed for the benefit of the Trustee and the Noteholders that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking and the Agency Agreement).

SUMMARY FINANCIAL INFORMATION OF THE GROUP

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated.

The summary consolidated financial information of the Group as at and for the years ended 31 December 2023 and 2024 set forth below is derived from the Group's 2024 Audited Financial Statement. The Group's 2024 Audited Financial Statements have been prepared and presented in accordance with IFRSs and have been audited by Ernst & Young Hua Ming LLP. The summary financial information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the Group's 2024 Audited Financial Statements, including the notes thereto, included elsewhere in this Offering Circular.

The financial information as at and for the year ended 31 December 2023 has been restated in the Group's 2024 Audited Financial Statements due to the business combinations under common control (please see "Notes to consolidated financial statements – VI.2 Business combinations under common control" to the Group's 2024 Audited Financial Statements for further information).

Historical results of the Group are not necessarily indicative of results that may be achieved for any future period. Potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations.

None of the Arrangers, the Dealers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them make any representation or warranty, express or implied, regarding the accuracy of such consolidated financial statements or their sufficiency for an assessment of, and potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations. None of the Arrangers, the Dealers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them have independently verified any of the information contained therein nor can give assurance that such information is accurate, truthful or complete.

Consolidated Statement of Financial Position of the Group

	As at 31 December	
	2023	2024
	(RMB)	(RMB)
	(Audited)	(Audited)
	(Restated)	
Assets		
Cash and deposits with banks.....	20,634,154,420	27,893,078,758
Deposits with central bank	3,357,352	3,390,000
Financial assets at fair value through profit or loss	419,193,564	25,349,512
Finance lease receivables	92,074,342,385	87,828,542,400
Lease prepayments.....	12,152,424,422	8,582,572,252
Fixed assets	42,097,458,922	51,871,374,814
Intangible assets	65,217,015	69,482,895
Deferred tax assets	2,616,587,197	2,470,554,637
Debt instruments at amortised cost.....	460,277,538	766,107,426
Right-of-use assets	25,982,480	40,398,077
Other assets	2,253,574,067	2,598,663,923
Total assets.....	172,802,569,362	182,149,514,694
Liabilities		
Loans and borrowings	109,311,993,407	124,443,314,259
Accounts payable	2,740,859,697	1,960,756,692
Employee benefits payable.....	330,442,366	340,004,749
Income tax payable	413,886,709	142,781,538
Commission fee payable	98,969,322	106,285,023
Bonds payable	27,091,584,825	20,522,345,481
Guaranteed deposits	32,000,000	37,000,000
Pledged deposits.....	3,221,202,491	2,353,438,255
Provisions.....	120,342,826	156,710,510
Deferred tax liabilities	354,273,342	474,615,648
Other liabilities.....	1,910,209,765	2,022,474,933
Total liabilities.....	145,625,764,750	152,559,727,088
Equity		
Paid-in capital	11,000,000,000	11,000,000,000
Capital reserves.....	421,986	421,986
Other comprehensive income.....	172,550,101	283,436,292
Surplus reserve.....	1,109,901,553	1,291,688,830
General reserve	2,014,885,801	2,014,885,801
Retained earnings.....	12,879,045,171	14,999,354,697
Total equity.....	27,176,804,612	29,589,787,606
Total liabilities and equity	172,802,569,362	182,149,514,694

Consolidated Statement of Comprehensive Income of the Group

	For the year ended 31 December	
	2023	2024
	(RMB)	(RMB)
	(Audited)	(Audited)
	(Restated)	
Interest income.....	5,959,969,256	4,705,366,848
Interest expense.....	(4,382,611,932)	(4,122,306,870)
Net interest income.....	1,577,357,324	583,059,978
Fee and commission income	52,434,285	100,080,811
Fee and commission expense	(174,066,784)	(245,727,591)
Net fee and commission expense.....	(121,632,499)	(145,646,780)
Operating lease income	4,914,658,124	6,184,172,735
Operating lease expense	(2,537,263,773)	(3,351,697,274)
Net operating lease income	2,377,394,351	2,832,475,461
Net gains/(losses) arising from financial assets	7,221,396	(6,208,044)
Other operating income.....	418,028,290	531,947,489
Operating income.....	4,258,368,862	3,795,628,104
Operating expenses	(461,232,024)	(441,483,215)
Operating profit before impairment.....	3,797,136,838	3,354,144,889
Credit impairment losses	(636,679,122)	444,630,219
Other impairment losses.....	(222,522,109)	(242,892,591)
Profit before income tax	2,937,935,607	3,555,882,517
Income tax expense	(722,580,525)	(874,293,143)
Net profit.....	2,215,355,082	2,681,589,374
Attributable to:		
Equity holders of the Company.....	2,215,355,082	2,681,589,374
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	59,276,778	110,886,191
Other comprehensive income for the year, net of tax.....	59,276,778	110,886,191
Total comprehensive income for the year.....	2,274,631,860	2,792,475,565
Total comprehensive income, attributable to: Equity holders of the Company	2,274,631,860	2,792,475,565

Consolidated Statement of Cash Flows of the Group

	For the year ended 31 December	
	2023	2024
	(RMB)	(RMB)
	(Audited)	(Audited)
	(Restated)	
1 Cash flows from operating activities		
Profit before income tax	2,937,935,607	3,555,882,517
Adjustments for:		
Impairment losses	859,201,231	(201,737,628)
Net gains on disposal of fixed assets and other long-term assets	(125,204,189)	(242,092,769)
Depreciation and amortization	2,578,934,240	3,463,050,195
Interest expense on bonds issued	935,809,182	536,191,375
Net (gains)/losses arising from financial assets at fair value through profit or loss	(7,221,396)	6,208,044
Net decrease in finance lease receivables	7,043,614,188	4,754,666,358
Net (increase)/decrease in deposits with central bank	(350,000)	(32,648)
Net increase/(decrease) in loans and borrowings	12,034,203,952	14,236,485,688
Income tax paid	(1,097,462,015)	(1,226,465,968)
Net (increase)/decrease in other operating assets	(3,051,681,661)	3,561,938,882
Net increase in other operating liabilities	5,058,145,279	(2,475,525,669)
Net cash from operating activities	27,165,924,418	25,968,568,377
2 Cash flows from investing activities		
Interest and dividends received	19,855,620	22,710,000
Proceeds from disposal of fixed assets, intangible assets, and other long-term assets	9,140	-
Proceeds from disposal of operating lease assets	1,256,319,054	1,434,325,578
Purchase of investment securities	-	(310,250,239)
Purchase of fixed assets, intangible assets and other long-term assets	(29,339,563)	(22,726,935)
Purchase of operating lease assets	(11,911,822,753)	(9,414,206,237)
Net cash used in investing activities	(10,664,978,502)	(8,290,147,833)
3 Cash flows from financing activities		
Proceeds from bonds issued	-	5,985,026,800
Repayment of bonds issued	(3,000,000,000)	(12,679,520,000)
Interest paid on bonds issued	(973,033,538)	(246,600,000)
Cash payments of other financing activities	(35,622,090)	(3,822,345)
Net cash used in financing activities	(4,008,655,628)	(6,944,915,545)
4 Effect of exchange rate changes on cash and cash equivalents	(5,155,635,499)	(3,457,680,893)
5 Net increase in cash and cash equivalents	7,336,654,789	7,275,824,106
Add: Cash and cash equivalents at beginning of year	13,215,676,764	20,552,331,553
6 Cash and cash equivalents at end of year	20,552,331,553	27,828,155,659

SUMMARY FINANCIAL INFORMATION OF THE ISSUER GROUP

The following tables set forth the summary consolidated financial information of the Issuer Group as at and for the periods indicated.

The summary consolidated financial information of the Issuer Group as at and for the years ended 31 December 2023 and 2024 set forth below is derived from the Issuer's 2024 Audited Financial Statement. The Issuer's 2024 Audited Financial Statements have been prepared and presented in accordance with HKFRSs and have been audited by Ernst & Young Certified Public Accountants. The summary financial information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the Issuer's 2024 Audited Financial Statements, including the notes thereto, included elsewhere in this Offering Circular.

The financial information as at and for the year ended 31 December 2023 has been restated in the Issuer's 2024 Audited Financial Statements due to the business combinations under common control (please see "Notes to consolidated financial statements – 1 Corporate Information - Business combinations under common control" to the Issuer's 2024 Audited Financial Statements for further information).

Historical results of the Issuer Group are not necessarily indicative of results that may be achieved for any future period. Potential investors must exercise caution when using such data to evaluate the Issuer Group's financial condition and results of operations.

None of the Arrangers, the Dealers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them make any representation or warranty, express or implied, regarding the accuracy of such consolidated financial statements or their sufficiency for an assessment of, and potential investors must exercise caution when using such data to evaluate the Issuer Group's financial condition and results of operations. None of the Arrangers, the Dealers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them have independently verified any of the information contained therein nor can give assurance that such information is accurate, truthful or complete.

Consolidated Statement of Financial Position of the Issuer Group

	As at 31 December	
	2023	2024
	(U.S.\$)	(U.S.\$)
	(Audited)	(Audited)
	(Restated)	
Assets		
Cash and cash equivalents.....	494,621,143	442,643,352
Finance lease receivables	2,120,977,683	2,314,549,242
Financial assets at fair value through profit or loss	54,729,977	-
Property, plant and equipment.....	3,119,144,599	4,869,922,673
Lease prepayments.....	448,731,666	504,994,834
Deferred tax assets	3,533,344	7,788,576
Right-of-use assets	1,067,172	5,589,648
Other assets	403,833,771	62,856,631
Total assets.....	6,646,639,355	8,208,344,956
Liabilities		
Loans and borrowings	2,681,590,455	4,782,656,333
Bonds issued	2,811,004,549	2,009,507,652
Other payables	425,985,038	620,430,567
Deferred tax liabilities.....	50,019,532	66,025,213
Income tax payable	13,515,694	7,499,792
Lease liabilities	1,022,927	5,570,493
Provisions.....	14,112,406	2,161,836
Total liabilities.....	5,997,250,601	7,493,851,886
Equity		
Paid-in capital	300,000,000	300,000,000
Capital reserves	66,052	66,052
Other comprehensive income.....	230,926	10,846,732
Retained earnings.....	349,091,776	403,580,286
Total equity.....	649,388,754	714,493,070
Total equity and liabilities	6,646,639,355	8,208,344,956

Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Issuer Group

	For the year ended 31 December	
	2023	2024
	(U.S.\$)	(U.S.\$)
	(Audited)	(Audited)
	(Restated)	
Interest income.....	166,436,124	168,533,793
Interest expense.....	(173,422,311)	(253,705,922)
Net interest income.....	(6,986,187)	(85,172,129)
Operating lease income.....	301,768,853	455,366,455
Operating lease expense.....	(169,568,942)	(238,817,837)
Net operating lease income.....	132,199,911	216,548,618
Other income.....	18,705,337	51,701,415
Investment income.....	6,767,083	4,432,837
Net gains arising from financial assets.....	739,395	-
Operating income.....	151,425,539	187,510,741
Operating expenses.....	(9,553,818)	(24,298,919)
Operating profit before impairment.....	141,871,721	163,211,822
Credit impairment (losses)/reversals.....	25,292,138	(15,723,744)
Other assets impairment losses.....	(19,282,516)	(23,240,212)
Profit before income tax.....	147,881,343	124,247,866
Income tax expense.....	(36,418,375)	(16,411,135)
Net profit.....	111,462,968	107,836,731
Attributable to: Owners of the parent.....	111,462,968	107,836,731
Other comprehensive income		
Exchange differences on translation of foreign operations.....	325,385	10,615,806
Total comprehensive income for the year.....	111,788,353	118,452,537
Total comprehensive income, attributable to: Equity holders of the parent..	111,788,353	118,452,537

Consolidated Statement of Cash Flows of the Issuer Group

	For the year ended 31 December	
	2023	2024
	(U.S.\$)	(U.S.\$)
	(Audited)	(Audited)
	(Restated)	
Cash flows from operating activities		
Profit before income tax	147,881,343	124,247,866
Adjustments for:		
Impairment losses/(reversals)	(6,009,622)	38,963,956
Net gains on disposal of fixed assets	(16,471,104)	(41,660,647)
Depreciation and amortization	175,917,424	256,457,277
Interest expense on bonds issued	82,736,528	53,513,104
Net gains arising from financial assets at fair value through profit or loss	(739,395)	-
Net increase/(decrease) in finance lease receivables	78,549,986	(229,437,189)
Net increase in loans and borrowings	1,324,817,635	1,657,842,563
Net decrease in other operating assets	175,543,126	308,746,652
Net increase/(decrease) in other operating liabilities	126,856,509	(201,949,015)
Net cash flows from operating activities	2,089,082,430	1,966,724,567
Cash flows from investing activities		
Interest and dividends received	696,748	-
Proceeds from disposal of operating lease assets	25,680,000	715,633,727
Purchase of investment securities	(1,659,560)	-
Purchase of fixed assets	(17,022)	(93,988)
Purchase of operating lease assets	(1,447,965,336)	(2,374,093,163)
Net cash flows used in investing activities	(1,423,265,170)	(1,658,553,424)
Cash flows from financing activities		
Capital injection by shareholders	300,000,000	-
Repayment of on bonds issued	(400,000,000)	(800,000,000)
Interest paid on bonds issued	(86,870,000)	(55,010,000)
Cash payments for other financing activities	(384,416)	(538,187)
Net cash flows from financing activities	(187,254,416)	(855,548,187)
Effect of exchange rate changes on cash and cash equivalents	(136,454,499)	495,012,397
Net increase/(decrease) in cash and cash equivalents	342,108,345	(52,364,647)
Cash and cash equivalents at the beginning of the year	153,140,000	495,248,345
Cash and cash equivalents at the end of the year	495,248,345	442,883,698
Analysis of balances of cash and cash equivalents		
Cash and bank balances	495,248,345	442,883,698

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Issuer Group or the Group could be materially and adversely affected by any of these risks. Each of the Issuer and the Company believes that the following factors may affect the Issuer's and/or the Company's ability to fulfil their respective obligations under the Notes, the Keepwell and Liquidity Support Deed and/or the Deed of Asset Purchase Undertaking. Additional considerations and uncertainties not presently known to the Issuer or the Company or which they currently deem immaterial may also have an adverse effect on an investment in the Notes. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Company is in a position to express a view on the likelihood of any such contingency occurring.

Factors which each of the Issuer and the Company believes may be material for the purpose of assessing the market risks associated with the Notes are also described below. Each of the Issuer and the Company believes that the factors described below represent the principal risks inherent in investing in the Notes. However, the Issuer and/or the Company may be unable to repay principal, interest or other amounts or fulfil other obligations on or in connection with the Notes, the Keepwell and Liquidity Support Deed and/or the Deed of Asset Purchase Undertaking for other reasons, and each of the Issuer and the Company does not represent that the statements below regarding the risks of investment in the Notes are exhaustive.

Risks Relating to the Issuer Group's and the Group's Business

Any inability to effectively mitigate credit risk and maintain the Group's asset quality may have a material adverse impact on the Group's business, financial condition and results of operations

The sustainability of the Group's business and future growth depends largely on its ability to effectively manage its credit risk and maintain the quality of its receivables portfolio. As such, any deterioration in its asset quality or impairment in the collectability of lease receivables could materially and adversely affect its results of operations. The Group may not be able to effectively control the level of its non-performing assets in its current lease receivables portfolio or the level of new non-performing assets in the future. The amount of the Group's non-performing assets may increase in the future due to a substantial increase in its lease contract value, a deterioration in the quality of its lease receivables portfolio, or a decline in the quality of future receivables.

The quality of the Group's lease receivables portfolio may deteriorate for a variety of reasons, including factors beyond its control, such as a slowdown in the economic growth of the PRC or global economies, a recurrence of a global credit crisis or other adverse macroeconomic trends, or a slowdown in the transportation, storage and postal services industries, the electricity, heating power, gas and water production and supply industries, manufacturing industries and any other industries with which the Group primarily engages. Such events could cause operational, financial and liquidity problems for the Group's customers and negatively affect their ability to make timely lease payments. If the level of the Group's impaired lease receivables increases, the Group's business, financial condition and results of operations may be materially and adversely affected. See "*The Group may be subject to risks related to pandemics, acts of terrorism, wars, or other natural or man-made calamities*" for further details.

The Group's financial leasing businesses are capital intensive with long payback periods and the Group may not be able to maintain sufficient liquidity to meet its business needs

As the important leasing platform of CCB, the Group has built a diversified leasing business covering a wide variety of industries, primarily including the transportation, storage and postal services industries, the electricity, heating power, gas and water production and supply industries and manufacturing industries, which typically require significant initial cash outlays and have long payback periods. Due to the capital-intensive nature of its business

operations, a substantial amount of capital as well as ongoing funding activities are required to support the growth of the Group's leased assets portfolio and to fund future expansion. Although the Group generally generates significant funds from its operations, continuing to meet its cash requirements over the long term requires substantial liquidity and access to sources of funds. The Group primarily funds its operations and expansion through both domestic and foreign bank loans and cash flow from its operations. The Group had RMB124.44 billion in loans and borrowings as at 31 December 2024. In addition, the Company also relies on direct and indirect financial support from its parent, CCB, for the expansion of its business. As at 31 December 2024, CCB provided credit support to the Company via loans and borrowings, contributing to 15.8 per cent. of the Company's total financing. As at 31 December 2024, CCB has granted credit facilities of RMB128.4 billion to the Group. If there are changes in international and/or domestic macroeconomic conditions and policies, or if the Group fails to maintain its existing and future loan arrangements on commercially acceptable terms, there is no guarantee that the Group will be able to continue to obtain adequate funding in the future on reasonable commercial terms, or at all. If sufficient financing is not available to meet the Group's needs, or cannot be obtained on commercially acceptable terms, or at all, the Group may not be able to refinance its existing portfolio, fund the operation and/or expansion of its business, introduce new services or compete effectively. See "*The Group may be subject to risks related to pandemics, acts of terrorism, wars, or other natural or man-made calamities*" for further details.

Increases in funding costs may adversely affect the Group's results of operations

Interest rate fluctuations and changes in the cost of funding may have a significant influence on the financial performance of the Group. Any increase in financing cost will cause a negative impact on the Group's profitability. A significant part of the Group's financing is denominated in floating interest rate or short-term financing on a rolling basis. Therefore a relatively high interest rate is a major factor of any increase in the cost of funding. Other factors that may affect the cost of funding include the public rating of the Group and CCB and the efficiency of the Group's liquidity management. Increased funding costs have a direct negative effect on the Group's profitability, and sustained increased funding costs will materially and adversely affect the Group's results of operations.

The Group may not be able to successfully acquire, integrate, operate and manage investment projects, acquisition targets, associate companies and/or joint ventures

The Group from time to time considers investment, acquisition and joint venture opportunities that may strengthen or complement its core business portfolio and capabilities, and assist in expanding the market share of its business operations. The success of the Group in acquiring, integrating, operating and managing its investment projects, acquisition targets, associate companies and/or joint ventures is dependent upon, and may be limited by, the availability of attractive projects, the Group's ability to agree commercial, technical and financing terms to the satisfaction of the Group, obtaining required approvals from relevant regulatory authorities and the business and financial resources of its business partners. Such investments, acquisitions and/or joint ventures may expose the Group to potential difficulties that could prevent it from achieving its strategic objectives for such investments, acquisitions and/or joint ventures or the anticipated levels of profitability from such investments, acquisitions and/or joint ventures.

These difficulties include:

- exposure to potential credit risk of its business partners;
- diversion of management's attention from the Group's existing businesses;
- increases in the Group's expenses and working capital requirements, which may reduce its return on invested capital;

- difficulty of expanding into markets in different geographic locations and under different regulatory regimes, and challenges of operating in markets and industries that the Group does not have substantial experience in;
- increases in debt, which may increase the Group's finance costs as a result of higher interest payments;
- exposure to unanticipated contingent liabilities to acquired businesses; and
- difficulties in integrating acquired businesses or investments into the Group's existing operations, which may prevent it from achieving, or may reduce, the anticipated synergies.

In addition, where the Group invests in joint ventures where it may not have full control over its investments, there can be no assurance that such joint ventures will operate smoothly or successfully, if at all. There can be no assurance that joint venture partners will act in a way which is consistent with the interests of the Group and be able and willing to fulfil their obligations under the relevant joint venture or other agreements.

The Group is exposed to risks associated with entering into contracts with public organisations, and its performance may be significantly affected by changes in government policies

The Group's customers include agencies and entities owned, controlled by or otherwise associated with local governments. Revenue contributed by these customers accounts for a substantial part of the Group's total revenue. Government policies historically have and will continue to have a significant impact on the Group's business. Any changes in the government's budget, environmental laws or other policy considerations may result in reduced demand for the Group's leasing business. To the extent that the Group's customers are funded or supported by the government, any decrease in such funding or support could lead to customer defaults or contract termination, which would adversely affect the Group's business, financial position and results of operations, which, in turn, may adversely affect the Group's ability to meet its financial obligations.

The Group is subject to risks related to default payments and breaches by its lessees or other contractual counterparties

The Group's success is dependent upon the ability of its lessees to perform their contractual obligations under the leases. The ability of each lessee to perform its contractual obligations is, in turn, dependent on its financial condition and cash flow. If a lessee defaults or delays payment, there can be no assurance that any security deposits paid under the lease will be adequate to cover the lessee's unpaid lease obligations, or that the maintenance reserves collected during the lease term will be sufficient to cover the Group's maintenance expenses or the costs of re-leasing the aircraft or other leased assets, or that the Group's cashflow will be sufficient to maintain daily operation. Lessees' financial condition and the industries they operate in will be affected by a variety of risks and the general economy. See "*The Group may be subject to risks related to pandemics, acts of terrorism, wars, or other natural or man-made calamities*" and "*The slowdown of the PRC's economy caused in part by the recent challenging global economic conditions may adversely affect the target industries in which the Group operates and result in a material adverse effect on the Group's business, results of operations and financial condition*" for further details.

Moreover, in relation to the Group's aviation, shipping, manufacturing and other equipment leasing businesses, it is primarily the responsibility of the lessees to maintain such aircraft, vessels, equipment and their respective records in accordance with the manufacturers' recommended maintenance programmes and to comply with all governmental regulatory requirements. The maintenance of such aircraft, vessels and equipment during the lease term and their condition at the maturity of the lease may affect their future value. Failure of the lessee to perform required or recommended maintenance may also result in the aircraft being grounded or the vessels and equipment being rendered inoperative, which may result in the Group incurring substantial costs to restore the aircraft, vessels and equipment to an acceptable condition prior to the sale of the aircraft, vessels and equipment, and thus may have an adverse effect

on the Group's business, financial condition and results of operations.

The Group is subject to various PRC and overseas regulatory requirements, and the Group's failure to comply with such requirements could materially and adversely affect its business, financial condition, results of operations and reputation.

PRC regulatory authorities such as the National Financial Regulatory Administration (the "NAFR") which established on 18 May 2023 oversee the Group's compliance with applicable regulatory requirements and guidelines. From time to time, it is possible that weaknesses in certain areas of the Group's operations, such as risk management and internal controls, may be identified, which may result in sanctions, fines or penalties being imposed on the Group. There can be no assurance that the Group will be able to comply with all such requirements and guidelines at all times or that the Group will not be subject to sanctions, fines or other penalties in the future as a result of non-compliance. If sanctions, fines and other penalties are imposed on the Group for its non-compliance, the Group's business, financial condition, results of operations and reputation may be materially and adversely affected.

Also, there can be no assurance that existing policies, laws and regulations governing the financial leasing industry will not change in the future or that any such changes will not materially and adversely affect the Company's business, financial condition and results of operations nor can there be any assurance that the Company will be able to adapt to all such changes on a timely basis.

The Group is required to hold various licences, permits and approvals issued by relevant authorities for the operation of its businesses. Any infringement of legal or regulatory requirements, or any suspension or revocation of these licences, permits and approvals may have a material adverse impact on the Group's business and operations. There can be no assurance that the Group will be able to satisfy such regulatory requirements or that it will be able to retain, obtain or renew relevant licences, permits or approvals in the future. Any failure to comply with the regulatory and legal requirements may hinder the Group's business operations and adversely affect its results of operations and financial condition.

Furthermore, regulatory requirements and approvals may affect the Group's ability to buy or sell its aircraft, vessels and equipment. For example, regulatory approvals are required for the import, re-export, deregistration or registration of aircraft in various jurisdictions. Certain jurisdictions set maximum age limits for aircraft being imported or registered. Subsequent changes in applicable laws may modify such requirements, or approvals previously granted may be withdrawn. These changes may adversely affect the ability of the Group to sell these aircraft and may impair the values of these aircraft and thus have an adverse effect on the Group's financial performance and its ability to meet its financial obligations.

The Group is subject to risks related to a variety of industries

The Group is an operating lessor of manufacturing, electric power and energy, transportation, public services, construction and infrastructure, aircraft, ship and other equipment, and is exposed to cash flow risk from lessees for the duration of the leases and equity risk from the values of manufacturing, electric power and energy, transportation, public services, construction and infrastructure, aircraft, ship and other equipment. The Group is subject indirectly to the same set of risk factors as its lessees, which may affect the financial condition and cash flows of the lessees and their ability to perform their obligations under the leases. These risk factors include demand for railway, highway, air and marine transportation and cargo services, industry competition, competition from substitute services, revenue and cost structures, fluctuations in fuel prices, interest rates and foreign exchange rates, labour costs and union issues, maintenance costs, insurance costs, security costs, the impact of carrier bankruptcies and the effect of certain events such as wars, social unrest, pandemics, natural disasters, major accidents and acts of terrorism. For instance, the outbreak of the coronavirus disease 2019 ("COVID-19") in late 2019 to 2020 had a significant impact on the global aviation industry and the shipping market. The COVID-19 pandemic and further prevention and control measures adopted by governments throughout the world continue to have a negative impact on the economic activities in China and globally, which may have a certain impact on the business operations, financial status of the Group's lessees, or

the fair value of leased assets or cash flows generated by future operating activities. This negative impact may affect the quality or income of the Group's leased assets (including finance lease receivables, accounts receivable and operating lease assets) to a certain extent. The relevant industries are also affected by government regulation of operations and mergers and acquisitions, environmental regulation, railway, highway, airport and other infrastructural constraints, the availability of new or used aircraft, ship and other equipment for lease or purchase, and the availability and cost of debt and equity capital to lessee companies. The Group's financial performance is dependent on the financial strength of its lessees and their ability to manage these risks effectively. To the extent that the Group's lessees experience negative effects from these risk factors, the Group may experience:

- (a) a reduced demand for its manufacturing, electric power and energy, transportation, public services, construction and infrastructure, aircraft, ship and other equipment, and hence lower lease rates or equipment values;
- (b) a higher incidence of lease defaults resulting in higher legal and technical costs associated with the repossession of the manufacturing, electric power and energy, transportation, public services, construction and infrastructure, aircraft, ship and other equipment and its records, as well as lost revenue from such idle manufacturing, electric power and energy, transportation, public services, construction and infrastructure, aircraft, ship and other equipment;
- (c) a need to restructure lease payments for delinquent lessee companies in financial difficulty, which may result in lower lease revenues or the need to make provisions for rental amounts in arrears; or
- (d) an inability to immediately place available manufacturing, electric power and energy, transportation, public services, construction and infrastructure, aircraft, ship or other equipment on commercially viable terms and possibly incur additional storage, insurance and maintenance costs resulting from the idleness of such manufacturing, electric power and energy, transportation, public services, construction and infrastructure, aircraft, ship and other equipment and their preparation for re-lease.

The Group has expanded its businesses in jurisdictions other than China, which has increased the complexity of the risks that the Group faces

The Group has started to expand its international operations and set up its offshore leasing platform. The Group's international expansion into multiple jurisdictions exposes it to a variety of regulatory and business challenges and risks, and has increased the complexity of the Group's risks in a number of areas, including currency risk, interest rate risk, credit risk, regulatory and compliance risk, reputational risk and operational risk. This exposes the Group to additional risks, including default risk resulting from the failure in the performance of lessees, and the Group's inexperience in various aspects of the economic and legal framework in overseas markets. If the Group is unable to manage the risks resulting from its international expansion, its business, reputation, results of operations and financial condition may be adversely affected.

The Group's customers may be subject to various PRC and overseas regulatory control and changes in such regulations may affect customers from meeting their leasing obligations to the Group

The aviation, shipping and other industries in which many of the Group's customers operate, and the operation of aircraft, vessels and equipment are subject to domestic and international regulatory controls as well as additional controls imposed by various national or federal civil aviation authorities, including, for example, the airworthiness directives for aircraft operated by airlines within the jurisdiction of such authorities. The regulatory authorities may suspend or revoke the licence granted to the Group's customers to operate their businesses for failure to comply with these regulations, which may result in the grounding of aircraft or interruption of business. If the business activities of any of the Group's lessees are disrupted due to failure to meet regulatory requirements, the ability of such lessees

to meet their lease obligations towards the Group may be adversely affected.

Any deficiencies in the Group's risk management and internal control systems may materially and adversely affect the Group's business, financial condition and results of operations

The Group has implemented a risk management system to protect the long-term interests of its shareholders, customers and employees. However, the Group's risk management systems and internal control policies may not be effective in mitigating its exposure to all types of risk, including unidentified or unanticipated risks. Some risk management and control methods are based upon historical market behaviour and past events. As such, the Group may not be able to adequately identify or estimate future risk exposures, which could be significantly greater than those indicated by measures based on historical data. Other risk management methods depend on evaluation of information regarding markets, customers or other relevant matters, which may be inaccurate, incomplete, obsolete or improperly evaluated. For instance, the information infrastructure in the PRC is still under development, and there is no extensive and unified nationwide credit information system. As such, the Group is only able to rely on publicly available resources and its internal resources to assess credit risks associated with a particular customer. Such assessment may not be based on complete, accurate or reliable information. Furthermore, as the Group enters into new industry sectors, expands into new customer segments or develops additional product and service offerings, it may not be in a position to adequately identify, predict and manage future risk exposures.

In addition, management of operational, legal or regulatory risks requires various sets of policies and procedures in place in order to accurately record and verify a large number of transactions and events. Such policies and procedures may not be fully effective. Any failure of the Group's risk management procedures or any failure to identify applicable risks may have a material adverse effect on its results of operations and financial condition.

Any decrease in the residual value of the aircraft, vessels or equipment that the Group finances could adversely affect its business, financial condition and results of operations

Declines in the residual value of the aircraft, vessels or equipment financed by the Group may reduce the Group's earnings. The Group recognises the residual value of leased aircraft, vessels and equipment (as the case may be) as the estimated future market value of the leased asset at the maturity of the lease. The Group estimates the residual value of the leased asset at the inception of a lease based on a number of factors, including historical sale prices, management's experience and any known significant market and product trends. If the estimated market value of the Group's leased assets declines significantly due to economic factors, obsolescence or other adverse circumstances, the Group may not realise the expected residual value of the leased assets, which could adversely affect the Group's business, financial condition and results of operations.

Any default on the Group's borrowings secured by its leased assets may adversely affect the Group's business, financial conditions and results of operations

The Group has mortgaged certain leased assets to secure some of its bank loans. The secured borrowings are on the SPV (as defined below) level, for which the mortgaged assets are owned by any of an SPV owned by the Group. If the Group defaults on such bank loans, the lenders may foreclose such leased assets mortgaged by the Group, which may disrupt and adversely affect the Group's business. Although the terms of the Group's indebtedness may limit the Group's ability to create certain security over its assets, there can be no assurance that the Group will not mortgage its leased assets to secure its borrowings in the future. There can also be no assurance that the Group will not default on any of its borrowings in the future.

The realisable value of collateral or guarantees securing the Group's leases and the assets underlying its leases, which are disposed of upon repossession, may be inadequate to cover related lease receivables

To mitigate credit risks of its leases, the Group may request the lessees to provide guarantees and/or collaterals for their respective leases. However, such guarantees and/or collaterals need to be negotiated on a case-by-case basis, depending on the nature of the business of the relevant lessee. In the event of any material default on the lease payment terms, the Group is contractually entitled to enforce its security rights over any guarantee or collateral, and/or repossess and dispose of the assets underlying its leases to realise their value. However, the value of such collateral and/or assets underlying such leases to be disposed of may decline and may be materially and adversely affected by a number of factors, such as any damage, loss, oversupply, devaluation or reduced market demand. Similarly, a significant deterioration in the financial condition or creditworthiness of guarantors under the Group's guaranteed leases could significantly reduce any amounts which the Group may be able to recover under such guarantees.

The Group's policies require periodic internal review of collaterals, guarantees and assets underlying its leases for impairment testing purposes. If the value of such collaterals, guarantees or assets underlying the Group's leases proves to be inadequate to cover the related lease receivables, the Group may need to obtain additional security from its customers or other sources, but there can be no assurance that it will be able to do so. Any decline in the value of such collaterals, guarantees or assets underlying the Group's leases or the Group's inability to obtain additional security may result in impairment losses and require the Group to make additional allowance for impairment losses against its lease receivables, which may in turn materially and adversely affect its business, financial condition and results of operations.

The Group may not be able to successfully enforce its rights to the underlying collateral or guarantees to its leases, or enforce its rights to repossess leased assets

In the PRC, the procedures for liquidating or otherwise realising the collateral value of tangible assets and the procedures for enforcing the Group's rights to a guarantee or to repossess and dispose of the assets underlying its leases could be time-consuming, and in practice it may be difficult to realise such collateral value, enforce the guarantee or repossess and dispose of assets underlying the Group's leases. Although the Group could apply to a PRC court in accordance with the PRC Civil Procedure Law (中華人民共和國民事訴訟法) for the attachment or disposal of any underlying collateral, the enforcement of a guarantee or the repossession of the assets underlying the Group's leases upon default, it is uncertain whether any judgment made by local courts would be enforceable, or what the extent to which such judgment could be enforced is, due to uncertainties of the PRC legal system governing such enforcement. In addition, under PRC laws, the Group's rights to any collateral securing its leases may be subordinated to other claims. For example, according to the PRC Enterprise Bankruptcy Law (中華人民共和國企業破產法), which took effect on 1 June 2007, claims for the amount that a company in bankruptcy owed its employees, including, but not limited to, salaries, medical insurance and pension benefits, will have priority over the Group's rights to collateral, if not adequately provided for in liquidation proceedings. Therefore, upon any default of any lessee or any guarantor under the Group's lease, if the Group is unable to successfully enforce its right in respect of any collateral or any guarantee related to any assets underlying its leases to be repossessed and disposed of on a timely basis, it may have a material adverse effect on its asset quality, business, financial condition or results of operations.

The Group's provisions for impairment losses on finance lease receivables may not be adequate to cover future credit losses, and may have a material adverse impact on the Group's business, financial condition and results of operations

The Group makes provisions for impairment losses on finance lease receivables. As at 31 December 2023 and 2024, the Group's allowance for impairment losses on finance lease receivables were RMB7,881.53 million and RMB7,372.66 million, respectively, representing 8.56 per cent. and 8.39 per cent. of the Group's finance lease receivables, net of unrealised financial income, respectively. This reflected both the growth of the Group's business

operations and its approach to provisions in view of the macroeconomic environment. The amount of provisions for impairment losses on the Group's finance lease receivables is determined on the basis of its internal provisioning procedures and guidelines taking into account a number of factors, such as the nature and industry-specific characteristics of the Group's customers and their creditworthiness, economic conditions and trends, write-off experience, delinquencies and the value of underlying collateral and guarantees. As the Group's provisions require significant judgement and estimation, its allowance for impairment losses may not always be adequate to cover actual credit losses in its business operations. The Group's allowance may prove to be inadequate if unforeseen or adverse changes occur in the PRC economy or other economies in which the Group operates or if other events adversely affect specific customers, industries or markets. Under such circumstances, the Group may need to make additional provisions for its finance lease receivables, which could significantly reduce its profit and may materially and adversely affect its business, financial condition and results of operations.

The Group may not be able to sell, lease or re-lease the aircraft, vessels or equipment it acquires

Upon termination or expiry of an existing lease, the Group needs to sell the aircraft, vessels or equipment (as the case may be). There can be no assurance that the Group will be able to sell the aircraft, vessels or equipment (as the case may be) at a price favourable to the Company or at all.

Factors that could affect the Group's ability to sell the aircraft, vessels or equipment include business cycles in the relevant industry, global and domestic financial market conditions, market disruption risks, market demand for the assets and transaction costs such as tax and re-installment costs, which could adversely affect liquidity, interest rates, availability of funding sources and the recovery of lease receivables.

With respect to aircraft, vessels or equipment acquired or leased out by the Group, in some leases, lessees have the discretion as to whether or not they wish to extend the leases after expiration of the initial lease term. In these circumstances, the Group will not be able to predict whether such lessees would exercise such an option. If lessees decide not to extend, the Group may not be able to re-lease the aircraft, vessels or equipment on similar terms. The Group's ability to lease out aircraft, vessels and equipment and re-lease aircraft, vessels and equipment on the expiration or termination of the initial leases, the lease hire payable under any renewal or replacement lease and the Group's ability to dispose of aircraft, vessels and equipment profitably will depend upon, among other things, the then prevailing availability of lessees and economic conditions in the relevant market at that time. The Group's ability to lease out the aircraft, vessels or equipment is likely to be adversely affected by, among other things, increases in fuel and non-fuel costs, deterioration in the financial condition of the aviation, shipping, manufacturing and other industries in which the Group primarily engages, bankruptcies of major airlines and shipping companies, sales of large numbers of repossessed aircraft, vessels and equipment by financial institutions, the introduction of newer models of aircraft, vessels and equipment and other factors leading to oversupply (including manufacturer overproduction), as well as political and economic uncertainties.

The Group's ability to lease, extend the lease of or re-lease the aircraft will also depend on the overall development trend in the aviation industry, the market reputation of particular aircraft models and general market and competitive conditions at the time that the operating leases are entered into and expire, and, in particular, the maintenance, damage and operating history of individual aircraft and their engines.

For instance, in 2019, Boeing 737 MAX aircraft were grounded by aviation authorities and commercial operations have been restricted due to two aircraft accidents. In January 2020, Boeing officially announced that the production of Boeing 737 MAX aircraft would be suspended until further notice. After 20 months' systematic evaluation of the Federal Aviation Administration (FAA), on 18 November 2020, Boeing 737 MAX was officially announced to be permitted back to flight after certain required airworthiness directives completed. Boeing started to deliver Boeing 737 MAX to airlines in December 2020. Until July 2025, the unfilled orderbook of B737 MAX was 4,856. Boeing 737 MAX remains the most popular product of the Boeing Company and one of the most advanced technology narrowbody aircraft. As at the date of this Offering Circular, the Group currently has 15 delivered Boeing 737 MAX aircraft and 13 undelivered Boeing 737 MAX aircraft under the purchase agreements entered into among the Group

as the buyer, the lessees as the seller and the Boeing Company (“**Boeing**”) as the manufacturer. Currently, the Group has secured financial leasing agreements with lessees in respect of all these Boeing 737 MAX aircraft. However, given the significant uncertainties faced by the global economy, there can be no assurance that the lessees will be able to duly perform their contractual obligations and will not default or delay payments. Lessees’ financial condition and the industries they operate in may be affected by a variety of risks and the general economy. See also “*The realisable value of collateral or guarantees securing the Group’s leases and the assets underlying its leases, which are disposed of upon repossession, may be inadequate to cover related lease receivables*”, “*Any inability to effectively mitigate credit risk and maintain the Group’s asset quality may have a material adverse impact on the Group’s business, financial condition and results of operations*” and “*The Group may be subject to risks related to pandemics, acts of terrorism, wars, or other natural or man-made calamities*” for further details. If any of these happens, it may have a material adverse effect on the Group’s business, financial condition or results of operations.

In addition, if the Group is unable to lease out the aircraft, vessels or equipment, the Group may be required to bear substantial costs and expenses for insurance, maintenance and compliance with government regulations. If the Group receives less income as a result of lower lease hire under replacement leases or is unable to lease out the aircraft, vessels and equipment on the expiry of their initial leases, this may have a material and adverse effect on the Group’s business, results of operations and financial condition.

The Group depends on its key senior management members and key senior officers and may have difficulty attracting and retaining skilled employees

The Group’s leasing business is a highly specialised area which requires professional knowledge and know-how in business areas including, but not limited to, finance, accounting, international trade, insurance, aviation, shipping and other related industries and various areas of law. The Group’s success depends, to a significant extent, upon the abilities, expertise and dedication of its key senior management members, senior officers and skilled employees. There is significant competition in the PRC for such employees. If such key personnel leave the Group to join other employers, including the Group’s competitors, the Group may face difficulties employing and assimilating suitable replacement personnel in the short term. In addition, the Group’s continued success also depends on its ability to attract and retain qualified personnel to manage its existing operations and future growth. Qualified individuals are in high demand and the Group may not be able to successfully attract, assimilate or retain all the personnel it needs with the required industry expertise. The Group may also need to offer superior compensation and other benefits to attract and retain key personnel and there is no assurance that the Group’s compensation and benefits payments will not increase unpredictably or at a greater rate than its revenues. Failure to recruit, train, develop and retain personnel with the necessary qualifications may have a material adverse effect on the Group’s business, financial condition, prospects and results of operations.

The Group’s business is dependent on the proper functioning of its information technology systems

The success of the Group’s operations is highly dependent on the ability of its information technology systems to accurately process a large number of transactions and information in a timely manner. The proper functioning of the Group’s financial control, risk management, accounting, customer service and other data processing systems is critical to its business and its ability to compete effectively. The Group has established its own internal back-up systems to maintain principal functions in the event of system failures. However, there can be no assurance that its operations will not be materially disrupted if any of the Group’s systems fail due to, among other things, fire, natural disasters, power loss, software faults, computer virus attacks, conversion errors due to system upgrades or security breaches. The internal safety measures may not be effective in preventing any harm or damage resulting from risks threatening the Company’s information technology systems. Any disruption to any of the Group’s information technology systems could have a material adverse effect on its business, financial condition and results of operations.

The Group may not be able to detect and prevent fraud or other misconduct committed by its employees or third parties

Fraud or other misconduct by employees (such as unauthorised business transactions and breaches of its internal policies and procedures) or third parties (such as breaches of law) may be difficult to detect and prevent, and could subject the Group to financial loss and sanctions imposed by governmental authorities and seriously harm its reputation. The Group's risk management systems, information technology systems and internal control procedures are designed to monitor its operations and overall compliance. However, there can be no assurance that it will be able to identify all non-compliance or suspicious transactions in a timely manner, or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct, and the precautions undertaken by the Group to prevent and detect such activities may not be effective. Hence, it is possible that fraud or other misconduct may have previously occurred but was undetected, or that fraud or other misconduct may occur in the future. Any failure to detect and prevent such illegal activities may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may be subject to risks related to pandemics, acts of terrorism, wars, or other natural or man-made calamities

The Group, its suppliers and customers may experience shutdowns of their respective operations as a result of severe communicable diseases, such as severe acute respiratory syndrome (SARS), avian influenza (bird flu), H7N9 flu, MERS, the Zika Virus and the COVID-19 pandemic, especially in the areas where the Group or its lessees operate, which may have an adverse effect on the Group's business, financial condition and results of operations. For example, the outbreak of any contagious disease that escalates into a regional or global pandemic may have an adverse impact on airlines that operate to or from affected areas or regions. Air travel may be severely reduced even though international and national response plans to address such events have been developed or are in development. Other natural calamities such as earthquakes, floods or tsunamis may devastate destinations and significantly reduce travel to affected areas for a period of time.

Similarly, acts of God, acts of war, terrorist attacks, epidemics, pandemics, political unrest, labour unrest and other similar events may result in political instability and volatility in the world's financial and commodities markets. Terrorist attacks, pirate attacks, hijacking, war or armed hostilities, or the fear of such events, could adversely affect the aviation and shipping industry and may have an adverse effect on the financial condition and liquidity of the Group's lessees and aircraft and vessel values and rental rates, and may lead to lease restructurings or repossessions, all of which could adversely affect the Group's business, financial condition and results of operations.

The Group may be subject to additional operating costs

The Group may incur other operational costs upon a lessee's default or where the terms of the lease require the Group to pay a portion of additional operating costs. Such costs, which can be substantial, may include:

- (a) the costs of casualty, liability or war risk insurance and the liability costs or losses when insurance coverage has not been or cannot be obtained as required or is insufficient in amount or scope;
- (b) the costs of licensing, exporting or importing leased assets, the costs of storing and operating leased assets, airport taxes, custom duties, air navigation charges, landing fees and similar governmental or quasi-governmental impositions; and
- (c) the penalties and costs associated with the failure of lessees to keep the leased assets registered under all appropriate local requirements or to obtain required governmental licences, consents and approvals.

The failure to pay some of these costs can result in liens on the aircraft, vessels or other leased assets or a loss of insurance on the aircraft, vessels or other leased assets. Any of these events could result in the grounding of the relevant aircraft and could prevent the sale or other use of the relevant aircraft until the problem is resolved. This could adversely affect the Group's business, financial condition and results of operations.

The Group may not have adequate insurance coverage on potential liabilities or losses

The Group generally requires its lessees to obtain specified levels of insurance and indemnify for, and insure against, liabilities arising out of their use and operation of the aircraft, equipment and vessels. The Group faces various risks in connection with its businesses and may lack adequate insurance coverage or may have no relevant insurance coverage. In addition, the Group does not maintain business interruption insurance. As a result, its insurance coverage may be inadequate to cover such losses, should they arise. Any such uninsured losses may materially and adversely affect the Group's business, financial position and results of operations.

The Group does not actively manage or control the operations of its aircraft, vessels and equipment other than to make them available to its lessees. However, since the relevant member of the Group is the sole owner of the aircraft, vessels and equipment, it can be directly or indirectly liable for any losses resulting from the misuse of the aircraft, vessels and equipment or be subject to other legal consequences in jurisdictions in which the Group or its lessees are present. If such events should take place, the Group would have to expend resources in its defence. The Group generally requires its lessees to obtain specified levels of insurance and indemnify it for, and insure against, liabilities arising out of their use and operation of the aircraft, vessels and equipment. Some lessees may fail to maintain adequate insurance coverage during a lease term, which, although in contravention of the lease terms, would necessitate the Group taking some corrective action such as terminating the lease or securing insurance for the aircraft, vessels or equipment, which could adversely affect the Group's results of operations.

Claims may be asserted against the Group

Although the Group does not control the operation of its leased assets such as aircraft, vessels and equipment, its ownership of the assets could give rise, in some jurisdictions, to strict liability for losses resulting from their operation.

Lessees of the Group are normally required under the leases to indemnify the Group for, and insure against, among others, liabilities arising out of the use and operation of the assets, including third-party claims for death or injury to persons and damage to property for which the Group may be deemed liable. In some cases, the lessees are also required to maintain insurance on the leased assets against public liability, property damage, war risks and all other risks at agreed-upon levels.

There can be no assurance that the lessee's insurance, and any contingent insurance undertaken by the Group, will be adequate or sufficient to cover all types of claims that may be asserted against the Company. Any insurance coverage shortfall or default by lessees to fulfil their indemnification or insurance obligations, as well as a lack of available insurance, could reduce the proceeds upon an event of loss and could subject the Group to uninsured liabilities, any of which could have an adverse impact on the Group's financial performance and its ability to meet its financial obligations.

Incomparability of financial information between 2022 and 2023/2024 due to business combinations under common control occurred in 2024

As at 21 November 2024, CCB Leasing (International) Corporation Designated Activity Company ("**CCB Leasing (International) Corporation DAC**") was acquired by the Issuer from CCB International Innovation Investment

Limited (“**CCB Innovation**”) for zero consideration (“**the Acquisition**”). The shareholder of CCB Innovation is CCB International (Holdings) Limited, whose ultimate controlling party is also CCB. As both parties before and after the Acquisition are controlled by CCB and the control is not temporary, so the Acquisition is a business combination involving entities under common control. 21 November 2024 is determined as the date of transfer of control. As a result, the financial information of the Group and the Issuer Group as at and for the year ended 31 December 2023 has been restated in the Group’s and the Issuer’s 2024 Audited Financial Statements respectively. However, the financial information of the Group and the Issuer Group as at and for the year ended 31 December 2022 has not been restated in conjunction with the business combinations under common control occurred in 2024. Therefore, the financial information of the Group and the Issuer Group as at and for the year ended 31 December 2022 is not comparable to their respective financial information as at and for the years ended 31 December 2023 and 2024. Potential investors should exercise caution when conducting any comparative assessment across these three periods and should refer to the relevant notes in the Group’s and Issuer’s Audited Financial Statements for a comprehensive understanding of the adjustments and their impacts on the financial information.

Risks Relating to the Industry

The Group operates in a competitive market environment where highly specialised expertise is required for the efficient management of assets

The leasing business is a highly competitive industry. The Group faces competition from both international and domestic players (including the financing divisions of vendors, manufacturers of aircraft, vessels and equipment, financial institutions including banks, hedge funds and private equity firms, other leasing companies, aircraft brokers, as well as airlines) in its business, and competes with them in capturing new business opportunities. Some of the Group’s competitors may have significant financial resources, marketing and other capabilities, more extensive know-how and business relationships and longer operating track records. The Group competes with its competitors on the basis of availability of product types that meet customers’ needs, delivery dates, lease rates, lease terms, maintenance reserves and aircraft condition. The Group’s revenue is affected by these competitive factors and its success depends on its ability to compete effectively. In addition, the leasing business also requires specialised expertise and extensive experience. For example, in the aircraft financing business of the Group, there is a high percentage of operating leases. As the Group has expanded and grown in the past several years, its assets have increased and the leases have begun to expire, and it has become increasingly difficult to lease and manage the old assets. Furthermore, with the growth of the business, the Group’s asset portfolio has also become increasingly diversified into different types and industries, requiring highly specialised expertise and skilled employees to manage the different assets efficiently.

The industries that the Group is engaged in are cyclical.

A significant part of the Group’s net lease receivables relates to the transportation industry. The transportation industry is highly cyclical with demand for and supply of aircraft and vessels to be leased or sold being affected by several factors, including global and regional economic conditions. These factors are beyond the Group’s control and the nature, timing and degree of changes in industry conditions are largely unpredictable. Any decrease in demand for the Group’s services in the transportation industry due to cyclical downturns could result in extensive customer defaults, decreased revenue and an inability to grow or maintain its business, and could materially and adversely affect its business, results of operations and financial condition. See “*The Group may be subject to risks related to pandemics, acts of terrorism, wars, or other natural or man-made calamities.*” for further details.

Changes in currency exchange rates could have an adverse effect on the Group’s business, financial condition and results of operations

Interest rate fluctuations may have a significant influence on the financial performance of the Group. Any changes in interest rates will impact the Group's borrowing costs. The Group receives rental income and makes purchase payments in various currencies such as the RMB and U.S. dollar. The value of the RMB against the U.S. dollar and other currencies may fluctuate significantly and is affected by, among other things, the domestic and international economies, political conditions and supply and demand of currency. On 21 July 2005, the PRC government changed its policy of pegging the value of the RMB to the U.S. dollar. Under the new policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy resulted in an appreciation in the value of the RMB against the U.S. dollar. In July 2008, the PRC government announced that its exchange rate regime would change to a managed floating mechanism based on market supply and demand. Given domestic and overseas economic developments, the People's Bank of China ("PBOC") decided to further adjust the RMB exchange rate regime in April 2012 to enhance the flexibility of the RMB exchange rate. On 17 March 2014, PBOC continued to expand the floating range of the RMB against the U.S. dollar. The PBOC surprised markets in August 2015 by devaluing the RMB several times, lowering its daily mid-point trading price significantly against the U.S. dollar. Following the gradual appreciation against U.S. dollar in 2017, RMB experienced a gradual depreciation in value against U.S. dollar followed by a fluctuation in 2018 and early 2019. On 5 August 2019, the PBOC set the RMB's daily reference rate above RMB7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. Since June 2020, RMB has been experiencing another round of appreciation against U.S. dollar. However, as at 31 August 2023, the RMB was around 4.2 per cent. weaker against the U.S. dollar than it was a year ago. It is possible that the PRC government could adopt a more flexible currency policy, which could result in further and more significant revaluations of the RMB against the U.S. dollar or any other foreign currency. As a portion of the Company's debts and assets are denominated in currencies other than RMB, fluctuations of the RMB against any such currencies could have an adverse effect on the Company's business, financial condition and results of operations.

Although the Company manages exchange rate risks with a variety of techniques, including a match funding programme and a broadly diversified funding programme, there can be no assurance that fluctuations in exchange rates will not have an adverse effect on the Group's earnings and cash flows. If any of the variety of instruments and strategies the Group uses to hedge its exposure to these various types of risk are ineffective, the Group may incur losses.

Disruptions or volatility in global and domestic financial markets could adversely impact the industries and markets in which the Group serves and operates

The Group is a leasing company specialising in providing customised leasing services including aviation financing, shipping financing, and equipment financial leasing, and is largely dependent on the growth of the Group's target industries, including the aircraft, shipping and equipment industries. The demand for the Group's services is substantially influenced by general global and domestic economic conditions. Global and domestic economic conditions may cause volatility and disruptions in the capital and credit markets.

Global economic conditions may be affected by geopolitical risks, which may have a material adverse impact on macroeconomic factors which affect the Group's business, financial condition and results of operations. For example, the continuing tensions between the PRC and the United States, including ongoing trade disputes, the deterioration in diplomatic relations and the recent tariff imposed by United States President Donald Trump, have contributed to increased market volatility, weakened consumer confidence and diminished expectations for economic growth around the world. Some of these tensions have manifested themselves through actions taken and sanctions imposed by the governments of the United States and the PRC in recent years. The United States has imposed a range of sanctions and trade restrictions to target Chinese persons and companies in a number of sectors, focusing on entities the United States believes are involved in human rights violations, information technology and communications equipment and services, and military activities, among others. In response, the PRC has announced a number of sanctions and trade restrictions that target or provide authority to target foreign officials and companies, including those in the United States. Heightened geopolitical tensions between the United States and the PRC continue to cause significant uncertainty in the global macroeconomy, and the rhetoric surrounding the trade tensions and tariff wars continues to

escalate as neither side has been willing to resume stalled trade negotiations. An amicable resolution to these trade disputes remains elusive, and the lasting impact that any trade war may have on the PRC economy is still uncertain.

Furthermore, global economic fluctuations have also had significant impacts on the global economy and on the Group. First, a rise in global trade protectionism will negatively impact the trade-dependent economies in Asia. Second, the interplay of U.S. fiscal and monetary policies, and aggressive quantitative easing programmes in Japan and Europe may lead to more volatile global capital flows, which could in turn impact global growth. Third, there might be long-lasting negative effects resulting from the UK's exit from the EU, could influence not only the UK and the EU but also the global economy. Fourth, the increasing inflationary pressures which has been triggered by a number of factors including liberal monetary policies, interruptions to the global supply chain caused by measures taken by various governments to control the spread of COVID-19, labour shortages and rising energy costs, may have severe consequences on the global economy such as increased costs of borrowings and production and lower business activities, which may in turn have a material adverse effect on the Group's business, financial condition and results of operations. Fifth, financial market volatility and increased uncertainty may have a broader global economic impact that may in turn have a material adverse effect on the Group's business, financial condition and results of operations. In early 2023, the global financial markets have experienced further turmoil with the collapse of Silicon Valley Bank, followed by Signature Bank and First Republic Bank and the crisis of Credit Suisse, which has resulted in greater uncertainty in the global macroeconomic environment. ed more Chinese organisations on the U.S. trade blacklist in May 2020. Such trade dispute between the PRC and the U.S, or any further trade restrictions, sanctions, embargoes, boycotts, trade measures, exchange controls, currency fluctuations, trade disputes, epidemics, pandemics and changes in seaborne and other transportation patterns may have an adverse effect and cause continuing uncertainty for the overall prospects of the global and international trading economies.

The extent of any impact on the Group's ability to meet funding or liquidity needs would depend on several factors, including its operating cash flows, the duration of any market disruptions, changes in counterparty credit risk, the impact of government intervention in financial markets, such as the effects of any programs or legislation designed to increase or restrict liquidity in certain areas of the market, general credit conditions, the volatility of equity and debt markets, any credit ratings and the credit capacity of the Group and the costs of financing and other general economic and business conditions. Market disruption and volatility may also lead to a number of other risks, including but not limited to:

- market developments that may affect customer confidence, reduce the demand for financing services or cause increases in delinquencies and default rates, which could increase the Group's write-offs and provisions for credit losses;
- the process the Group uses to estimate losses from its credit exposure requires a high degree of management's judgment regarding numerous subjective and qualitative factors, including forecasts of economic conditions and how economic predictors might impair the ability of its customers to perform their contractual obligations under the leases. Financial market disruption and volatility may reduce the accuracy of the Group's judgments;
- the Group's ability to engage in routine funding transactions or borrow from other financial institutions on acceptable terms, or at all, could be adversely affected by disruptions in the capital markets or other events, including actions by rating agencies and a deterioration in investor expectations; and
- the ability of the Group's funding counterparties to provide funding could be adversely affected by market volatility or disruptions in the equity and credit markets.

Therefore, any market disruption or volatility may materially and adversely affect the Group's business, financial condition and results of operations.

Risks Relating to the PRC

Changes in the economic, political and social conditions in the PRC may have a material adverse effect on the Group's business, results of operations and financial condition

The PRC economy differs from the economies in developed countries in many respects, including the degree of government involvement, control of capital investment, as well as the overall level of development. The Group believes the PRC government has indicated its commitment to the continued reform of the economic system as well as the structure of the government. The PRC government's reform policies have emphasised the independence of enterprises and the use of market mechanisms. Since the introduction of these reforms, significant progress has been achieved in economic development, and enterprises have enjoyed an improved environment for their development. However, any changes in the political, economic or social conditions in the PRC may have a material adverse effect on the Group's present and future business operations.

The slowdown of the PRC's economy caused in part by the recent challenging global economic conditions may adversely affect the target industries in which the Group operates and result in a material adverse effect on the Group's business, results of operations and financial condition

Most of the Group's revenue is derived from the provision of leasing services and extended value-added services. The Group relies primarily on domestic demand to achieve growth in its revenue. Such demand is materially affected by industrial development and the overall economic growth in the PRC as well as policy support for its target industries and for its financial services. Any deterioration of these industries in the PRC resulting from a global economic downturn or the Chinese government's macroeconomic measures affecting these industries may have a material adverse impact on its financial performance. Furthermore, any deterioration in the financial condition of its customers in these industries or any industry-specific difficulties encountered by these customers could affect its business (such as the deterioration of the quality of its existing lease receivables and its ability to generate new leases), thereby materially and adversely affecting its business, financial condition, results of operations.

The PRC economy has experienced a slowdown in recent years. The current restructuring of the economy and deeper reform initiatives in the PRC are expected to cause PRC economic growth to emphasise quality and efficiency. The GDP growth rate of the PRC decreased from 8.6 per cent. in 2021 to 3.1 per cent. in 2022 but increased to 5.4 per cent. in 2023. The GDP growth rate of the PRC expanded to 5 per cent. in 2024 but it remains uncertain whether the GDP of the PRC will continue to increase in 2025 and beyond. The outlook for the world economy and macroeconomic conditions remains uncertain due to geopolitical uncertainty.

If the crisis in global financial services and credit markets were to persist, there would be no certainty as to its impact on the global economy, especially the PRC economy. As a result of global economic cycles, there can be no assurance that the PRC economy will grow in a sustained or steady manner. Any slowdown in the PRC economy may affect the Group's ability to secure new leases and contracts and its ability to obtain sufficient financing, which may in turn have a material adverse effect on its business, results of operations and financial condition.

Under the new Enterprise Income Tax law (the "New EIT Law"), the Issuer (or any other overseas entity of the Group) may be treated as a PRC resident enterprise for PRC tax purposes, which will subject it to PRC enterprise income tax on its worldwide income and PRC withholding taxes on interest it pays on the Notes

Under the PRC Enterprise Income Tax Law which became effective on 29 December 2018, enterprises organised under the laws of jurisdictions outside the PRC with their "de facto management bodies" located within the PRC are deemed to be "resident enterprises for PRC tax purposes", meaning that they are treated in a manner similar to PRC enterprises for enterprise income tax purposes, and therefore subject to PRC enterprise income tax at the rate of 25 per cent. on their worldwide income, although dividends paid from one resident to another may qualify as "tax-exempt

income”. The Implementing Regulation defines the term “de facto management body” as a management body that exercises substantial and overall control and management over the production and operations, personnel, accounting and properties of an enterprise. A circular issued by the State Administration of Taxation on 22 April 2009 as amended and revised on 29 December 2017 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a “resident enterprise” with a “de facto management body” located within the PRC if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders’ meeting are located or kept within the PRC; and (iv) at least half of the enterprise’s directors with voting rights or senior management reside within the PRC. The State Administration of Taxation issued a circular, which provides that a foreign enterprise controlled by a PRC company or a PRC company group shall be deemed a “resident enterprise” by the final decision of the State Administration of Taxation through the application of the foreign enterprise or the investigation of the relevant tax authorities.

The Group confirms that, as of the date of this Offering Circular, none of its overseas entities, including the Issuer, has been treated as a PRC resident enterprise by the PRC tax authorities. There is however no assurance that the Issuer or other overseas entities in the Group will not be treated as “resident enterprises” under the New EIT Law, any aforesaid circulars or any amended regulations in the future. If the Issuer is treated as a PRC resident enterprise for PRC enterprise income tax purpose, among other things, it would be subject to the PRC enterprise income tax at the rate of 25 per cent. on its worldwide income. Furthermore, if the Issuer were treated as a PRC resident enterprise, payments of interest by the Issuer may be regarded as derived from sources within the PRC and therefore the Issuer may be obligated to withhold PRC income tax at 10 per cent. on payments of interest on the Notes to non-PRC resident enterprise investors, unless any such non-PRC investor’s jurisdiction of incorporation has a tax treaty with the PRC that provides for preferential withholding tax treatment. In the case of non-PRC resident individual investors, the tax may be withheld at a rate of 20 per cent., unless a lower treaty rate is applicable. In addition, if the Issuer were treated as a PRC resident enterprise, any gain realised on the transfer of the Notes by non-PRC resident investors may be regarded as derived from sources within the PRC and may be subject to a 10 per cent. PRC income tax in the case of non-PRC resident enterprises or 20 per cent. in the case of non-PRC resident individuals (or a lower applicable treaty rate, if any). According to an arrangement between Mainland China and Hong Kong for the avoidance of double taxation, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, may be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes.

If the Issuer is required to withhold PRC tax from interest payments on the Notes, the Issuer may be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by the holders of the Notes of such amounts as would have been received had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes and could have an adverse effect on the Issuer’s financial condition.

PRC legal system and its laws and regulations may affect the Group’s operations

The Group’s domestic leasing business is conducted in the PRC and such operations are located in the PRC, hence its business operations are regulated primarily by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law systems, past court judgments in the PRC have limited precedential value and may be cited only for reference. Furthermore, PRC written statutes often require detailed interpretations by courts and enforcement bodies for their application and enforcement. Since 1979, the PRC government has been committed to developing and refining its legal system and has achieved significant progress in the development of its laws and regulations governing business and commercial matters, such as in foreign investment, company organisation and management, commercial transactions, tax and trade. However, as these laws and regulations are still evolving, in view of how the PRC’s financial services industry is still developing, and because of the limited number and non-binding nature of published cases, their interpretation and enforcement may vary case by case, which may have a negative impact on the Group’s business.

Furthermore, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. Additional procedures will be required for enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to holders of the Notes.

Any force majeure events, including the outbreak, or threatened outbreak, of any severe communicable diseases in Hong Kong or the PRC, could materially and adversely affect the Group's business and results of operations

Any force majeure events, including the outbreak, or threatened outbreak, of any severe communicable disease (such as severe acute respiratory syndrome or avian influenza) in Hong Kong or the PRC, could materially and adversely affect the overall business sentiment and environment in the PRC, particularly if such outbreak is inadequately controlled. This, in turn, could materially and adversely affect domestic consumption, labour supply and, possibly, the overall gross domestic product (“GDP”) growth of the PRC. The Group's domestic revenue is currently derived from its PRC operations, and any labour shortages or slowdown in the growth of domestic consumption in the PRC could materially and adversely affect the Group's business, financial condition and results of operations. In addition, if any of the Group's employees are affected by any severe communicable disease, it could adversely affect or disrupt production levels and operations at the relevant plants and materially and adversely affect the Group's business, financial condition and results of operations, which may also involve a closure of the Group's facilities to prevent the spread of the disease. The spread of any severe communicable disease in the PRC may also affect the operations of the Group's customers and suppliers, which could materially and adversely affect the Group's business, financial condition, and results of operations. See “*The Group may be subject to risks related to pandemics, acts of terrorism, wars, or other natural or man-made calamities*” for further details.

Additional procedures may be required to be taken to bring English law-governed matters or disputes to the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law-governed matters or disputes

The Notes, the Trust Deed, the Agency Agreement, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law-governed matters or disputes, the Hong Kong courts may require certain additional procedures to be taken.

Recognition and enforcement in the PRC of a Hong Kong court judgment would be subject to the procedural requirements and public policy considerations as set forth in applicable provisions of the PRC laws relating to the enforceability of foreign court judgments, and could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or such judgment could not satisfy certain requirements or conditions. While it is expected that the PRC courts will recognise and enforce a judgment given by the Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. As the Trustee will submit to the exclusive jurisdiction of the Hong Kong courts under the Notes, the Trust Deed, the Agency Agreement, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, and thus the Trustee's ability to initiate a claim outside of Hong Kong will be limited.

On 18 January 2019, the Supreme People's Court of the People's Republic of China (the “SPC”) and the Hong Kong government signed the Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region (最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “2019 Arrangement”). The 2019 Arrangement came into effect on 29 January 2024. With some exceptions, the 2019 Arrangement applies to the reciprocal recognition and enforcement of effective judgments in civil and commercial cases between courts of the

PRC and Hong Kong, and also applies to the reciprocal recognition and enforcement of effective judgments on civil compensation in criminal cases. Since the 2019 Arrangement has come into effect recently, the outcome and effectiveness of any action brought under the 2019 Arrangement are uncertain, and the result remains uncertain for holders of the Notes to effect service of process against the Issuer Group or the Group in the PRC in order to seek recognition and enforcement for Hong Kong court judgments in the PRC.

In addition, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC.

While it is expected that the PRC courts will recognise and enforce a judgment given by a Hong Kong court and governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area.

Risks Relating to the Notes

Neither the Keepwell and Liquidity Support Deed nor the Deed of Asset Purchase Undertaking is a guarantee of the payment obligations under the Notes and neither may give rise to a debt claim against the Company or be recognised by PRC courts in insolvency proceedings in relation to the Company in the PRC. In addition, performance by the Company of its obligations under the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking is subject to the approvals of the PRC authorities

The Company has entered into a Keepwell and Liquidity Support Deed and a Deed of Asset Purchase Undertaking in relation to the Notes, as further discussed in “*Description of the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking*”. Pursuant to the terms of the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, the Trustee may take action against the Company to enforce the provisions of the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking. However, neither the Keepwell and Liquidity Support Deed nor the Deed of Asset Purchase Undertaking nor any actions taken by the Trustee thereunder can be deemed as a guarantee by the Company of the payment obligations of the Issuer under the Notes. Accordingly, the Company will be obliged to cause the Issuer to obtain, before the due date of the relevant payment obligations, funds sufficient by means as permitted by applicable laws and regulations so as to enable the Issuer to pay such payment obligations in full as they fall due, rather than assume the payment obligation as in the case of a guarantee.

Furthermore, even if the Company intends to perform its obligations under the Keepwell and Liquidity Support Deed or the Deed of Asset Purchase Undertaking, depending on the manner in which the Company performs its obligations under the Keepwell and Liquidity Support Deed or the Deed of Asset Purchase Undertaking in causing the Issuer to obtain, before the due date of the relevant payment obligations, funds sufficient to meet its obligations under the Notes, such performance may be subject to obtaining prior consent, approvals, registration and/or filings from relevant PRC governmental authorities, including the NDRC, the Ministry of Commerce of the PRC (“**MOFCOM**”) and the State Administration of Foreign Exchange of the PRC (“**SAFE**”) (the “**Regulatory Approvals**”).

PRC counsel to the Arrangers and Dealers and PRC counsel to the Issuer and the Company have confirmed that (i) if the assets to be purchased under the Deed of Asset Purchase Undertaking would be imported into the PRC, the relevant PRC governmental approvals or permits from PRC approval authorities, including but not limited to the NDRC, Civil Aviation Administration of China, MOFCOM and the General Administration of Customs of the PRC, are required and (ii) if the purchased assets under the Deed of Asset Purchase Undertaking would not be imported into the PRC, and those assets would be leased by the Company after the purchase (falling within the ambit of the finance leasing laws in the PRC), the Company should register such lease at the local foreign exchange authority within 15 working days after an external claim under the finance leasing occurs and there are no other Regulatory Approvals required under the PRC laws. Although the Company is required to use its reasonable efforts to obtain any required Regulatory Approvals in order to fulfil its obligations under the Keepwell and Liquidity Support Deed or, as the case may be, the Deed of Asset Purchase Undertaking, there is no assurance that such Regulatory Approvals will

be obtained in a timely manner or at all. It is uncertain whether any such Regulatory Approval can be obtained and is unlikely if the Company is in a reorganisation when its obligation under the Keepwell and Liquidity Support Deed and/or the Deed of Asset Purchase Undertaking has been triggered. In the event that the Company fails to obtain the requisite Regulatory Approvals and the Company is otherwise unable to cause the Issuer to obtain funds sufficient to meet its obligations under the Notes by other means, the Issuer may have insufficient funds to discharge its outstanding payment obligations to the holders of the Notes. Further, in the event of an insolvency of a Relevant Transferor (as defined below), any sale proceeds received by that Relevant Transferor may be subject to the insolvency claims of third parties. The Trustee's claim against the sale proceeds will be an unsecured claim and may rank lower in priority to any claims by secured third party creditors of such Relevant Transferor where it is the Issuer. Where a Relevant Transferor is not the Issuer, the Trustee will not have a direct claim against the sale proceeds received by such Relevant Transferor. In addition, in the event of an insolvency of a Relevant Transferor, any transaction deemed to be at an undervalued transaction may be set aside in insolvency proceedings.

The obligations under the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking may not give rise to a debt or liability claim against the Company or be recognised by PRC courts in insolvency proceedings in relation to the Company in the PRC. As the parties to the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking have submitted to the exclusive jurisdiction of the Hong Kong courts, parties who have successfully obtained a judgment from Hong Kong courts in relation to a claim under a Keepwell and Liquidity Support Deed or the Deed of Asset Purchase Undertaking and wish to enforce such a judgment in the PRC may do so pursuant to the Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region (最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排). However, it is currently uncertain as to whether such a judgment will be recognised and enforced by PRC courts where it relates to insolvency proceedings commenced in the PRC as the judicial practice in this area evolves. Consequently, even if the holders of the Notes or the Trustee have successfully obtained judgment in Hong Kong courts in relation to the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, there can be no assurance that the PRC courts will recognise and enforce such a judgment in insolvency proceedings relating to the Company. Accordingly, the holders of the Notes may have limited or no remedies if insolvency proceedings are commenced in relation to the Company in the PRC. See *“Risk Factors – Risks Relating to the PRC – Additional procedures may be required to be taken to bring English law-governed matters or disputes to the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law-governed matters or disputes”* for more information.

In addition, under the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, the Company will undertake, among other things, to cause the Issuer to have sufficient liquidity to ensure timely payment of any amounts payable in respect of the Notes. However, any claim by the Issuer, the Trustee and/or Noteholders against the Company in relation to the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking will be effectively subordinated to all existing and future obligations of the Issuer's and the Company's subsidiaries (which do not guarantee the Notes) and all claims by creditors of such subsidiaries (which do not guarantee the Notes) will have priority to the assets of such entities over the claims of the Issuer, the Trustee and/or Noteholders under the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking. Additionally, recent judicial proceedings show that there may be certain limitations imposed on the types of claims that the issuer and/or the guarantor may raise against the keepwell provider but bondholders and the trustee of the relevant bonds could have standing to raise a claim themselves before the courts to look after their own interests in connection with the keepwell provider's obligations.

Performance by the Company of its undertaking under the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking may be subject to consent from third party creditors and shareholders, and may also be restricted if any of the assets are secured in favour of third party creditors

The ability of the Company to purchase or procure a subsidiary of the Company to purchase certain assets from one or more Relevant Transferors pursuant to the terms of the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking may be affected by any present or future financing agreements, lease agreements or other agreements of the Company, the Issuer and their respective subsidiaries:

- in the event that such financing agreements, lease agreements or other agreements contain non-disposal or other restrictive covenants that would prevent the sale of any asset by a Relevant Transferor, the Company or a relevant subsidiary would need to obtain the consent from the third party creditor or counterparty (as the case may be) before the Relevant Transferor is able to proceed with the sale of such assets;
- in the event that such financing agreements, lease agreements or other agreements contain restrictive covenants that restrict the terms any asset sale or purchase, such covenants would need to be complied with, or waivers therefrom would need to be obtained, in connection with any sale and purchase of assets; and
- in the event that certain assets have been secured in favour of third party creditors, the Company and its subsidiaries would need to arrange for these security interests to be released before the Relevant Transferor is able to proceed with the sale of such assets.

The financing agreements entered into by the Issuer may from time to time restrict the Issuer's arm's length ability to dispose of such assets and restrict the Issuer from dealing with its affiliates except on an arms-length basis, in each case, subject to certain exceptions.

In addition, under the Conditions, the Trust Deed, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, there are no restrictions on the Issuer or its subsidiaries entering into financing agreements, lease agreements or other agreements with such non-disposal or other restrictive covenants or securing the assets of any of the Issuer or its subsidiaries in favour of its creditors, other than the negative pledge contained in the Conditions. In the event the obligation to purchase assets under the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking becomes effective, there is no assurance that the Issuer or its relevant subsidiary will be able to obtain any required consents from its creditors or that it will be able to arrange for any existing security arrangement to be released in order for the sale of the assets to proceed.

If such consents or releases cannot be obtained, the Issuer or its relevant subsidiary may need to repay the indebtedness owed to its third party creditors in order to be able to sell the relevant assets to the Company, failing which, the Issuer may have insufficient funds to discharge its payment obligations to the holders of the Notes.

The proceeds realisable from the assets sale pursuant to the Deed of Asset Purchase Undertaking may not be sufficient to satisfy the Issuer's obligations under the Notes

Under the Conditions, the Trust Deed, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, there are no restrictions on the Issuer or its subsidiaries to dispose of any of their assets or secure in favour of third party creditors (other than the negative pledge contained in the Conditions) or any requirement to maintain a certain minimum value in respect of their assets. The holders of the Notes also have no security interest in any of such assets held by the Issuer or its subsidiaries. Such assets may be sold and transferred to third parties outside the Group, be secured in favour of third party creditors (subject to the negative pledge contained in the Conditions) or depreciate in value over a period of time. There can be no assurance that upon the occurrence of a Triggering Event (as defined in the Conditions), there are sufficient assets held by the Issuer or its subsidiaries available for sale to the Company or the designated purchasers (as the case may be) for the performance by the Company of its obligations under the Deed of Asset Purchase Undertaking.

Furthermore, the purchase price determined in respect of the assets to be purchased in the event of an asset sale pursuant to the Deed of Asset Purchase Undertaking will depend upon market and economic conditions and other similar factors and applicable laws. No independent appraisals of any assets held by the Issuer or its subsidiaries have

been prepared by or on behalf of the Company or the Issuer in connection with this offering of the Notes. Accordingly, there can be no assurance that the proceeds of any asset sale pursuant to the Deed of Asset Purchase Undertaking following a Triggering Event would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the Notes.

The Issuer is an operating subsidiary with its own business activities other than the offering, sale or issuance of Notes. Consequently, in the event of an insolvency of the Issuer, proceeds that are received by the Issuer pursuant to the Deed of Asset Purchase Undertaking may be required pursuant to applicable bankruptcy and insolvency laws and regulations to be applied to other liabilities of the Issuer, and hence may not be fully applied towards satisfying the Issuer's obligations under the Notes

The Issuer is an operating subsidiary of the Group, and carries on its own business activities. There is no assurance that the Issuer's presently described business activities will continue to be conducted in a manner which will not materially and adversely impact its ability to meet its obligations under the Notes. There could be claims against the Issuer as a result of its other business activities which could be made against the Issuer's assets, which could divest the proceeds received by it from any issue of the Notes. The creditors of the Issuer could be ranked more preferentially than Noteholders in the event of the insolvency and winding-up of the Issuer, which would affect amounts recovered, if any, by Noteholders.

In addition, in the event that a Triggering Event has occurred, the Company agreed in the Deed of Asset Purchase Undertaking, that it shall purchase (either by itself or through a Subsidiary of the Company as designated by it) certain Assets (as defined in the Deed of Asset Purchase Undertaking) held by the Issuer and/or any of its Subsidiaries (each a **"Relevant Transferor"**) in the manner as set out in the Deed of Asset Purchase Undertaking in order to assist the Issuer under its obligations under the Notes and the Trust Deed. The Company has further undertaken to the Trustee in the Deed of Asset Purchase Undertaking that it shall procure each Relevant Transferor that is not the Issuer to promptly on-lend or otherwise transfer any payment (each an **"On-Loan"**) received pursuant to the Deed of Asset Purchase Undertaking to the Issuer, and shall procure the Issuer to promptly apply all proceeds from each On-Loan towards satisfying its obligations under the Notes and the Trust Deed, prior to any other use, disposal or transfer of the proceeds received. However, notwithstanding that the proceeds are required to be applied towards satisfying of the Issuer's obligations under the Notes and the Trust Deed, in the event that the Issuer were to be insolvent or bankrupt at the point when the proceeds from each On-Loan are received by it, such proceeds may be required by applicable bankruptcy and insolvency laws to be applied in satisfaction of other obligations that rank ahead of the Notes (including preferential creditors), and then subsequently *pari passu* amongst other unsecured and unsubordinated obligations (including the Notes). Hence, upon the occurrence of a Triggering Event, applicable bankruptcy and insolvency laws may require the proceeds to be used to meet the Issuer's other liabilities first prior to the Issuer's obligations under the Notes and the Trust Deed, which may result in the Noteholders receiving less than the amounts paid to the Issuer pursuant to the Deed of Asset Purchase Undertaking.

Investors should also take into consideration that in the event of an insolvency of the Issuer, any sale or other proceeds from the Notes received by the Issuer may be subject to the insolvency claims of third parties. The Trustee's claim against the sale or other proceeds will be an unsecured claim and may rank lower in priority to any claims by secured third-party creditors of the Issuer. In addition, in the event of an insolvency of the Issuer, any transaction deemed to be undervalued may be set aside in insolvency proceedings.

The Conditions or the Keepwell and Liquidity Support Deed do not restrict the Issuer Group or the Group's ability to incur additional debt or to take other actions that could negatively impact holders of the Notes

Neither the Issuer Group nor the Group is restricted under the Conditions or the Keepwell and Liquidity Support Deed from incurring additional debt (including issuing unsecured notes or under certain circumstances as set out in the Conditions issuing secured notes or providing guarantee for notes) or from repurchasing the Notes. In addition, other

than the requirement related to the Issuer's consolidated net worth, the covenants applicable to the Notes do not require either of the Issuer Group or the Group to achieve or maintain any minimum results relating to the Issuer Group or the Group's financial position or results of operations. Each of the Issuer Group and the Group's ability to recapitalise, incur additional debt and take other actions that are not limited by the Conditions or the Keepwell and Liquidity Support Deed could diminish the Issuer Group or the Group's ability to make payments on the Notes and amortising bonds when due.

In addition, the Conditions do not prohibit the Company from issuing notes or provide guarantees for notes of the Issuer or other subsidiaries of the Company in the future. As a result, the Company may, without consent from any holder of the Notes, issue notes or guarantee notes issued by the Issuer or subsidiaries of the Company in the future, without (i) providing any unsubordinated guarantee or indemnity in respect of the Notes, or (ii) offering to exchange the Notes for securities issued by the Company with terms substantially identical to those of the Notes. In the event that the Company decides to issue notes or guarantee notes issued by its subsidiaries or the Issuer in the future, holders of such notes issued or guaranteed by the Company will have a direct claim against the Company, while the holders of the Notes issued under the Programme do not.

If any member of the Group is unable to comply with the restrictions and covenants in its financing agreements, there could be a default under the terms of these agreements, which could cause repayment of its debt to be accelerated

It is in the ordinary course of business of the Group that various members of the Group enter into financing agreements with creditors and financial institutions to obtain external funding or refinancing existing indebtedness. If any member of the Group is unable to comply with its current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements which is not rectifiable, or rectifiable but not rectified, the holders of the debt could terminate their commitments to lend to such member of the Group, accelerate repayment of the debt and declare all outstanding amounts immediate due and payable or terminate the agreements, as the case may be. Furthermore, some of the Group's debt agreements contain cross-acceleration or cross-default provisions. As a result, an acceleration in relation to a debt agreement of a member of the Group may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under the Group's other debt agreements. In addition, under the Issuer's and the Company's debt agreements, events of default may be triggered by certain events such as change of control.

If any of these events occur, there is no assurance that their respective assets and cash flows would be sufficient to repay in full all of their respective indebtedness, or that the Issuer and the Company would be able to find alternative financing. Even if they could obtain alternative financing, they cannot assure holders that it would be on terms that are favourable or acceptable to them.

If the Company fails to complete the requisite filings to the NDRC in connection with the Notes, NDRC may impose penalties or other administrative procedures on the Company

The NDRC issued the NDRC Foreign Debt Measures which came into effect on 10 February 2023, according to which enterprises domiciled within the PRC and their overseas subsidiaries or branches that propose to issue overseas foreign debts with a maturity of more than one year should (i) register with the NDRC prior to issuance of overseas foreign debts and obtain the audit and registration certificate from the NDRC (the "NDRC Certificate"), (ii) report relevant information on the issuance of the foreign debts to the NDRC within 10 working days after the completion of such issuance, and (iii) comply with the requirements regarding risk management and interim and *ex post* supervision of the NDRC Foreign Debt Measures. According to the NDRC Foreign Debt Measures, the NDRC is expected to issue a decision on the submission within three months after it accepts the submission.

According to the NDRC Foreign Debt Measures, if an enterprise domiciled within the PRC or its overseas subsidiary or branch proposes to issue notes with a maturity of more than one year and fails to comply with relevant requirements under the NDRC Foreign Debt Measures, the NDRC shall, depending on the severity of the circumstances, impose punitive measures such as interviews and public warnings on the relevant enterprise and its principal responsible persons. Besides, if the relevant information is not reported in accordance with the provisions of Articles 24 and 26 under the NDRC Foreign Debt Measures, the NDRC shall order the relevant enterprise to make corrections within a time limit. If the circumstances are serious or if the corrections are not made within the time limit, the relevant enterprise and its principal responsible persons shall be warned.

In the event that Notes to which the NDRC Foreign Debt Measures are applicable are intended to be issued under the Programme, the Company or the shareholder of the Company would need to obtain the NDRC Certificate prior to the launch date of the issuance of relevant Tranche of Notes and such NDRC Certificate needs to remain effective at the issue date of the relevant Tranche of Notes. The Company will be required to file or cause to be filed with the NDRC requisite information and documents in respect of the issue of the relevant Tranche of Notes within the prescribed time frame after the issue date of the relevant Tranche of Notes in accordance with the NDRC Foreign Debt Measures and comply with the requirements regarding risk management and interim and *ex post* supervision thereunder.

The Issuer and the Company are ultimately state-owned entities, but no PRC governmental body is an obligor under the Notes

The Issuer and the Company are ultimately state-owned entities, but no PRC governmental body is an obligor under the Notes. The payment obligations under the Notes remain the obligations of the Issuer, and any ownership or control by the PRC government of the Issuer and the Company does not necessarily correlate to, or provide any assurance as to, the financial condition of the Issuer or the Company.

The Notes are unsecured obligations

As the Notes are unsecured obligations, their repayment may be compromised if:

- the Issuer or the Company enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Company's secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or the Company's indebtedness.

If any of these events were to occur, the Issuer's and (as the case may be) the Company's assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Notes.

The Notes will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer and the Company's existing and future subsidiaries, other than the Issuer, and effectively subordinated to the Issuer and the Company's secured debt to the extent of the value of the collateral securing such indebtedness

The Notes will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer and the Company's existing and future subsidiaries, other than the Issuer, whether or not secured. The Notes will not be guaranteed by any of the Company or the Issuer or the Company's subsidiaries, and the Issuer and the Company may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend, loan or otherwise to the Issuer or the Company. The ability of such subsidiaries to

pay dividends or otherwise transfer assets to the Issuer or the Company is subject to various restrictions under applicable law. Each of the Issuer and the Company's subsidiaries (other than the Issuer) are separate legal entities that have no obligations to pay any amounts due under the Notes or make any funds available therefore, whether by dividends, loans or other payments. The Issuer and the Company's right to receive assets of any of the Issuer or the Company's subsidiaries upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer or the Company are creditors of that subsidiary). Consequently, the Notes will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer and the Company's subsidiaries, other than the Issuer, and any subsidiaries that the Issuer or the Company may in the future acquire or establish.

The insolvency laws of Hong Kong and the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar

As the Issuer and the Company are incorporated under the laws of Hong Kong and the PRC, respectively, any insolvency proceedings relating to the Issuer or the Company, even if brought in other jurisdictions, would likely involve Hong Kong or PRC insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

The Issuer may be unable to redeem the Notes

Under certain circumstances, including (but not limited to) following the occurrence of a Change of Control (as defined in the Conditions), the Issuer may be required to redeem Notes prior to their stated maturity. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Failure to redeem the Notes by the Issuer in such circumstances would constitute an Event of Default (as defined in the Conditions), which may also constitute a default under the terms of other indebtedness of the Issuer, the Company or their respective subsidiaries.

The Notes may not be a suitable investment for all investors

The Notes are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

There may be less publicly available information about the Issuer, the Company, the Issuer Group and the Group than is available for companies in certain other jurisdiction or for companies whose shares are listed on a stock exchange

The Issuer is a public company incorporated in Hong Kong. The Company is a private company incorporated in the PRC. The applicable laws and regulations in Hong Kong and the PRC on requirements to publish financial statements or to make periodic public announcements may differ from comparable laws and regulations of other jurisdictions. Furthermore, neither the shares of the Issuer nor the shares of the Company are listed on any stock exchange. There may be less publicly available information about the Issuer, the Company, the Issuer Group and the Group than is available for companies in certain other jurisdiction or for companies whose shares are listed on a stock exchange. In making an investment decision, investors must rely upon their own examination of the Issuer, the Company, the Issuer Group and the Group.

The Trustee may request the Noteholders to provide an indemnity, security and/or pre-funding to its satisfaction

Where the Trustee is, under the provisions of the Trust Deed, bound to act at the request or direction of the Noteholders, the Trustee shall nevertheless not be so bound unless first indemnified and/or provided with security and/or pre-funding to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing. Negotiating and agreeing to an indemnity, security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security, in breach of the terms of the Trust Deed or the Conditions and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such actions directly.

Decisions that may be made on behalf of all Noteholders of a Series may be adverse to the interests of individual Noteholders of such Series

The Conditions contain provisions for calling meetings of Noteholders of a Series to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders of such Series including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority of the Noteholders. Furthermore, there is a risk that the decision of the majority of Noteholders of a Series may be adverse to the interests of individual Noteholders of such Series.

The Conditions provide that the Trustee may, without the consent of Noteholders of the relevant Series agree to any modification of any of the Conditions or any of the provisions of the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking or the Agency Agreement (other than in respect of Reserved Matters as defined in the Conditions), which in the opinion of the Trustee will not be materially prejudicial to the interests of the Noteholders of the relevant Series. The Conditions also provide that the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking or the Agency Agreement (other than a proposed

breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders of the relevant series will not be materially prejudiced thereby.

Because the Global Notes and the Global Note Certificates are held by or on behalf of Euroclear and Clearstream or the CMU, holders of the Notes will have to rely on their procedures for transfer, payment and communication with the Issuer

Notes issued under the Programme may be represented by one or more Global Notes or Global Note Certificates. Such Global Notes and Global Note Certificates will be deposited with a common depositary of Euroclear and Clearstream or with a sub-custodian for the CMU. Except in the circumstances described in the relevant Global Note or Global Note Certificate, holders of the Notes will not be entitled to receive definitive Notes. Euroclear, Clearstream and the CMU will maintain records of the beneficial interests in the Global Notes and the Global Note Certificates. While the Notes are represented by one or more Global Notes or Global Note Certificates, holders of the Notes will be able to trade their beneficial interests only through Euroclear, Clearstream, the CMU and their participants.

While the Notes are represented by one or more Global Notes or Global Note Certificates the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream or in the case of the CMU, CMU or the relevant paying agent or for distribution to their account holders. A holder of a beneficial interest in a Global Note or Global Note Certificate must rely on the procedures of Euroclear and Clearstream, or the CMU, as applicable, to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Note Certificates.

Holders of beneficial interests in the Global Notes or the Global Note Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing systems to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes or the Global Note Certificates will not have a direct right under the respective Global Notes or the Global Note Certificates to take enforcement actions against the Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under the Trust Deed.

Gains on the transfer of the Notes may be subject to income tax under PRC tax laws

If the Issuer were treated as a PRC resident enterprise, any gain realised on the transfer of the Notes by non-PRC resident investors may be regarded as derived from sources within the PRC and may be subject to a 10 per cent. PRC income tax in the case of non-PRC resident enterprises or 20 per cent. in the case of non-PRC resident individuals. The PRC tax on interest or gains may be reduced under applicable tax treaties. For example, according to an arrangement between Mainland China and Hong Kong for the avoidance of double taxation, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, may be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes.

The Notes are redeemable in the event of certain withholding taxes being applicable

No assurances are made by the Issuer as to whether or not payments on the Notes may be made without withholding taxes or deductions applying from the date on which agreement is reached to issue the first Tranche of Notes of a particular Series for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or the PRC or any subdivision or authority therein or thereof having power to tax. Although pursuant to the Conditions the Issuer is required to gross up payments on account of any such withholding taxes or deductions, the Issuer also has the right to redeem the Notes at any time

in the event it has or will become obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of Hong Kong, the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), as set out in the Conditions.

An active trading market for the Notes may not develop

The Notes are a new issue of securities for which there is currently no trading market. Where the relevant Pricing Supplement specifies that the Notes are to be listed on the Hong Kong Stock Exchange, application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only. Unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may also be issued pursuant to the Programme. No assurance can be given that an active trading market for the Notes will develop or as to the liquidity or sustainability of any such market, the ability of holders to sell their Notes or the price at which holders will be able to sell their Notes. Liquidity of the Notes will be adversely affected if the Notes are held or allocated to limited investors. None of the Dealers is obliged to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Dealers. In addition, the ability of the Dealers to make a market in the Notes may be impacted by changes in regulatory requirements applicable to the marketing, holding and trading of, and issuing quotations with respect to, the Notes. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

The liquidity and price of the Notes following the offering may be volatile

The price and trading volume of the Notes may be highly volatile. Factors such as variations in the Issuer Group's or the Group's respective turnover, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, changes in government regulations and changes in general economic conditions nationally or internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. There is no assurance that these developments will not occur in the future.

Changes in interest rates may have an adverse effect on the price of the Notes

The Noteholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Notes, resulting in a capital loss for the Noteholders. However, the Noteholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Notes may rise. The Noteholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the currency set out in the specified Pricing Supplement (the “**Specified Currency**”). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the “**Investor's Currency**”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation

of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (ii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Notes with integral multiples

In relation to any issue of Notes which have a denomination consisting of the minimum denomination specified in the relevant Pricing Supplement (the “**Specified Denomination**”) plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of the minimum Specified Denomination. Noteholders who, as a result of trading such amounts, hold a principal amount of Notes other than a multiple of the minimum Specified Denomination will receive definitive Notes in respect of their holding (provided that the aggregate amount of Notes they hold is in excess of the minimum Specified Denomination), however, any such definitive Notes which are printed in denominations other than the minimum Specified Denomination may be illiquid and difficult to trade. Furthermore, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

Any ratings of the Notes issued under the Programme may be downgraded or withdrawn

The Programme is expected to be assigned a rating of “A” by Fitch and “A” by S&P. The Notes issued under the Programme may be rated by one or more rating agencies or may be unrated. The ratings represent only the opinions of the rating agencies and their assessment of the ability of the Issuer and the Company to perform their obligations under the Notes, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking as applicable, and credit risks in determining the likelihood that payments will be made when due under the relevant Notes issued under the Programme. Ratings are not recommendations to buy, sell or hold any Notes and may be subject to suspension, reduction or withdrawal at any time. Neither the Issuer nor the Company is obligated to inform holders of the Notes if the ratings are downgraded or withdrawn. Each rating should be evaluated independently of other ratings. Moreover, other international rating agencies that neither the Issuer nor the Company has engaged to provide a rating may nonetheless issue an unsolicited rating. If any such unsolicited ratings are issued, there can be no assurance that such ratings will not be different from those ratings stated hereby. A downgrade or withdrawal of the ratings may materially and adversely affect the market price of the relevant Notes and the Issuer's or the Company's ability to access the debt capital markets.

Considerations relating to a particular issue of Notes

Regulation of benchmarks may lead to future reforms or discontinuation

The Euro Interbank Offered Rate (“**EURIBOR**”) and other interest rates or other types of rates and indices which are deemed to be benchmarks have been subject to significant regulatory scrutiny and legislative intervention in recent years. This relates not only to creation and administration of benchmarks, but, also, to the use of a benchmark rate. In the European Union (the “**EU**”), for example, Regulation (EU) No. 2016/1011, as amended (the “**EU Benchmarks**”

Regulation”) applies to the provision of, contribution of input data to, and the use of, a benchmark within the EU, subject to certain transitional provisions. Similarly, Regulation (EU) No. 2016/1011 as it forms part of domestic law of the UK by virtue of the EUWA (the “**UK Benchmarks Regulation**”) applies to the provision of, contribution of input data to, and the use of, a benchmark within the UK, subject to certain transitional provisions.

Legislation such as the EU Benchmarks Regulation or the UK Benchmarks Regulation, if applicable, could have a material impact on any Notes linked to EURIBOR or another benchmark rate or index – for example, if the methodology or other terms of the benchmark are changed in the future in order to comply with the terms of the EU Benchmarks Regulation or UK Benchmarks Regulation or other similar legislation, or if a critical benchmark is discontinued or is determined to be by a regulator to be “no longer representative”. Such factors could (amongst other things) have the effect of reducing or increasing the rate or level or may affect the volatility of the published rate or level of the benchmark. They may also have the effect of discouraging market participants from continuing to administer or contribute to certain “benchmarks”, trigger changes in the rules or methodologies used in certain “benchmarks”, or lead to the discontinuance or unavailability of quotes of certain “benchmarks”.

Although EURIBOR has subsequently been reformed in order to comply with the terms of the EU Benchmarks Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with the Euro Short Term Rate (“**€STR**”) or an alternative benchmark.

The elimination of EURIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Conditions, or result in adverse consequences to holders of any Notes linked to such benchmark (including Notes to which the “Floating Rate Note Provisions” as specified in the relevant Pricing Supplement applies (“**Floating Rate Notes**”) whose interest rates are linked to EURIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark.

The administrator of SONIA, SOFR or €STR or any related indices may make changes that could change the value of SONIA, SOFR or €STR or any related index, or discontinue SONIA, SOFR or €STR or any related index

Newer reference rates or any related indices and rates that fall outside the scope of the EU Benchmarks Regulation and UK Benchmarks Regulation may also be subject to changes or discontinuation. For example, the Bank of England, the Federal Reserve, Bank of New York or the European Central Bank (or their successors) as administrators of the Sterling Overnight Index Average (“**SONIA**”) (and the SONIA Compounded Index), the Secured Overnight Financing Rate (“**SOFR**”) (and the SOFR Compounded Index) or **€STR**, respectively, may make methodological or other changes that could change the value of these risk-free rates and/or indices, including changes related to the method by which such risk-free rate is calculated, eligibility criteria applicable to the transactions used to calculate SONIA, SOFR or **€STR**, or timing related to the publication of SONIA, SOFR or **€STR** or any related indices. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SONIA, SOFR or **€STR** or any related index. The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing any such risk-free rate.

Interest rate “fallback” arrangements may lead to Notes performing differently or the effective application of a “fixed rate”

If a relevant benchmark (including any page on which such benchmark may be published (or any other successor service)) becomes unavailable or a Benchmark Event or a SOFR Benchmark Transition Event (each as defined in the Conditions), as applicable, occurs, the Conditions provide for certain fallback arrangements. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a successor rate or an

alternative rate and that such successor rate or alternative reference rate may be adjusted (if required) in accordance with the recommendation of a relevant governmental body or in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, although the application of such adjustments to the Notes may not achieve this objective.

Any such changes may result in the Notes performing differently (which may include payment of a lower interest rate) than if the original benchmark continued to apply. It is also possible that such an event may be deemed to have occurred prior to the issue date for a Series of Notes. Moreover, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Investment Bank (as defined in the Conditions) in certain circumstances, the relevant fallback provisions may not operate as intended at the relevant time. Additionally, in certain circumstances, the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used, which may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Investors should consult their own independent advisers and make their own assessment about the potential risks arising from the possible cessation or reform of certain reference rates in making any investment decision with respect to any Notes linked to or referencing a benchmark.

Methodologies for the calculation of risk-free rates (including overnight rates or forward-looking rates) as reference rates for Floating Rate Notes may vary and may evolve

“Risk-free” rates, such as SONIA, SOFR and €STR, as reference rates for Eurobonds, have become more commonly used as benchmark rates for bonds in recent years. Most of the rates are backwards-looking, but the methodologies to calculate the risk-free rates are not uniform. Such different methodologies may result in slightly different interest amounts being determined in respect of otherwise similar securities.

The Issuer may in the future also issue Notes referencing SONIA, the SONIA Compounded Index, SOFR, the SOFR Compounded Index or €STR that differ materially in terms of interest determination when compared with the provisions currently set out in “*Terms and Conditions of the Notes*”.

Such variations could result in reduced liquidity or increased volatility or might otherwise affect the market price of any Notes that reference a risk-free rate issued under this Programme from time to time. In addition, investors should consider how any mismatch between applicable conventions for the use of reference rates in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing such risk-free rates. Investors should consider these matters when making their investment decision with respect to any Notes which reference SONIA, SOFR, €STR or any related indices.

It is not possible to calculate interest rates in advance for Notes which reference SONIA, SOFR, €STR or any related indices

Interest on Notes which reference a backwards-looking risk-free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may therefore be difficult for investors in Notes which reference such risk-free rates reliably to estimate the amount of interest which will be payable on such Notes.

Further, in contrast to Notes linked to interbank offered rates, if Notes referencing backwards-looking rates become due and payable as a result of an Event of Default under Condition 14 (*Events of Default*), or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest payable in respect of such Notes shall

be determined by reference to a shortened period ending immediately prior to the date on which the Notes become due and payable or are scheduled for redemption.

The Notes may be subject to optional redemption by the Issuer and may have a lower market value than notes that cannot be redeemed

Notes may be redeemed before their stated maturity at the option of the Issuer to the extent (if at all) specified in the relevant Pricing Supplement as described in Condition 10(d) (*Redemption at the option of the Issuer*). An optional redemption feature is likely to limit the market value of the Notes, and the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. The Issuer may be expected to redeem the Notes when its cost of borrowing (taking into account costs of exercising such optional redemption) is lower than its costs under the Notes. At those times, investors may not be able to reinvest the redemption proceeds at an effective interest rate to achieve the returns investors would have been able to achieve had there been no redemption. Investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each a “**Relevant Factor**”). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) the payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) the amount of principal payable at redemption may be less than the principal amount of such Notes or even zero;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Variable Rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as EURIBOR. The market values of such Notes are typically more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks Relating to Renminbi Denominated Notes

A description of risks which may be relevant to an investor in Notes denominated in Renminbi ("**Renminbi Notes**") are set out below.

There are restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes

The PRC government regulates conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being adjusted from time to time to match the policies of the PRC government.

Although the People's Bank of China ("PBOC") has implemented policies improving accessibility to Renminbi to settle cross-border transactions in the past, there is no assurance that the PRC government will liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. Despite the Renminbi internationalisation pilot programme and efforts in recent years to internationalise the currency, there can be no assurance that the PRC Government will not impose interim or long-term restrictions on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under the Renminbi Notes.

There is only limited availability to Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service Renminbi Notes

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While PBOC has entered into agreements (the "**Settlement Arrangements**") on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the "**Renminbi Clearing Banks**"), including but not limited to Hong Kong, has established the Cross-Border Inter-Bank Payments System ("**CIPS**") to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC, although the PBOC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

The offshore Renminbi market is subject to certain constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of Renminbi Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its Renminbi Notes, there is uncertainty as to the ability of the Issuer to source such Renminbi on satisfactory terms, if at all.

Payments for the Notes denominated in Renminbi will only be made to investors in the manner specified in the Notes

All payments to investors in respect of Notes denominated in Renminbi will be made solely (i) for so long as such Notes are represented by Global Notes or Global Certificates, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and procedures of the relevant clearing system or (ii) for so long as such Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with the prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any currency or by transfer to a bank account in the PRC).

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes will be used for replenishment of working capital of the Group. With respect to each tranche of the Notes, the specific use of proceeds will be set forth in the applicable Pricing Supplement relating to such Tranche of Notes.

CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following table sets forth the capitalisation of the Group, on a consolidated basis, as at 31 December 2024. The table should be read in conjunction with the financial statements and the accompanying notes included in this Offering Circular.

	As at 31 December 2024	
	(RMB)	(U.S.\$)
Indebtedness:		
Loans and borrowings	124,443,314,259	17,048,664,154
Bonds payable	20,522,345,481	2,811,549,804
Total debt	144,965,659,740	19,860,213,958
Equity:		
Paid-in capital.....	11,000,000,000	1,506,993,821
Capital reserves	421,986	57,812
Other comprehensive income.....	283,436,292	38,830,613
Surplus reserve	1,291,688,830	176,960,644
General reserve.....	2,014,885,801	276,038,223
Retained earnings	14,999,354,697	2,054,903,168
Total equity	29,589,787,606	4,053,784,281
Total capitalisation⁽¹⁾	174,555,447,346	23,913,998,239

Notes:

- (1) Total capitalisation equals to loans and borrowings, bonds payable plus total equity.
- (2) Based on the exchange rate of RMB7.2993 to U.S.\$1.00, the noon buying rate in effect on 31 December 2024 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States.

Since 31 December 2024, the Group has incurred additional debt in the ordinary course of business. In 2025, the Company issued RMB7.5 billion bonds through four offerings respectively in the PRC interbank market.

The Group may, from time to time, enter into bank loans and other financing arrangement and issue debt securities in the capital market in the ordinary course of business to finance its operations and to refinance existing debt.

Except as disclosed above, there has been no material change in the total capitalisation and indebtedness of the Group on a consolidated basis since 31 December 2024.

CAPITALISATION AND INDEBTEDNESS OF THE ISSUER GROUP

The following table sets forth the capitalisation of the Issuer Group, on a consolidated basis, as at 31 December 2024. The table should be read in conjunction with the financial statements and the accompanying notes included in this Offering Circular.

	As at 31 December 2024
	(U.S.\$)
Indebtedness:	
Loans and borrowings	4,782,656,333
Bonds issued.....	2,009,507,652
Total debt	6,792,163,985
Equity:	
Paid-in capital.....	300,000,000
Capital reserves	66,052
Other comprehensive income.....	10,846,732
Retained earnings	403,580,286
Total equity	714,493,070
Total capitalisation⁽¹⁾	7,506,657,055

Notes:

(1) Total capitalisation equals to loans and borrowings, bonds issued plus total equity.

The Issuer Group may, from time to time, enter into bank loans and other financing arrangement and issue debt securities in the capital market in the ordinary course of business to finance its operations and to refinance existing debt.

There has been no material adverse change in the total capitalisation and indebtedness of the Issuer Group on a consolidated basis since 31 December 2024.

PRC REGULATIONS

In September 2024, the NAFR promulgated the New Measures on Financial Leasing Companies (Order of NAFR [2024] No.6) (the “**New Measures on Financial Leasing Companies**”) (金融租賃公司管理辦法(金監局[2024]6號)), which replaced the previous Measures on Financial Leasing Companies (Order of CBRC [2014] No.3) (金融租賃公司管理辦法(銀監會[2014]3號)) (the “**Measures on Financial Leasing Companies**”) promulgated on 13 March 2014 by the China Banking Regulatory Commission (the “**CBRC**”, with its name changed to the China Banking Regulatory Commission from 8 April 2018, the “**CBIRC**”, which expression includes the former CBRC), which specifically targeted at financial leasing companies it regulates. The New Measures on Financial Leasing Companies is aimed to further strengthen the supervision of financial leasing companies, prevent financial risks, optimize financial services, and promote high-quality development of the real economy. In particular, for the first time, at the level of departmental regulations, it clarifies the three-tier structure of financial leasing companies, specialised subsidiaries, and project companies. According to the Notice of CBRC General Office on Promulgation of the Interim Provisions on Administration of Specialised Subsidiaries of Financial Leasing Companies (中國銀監會辦公廳關於印發金融租賃公司專業子公司管理暫行規定的通知) promulgated by the CBRC on 11 July 2014, financial leasing companies are allowed to establish specialised subsidiaries that operate specific financial leasing businesses in the free trade zone and tax free zone in the PRC or abroad.

Under the New Measures on Financial Leasing Companies, the major shareholders should replenish capital to the financial leasing company when necessary and offer liquidity support when the company encounters difficulties meeting payment obligations. The financial leasing company should specify the above-mentioned shareholder obligations in its articles of association and clarify the corresponding loss-absorption and risk-mitigation mechanisms in the event of significant risks.

On 10 January 2014, SAFE released a Notice on Further Improving and Adjusting Regulation on Capital Item Foreign Exchange Management (關於進一步改進和調整資本項目外匯管理政策的通知). This Notice relaxed the foreign exchange regulation over financial leasing companies by (i) only requiring such companies to register their overseas claims after the occurrence of such claims; (ii) lifting the quote limitation on entering into offshore financial leasing transactions (which is replaced by a post-signing filing procedure); and (iii) allowing for direct remittance and settlement with banks.

Based on the business licence and the financial licence of the Company, the Company is permitted to engage in inter-bank lending and borrowing business.

On 1 September 2015, the General Office of the State Council promulgated the Guiding Opinion on Promoting the Healthy Development of Financial Leasing Industry (國務院辦公廳關於促進金融租賃行業健康發展的指導意見), which is intended to promote the development of the financial leasing industry, encourage involvement of private capital in the financial leasing industry and strengthen the financial leasing companies’ core competitiveness. In addition, it also encourages financial leasing enterprises to establish more specialised subsidiaries in the free trade zone to improve their service quality, simplifies the registration process of transactions to benefit the financial leasing enterprises, and improves the ship registration system to promote the development of the shipping financial leasing industry.

On 14 September 2015, the NDRC issued the Circular Regarding Advancing the Management and Reform of the Registration System for Foreign Debt Issuance by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (“**Circular 2044**”), which required that a PRC enterprise or its controlled non-PRC enterprise first register with the NDRC before its issuance or incurrence of any foreign debt. In accordance with the Circular 2044, if any onshore entity, any offshore branch of any onshore entity or any offshore entity which is controlled by any onshore entity intends to issue any offshore debt (including bonds or long-term loans), and the term of such debt is more than one year, it is required to (1) provide an application to the NDRC for registration of such offshore debt before the issuance of such offshore debt and (2) report the issuance information to the NDRC within the prescribed period after the completion of such issuance. Effective from 10 February 2023, the NDRC Foreign Debt Measures superseded Circular 2044. The NDRC Foreign Debt Measures applies to medium and long-term foreign debts with a

maturity of more than one year that are borrowed from overseas by enterprises within the territory of the PRC and by overseas enterprises or branches controlled by aforementioned PRC enterprises, denominated in local or foreign currency, and of which principal is repaid with payment of interest as agreed. For the purpose of the NDRC Foreign Debt Measures, the forms of foreign debts include but are not limited to senior bonds, perpetual bonds, capital bonds, medium-term notes, convertible bonds, exchangeable bonds, financial leasing, and commercial loans. Before borrowing any foreign debt, the Certificate of Examination and Registration of Foreign.

In addition, the establishment of the Shanghai Free Trade Zone also provided a series of tax preferences, registered capital relaxation and other special treatment to financial leasing companies. Its policy on financial leasing companies is believed to be a spotlight of the free trade zone area.

The Group believes that the steps taken by the PRC government above illustrate the government's support for the financial leasing industry in further developing this sector. In addition, the reform and decentralisation process of the PRC government is likely to give rise to further business opportunities for financial leasing companies. For example, the Notice on the Credit Asset Securitisation Registration Workflow Notification (關於信貸資產證券化備案登記工作流程通知) promulgated by the CBRC in 2014 and the People's Bank of China Announcement on Matters relating to Administration of the Issuance of Credit Asset-Backed Securities (中國人民銀行公告(2015)第7號關於信貸資產支持證券發行管理有關事宜的公告) promulgated by the PBOC in 2015 have reformed the asset securitisation process by replacing the approval process with a registration procedure, which means projects no longer need to be approved on a case-by-case basis. The PBOC and the CBRC have also lowered the entry requirements for financial leasing companies to issue bonds.

DESCRIPTION OF THE ISSUER

FORMATION

The Issuer is a limited liability company incorporated under the Companies Ordinance (Cap. 622) of Hong Kong (CR No. 75353610). It was incorporated in Hong Kong on 25 May 2023. Its registered office is located at 20/F, China Construction Bank Tower, 3 Connaught Road Central, Central, Hong Kong. The Issuer is a wholly-owned subsidiary of the Company.

BUSINESS ACTIVITY

The Issuer is a highly integrated overseas specialised subsidiary for the Company's aviation and shipping leasing business and functions with strong oversight and control by the Company. All business strategy, risk control and financing decisions are centralised within the Company. In 2024, the Issuer acquired 100 per cent. of the equity in CCB Leasing (International) Corporation Designated Activity Company ("**CCB Leasing (International) Corporation DAC**"), an entity previously owned by CCB but managed by the Company, from CCB International Innovation Investment Limited ("**CCBI**") for zero consideration. CCB Leasing (International) Corporation DAC and its subsidiaries were previously managed and operated by the Company through a memorandum between the Company and CCBI and a service agreement between the Company and CCB Leasing (International) Corporation DAC, serving as the offshore platform of the Company. After the acquisition, the Issuer currently manages all the Company's offshore aviation and shipping leased assets, which accounted for more than 50 per cent. of the Company's total aviation and shipping leased assets at the end of 2024. The Issuer's principal business scope includes aircraft and ship finance leasing and the transfer and acquisition of aircraft and ship finance leasing assets, etc.

As at 31 December 2024, the Issuer Group had total assets of approximately U.S.\$8.21 billion and total leased assets of approximately U.S.\$7.85 billion. For the year ended 31 December 2024, the Issuer Group's operating income amounted to approximately U.S.\$187.51 million and profit before income tax amounted to approximately U.S.\$124.25 million.

In 2025, the Issuer received ratings of "A" from S&P and "A" from Fitch, same with the Company.

STRATEGIC POSITION

The Issuer plays a pivotal role in the Group's strategic layout. By establishing the Issuer in Hong Kong, the Company can leverage its leasing expertise, focus on its core competencies and demonstrate its specialisation. In the new development paradigm where domestic and international markets reinforce each other, this initiative will enable the Company to seize opportunities in overseas leasing markets, build specialised support teams for vessel and aircraft financing, and establish an international, diversified, highly specialised and synergised asset management system. This will enhance the Company's global competitiveness and support the growth of China's high-end manufacturing sector through its worldwide marketing and service network, thereby providing support and assistance for CCB's comprehensive financial services in shipping and aviation.

FINANCIAL STATEMENTS

For details of the Issuer's financial information, see "*Summary Financial Information of the Issuer Group*" and the Issuer's Audited Financial Statements contained in this Offering Circular.

DIRECTORS

As at the date of this Offering Circular, the directors of the Issuer, and each of their business addresses, are set out as follows:

Name	Position	Business Address
Mr. TIAN Jianming (田建明)	Chairman	6/F, Building 4, Chang An Xing Rong Centre, No. 1 Naoshikou Street, Xicheng District, Beijing, China
Mr. WANG Tao (王濤)	Director	20/F, China Construction Bank Tower, 3 Connaught Road Central, Central, Hong Kong
Mr. ZHANG Yichuan (張一川)	Director	20/F, China Construction Bank Tower, 3 Connaught Road Central, Central, Hong Kong

The following contains certain biographical information of each of the Issuer's directors as at the date of this Offering Circular.

Mr. TIAN Jianming (田建明), has served as the chairman of the Issuer since August 2025. Mr. Tian has also served as the deputy secretary of the Party Committee, executive director and president of the Company. Mr. Tian joined CCB in July 1998 and served in a number of positions within the CCB system, including as the division director of the Business Management Division, division director of the Industry Management Division, division director of the Marketing Division and deputy general manager of the Corporate Business Department of CCB. Mr. Tian is a senior economist and obtained a master's degree in economics.

Mr. WANG Tao (王濤), has served as the director of the Issuer since May 2023. Mr. Wang also serves as the director (deputy general manager) of the Aircraft Business Department of the Company, overseeing marketing, asset trading, aircraft financing and partial technical management in the Asia-Pacific region. Mr. Wang has served the Group for more than nine years accumulatively. Mr. Wang previously served as the financial risk manager, and aircraft financing manager of Air China Limited (中國國際航空股份有限公司), aircraft financing director for Greater China of Embraer S.A. (巴西航空工業公司). Mr. Wang obtained a master's degree in business administration and a bachelor's degree in international finance from the Central University of Finance and Economics.

Mr. ZHANG Yichuan (張一川), has served as the director of the Issuer since May 2023. Mr. Zhang holds a master's degree in business administration.

SHARE CAPITAL

Under its articles of association, the Issuer has a share capital of U.S.\$300,000,000 with a nominal or par value of U.S.\$1.00 each, and one share has been issued to and is held by the Company.

No part of the equity securities of the Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is one of the leading financial leasing companies in the PRC. The Company is a wholly-owned core subsidiary of CCB and functions as the sole financial leasing platform of CCB. With the strong support from CCB, the Company has grown rapidly since its incorporation in 2007 and has become one of the top companies in the PRC leasing industry. The Company leverages its comprehensive strengths in financing and asset management through its leasing business, and strengthens business synergy with CCB, to provide specialised and distinctive leasing products.

The Company's key business indicators and operational performance rank among the top in the industry, with steady business development, standardised operational management and high-quality assets. The Group had total assets of RMB182.15 billion as at 31 December 2024, and total operating income of RMB3.80 billion for the year ended 31 December 2024. In 2024, the Company received ratings of "A1" from Moody's, "A" from S&P and "A" from Fitch.

The Group's leasing business comprises three segments, including general leasing, aviation leasing and shipping leasing. As at 31 December 2024, the balance of the Group's leased assets amounted to approximately RMB157.06 billion. Among these, the balance of the general leasing business, aviation leased assets and shipping leased assets was approximately RMB74.55 billion, RMB48.90 billion and RMB33.61 billion, respectively, representing 47.46 per cent., 31.14 per cent. and 21.40 per cent. of the Group's total leased assets, respectively.

- General leasing – The Group's general leasing segment covers the following industries: manufacturing, electric power and energy, transportation, public services and construction and infrastructure. In recent years, the Group's general leasing business has consistently pursued transformation and quality improvement, focusing on the synergistic development of the following key areas: green leasing, inclusive leasing, and digital and technology leasing. As at 31 December 2024, the balance of green assets reached RMB43.4 billion. For the year ended 31 December 2024, the Group deployed RMB1.7 billion in inclusive financing to manufacturers and RMB2.9 billion to technology enterprises, respectively.
- Aviation leasing – The Group commenced its aviation leasing business in 2012 and has since been expanding both its domestic and offshore aviation leasing operations. The Group's customers include both international and domestic clients. As at December 31 2024, the Group owned and managed a fleet of 199 aircraft, comprising 193 owned and 6 managed aircraft.
- Shipping leasing – The Group leases a range of vessels including containers, bulk carriers, liquefied gas carriers, oil tankers and cruises. As at 31 December 2024, the Group owned 72 vessels.

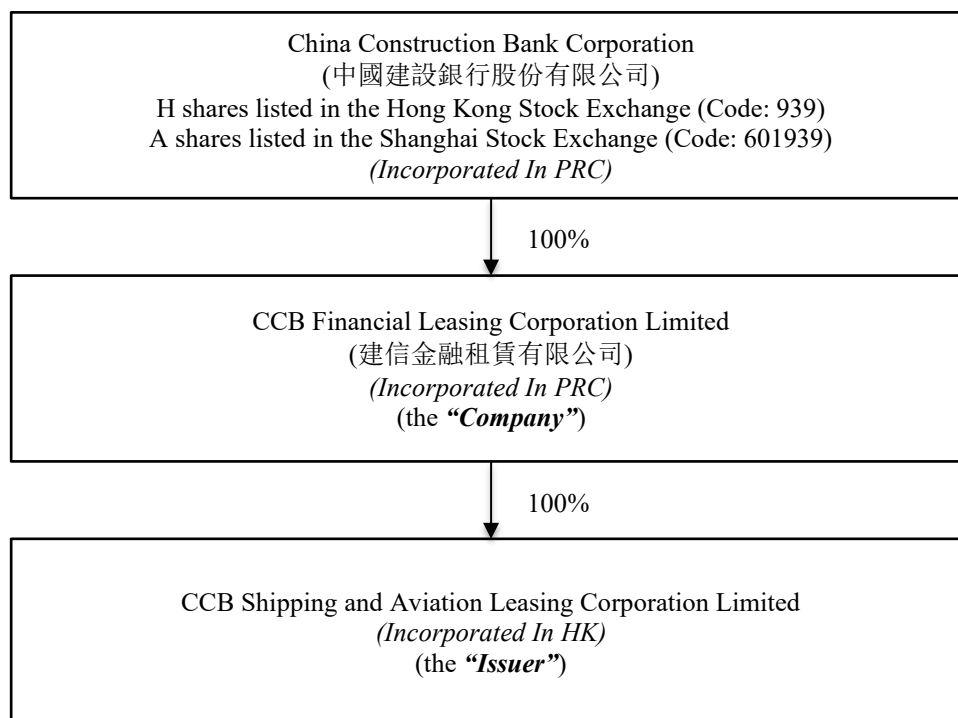
As at 31 December 2024, the Company had 103 directly-controlled and wholly-owned special purpose vehicles ("SPVs") in the PRC (one of which is based in Beijing, ninety-four of which are based in Tianjin and eight of which are based in Xiamen), the majority of which engaging in aviation and shipping leasing businesses in the PRC. In May 2023, the Company established a subsidiary in Hong Kong specialising in ships and aircraft, namely the Issuer. The Group's international presence continues to expand. As at 31 December 2023 and 2024, the balance of the Group's domestic leased assets amounted to approximately RMB114.3 billion and RMB100.5 billion, respectively, while the balance of the Group's offshore leased assets amounted to approximately RMB41.3 billion and RMB56.6 billion, respectively. The proportion of offshore leased assets has been increasing year over year.

The Company is currently promoting the transformation to green leasing, inclusive leasing and digitalisation, and building a green and inclusive leasing business platform. In 2024, the Company's green leasing investment reached RMB11.45 billion, with the proportion of green assets in general leasing business growing year by year.

The Group achieved continuous growth in profitability through the past two years. For the years ended 31 December 2023 and 2024, the Group's total operating income was approximately RMB4.26 billion and RMB3.80 billion, respectively, and the Group's net profit for the corresponding years was approximately RMB2.22 billion and RMB2.68 billion, respectively. As at 31 December 2023 and 2024, the Group had total assets of approximately

RMB172.80 billion and RMB182.15 billion, respectively.

The diagram below shows the simplified organisational structure of the Group as at the date of this Offering Circular.



As at 31 December 2024, Central Huijin Investment Ltd. (中央匯金投資有限責任公司) (“**Huijin**”) was the controlling shareholder of CCB, directly holding 57.14% shares of CCB and indirectly holding an additional 0.20% shares of CCB through its subsidiary, Central Huijin Asset Management Co., Ltd. (中央匯金資產管理有限責任公司). Huijin is a wholly state-owned company established with the approval of the State Council.

RECENT DEVELOPMENTS

For the six months ended 30 June 2025, the Group’s net profits reached RMB1.94 billion, representing a year-on-year increase of RMB0.02 billion. This financial performance placed the Group the third position in the industry.

HISTORY OF THE COMPANY

The Company was incorporated in December 2007 with registered capital of RMB4.5 billion. At the time of incorporation, the Company was the only PRC financial leasing firm jointly founded with a non-PRC commercial bank, with 75.1 per cent. of its interest held by CCB and the remaining 24.9 per cent. interest held by Bank of America. In March 2008, the Company signed a sale-leaseback agreement with Huaneng Lancang River Hydropower Co., Ltd. (華能瀾滄江水電股份有限公司). With a total financing amount of RMB1.4 billion, it was then the largest transaction for a single leasing contract independently designed and executed in the PRC market. In August 2009, the Company began to engage in interbank borrowing and lending in the PRC interbank offering market. In 2010, it set up its SPVs in the Beijing and Tianjin Tariff Free Zone (“TFZ”). In November 2012, with approval from the CBRC, CCB acquired a 24.9 per cent. interest in the Company from Bank of America and the Company has since become a wholly-owned subsidiary of CCB.

In February 2015, CCB completed a RMB3.5 billion capital injection into the Company. As a result, the Company’s

share capital was increased to RMB8.0 billion as at 31 December 2015. In April 2020, CCB announced a RMB3.0 billion capital injection into the Company. As a result, the Company's share capital was increased to RMB11.0 billion.

MILESTONES

The following table sets out certain key corporate historical events and milestones during the Group's development:

Year	Milestone Event
2007	The Company was incorporated in December 2007 pursuant to the approval of the CBIRC, with 75.1 per cent. of its interest held by CCB and the remaining 24.9 per cent. interest held by the Bank of America.
2008	In March, the Company signed a sale-leaseback agreement with Huaneng Lancang River Hydropower Co., Ltd. (華能瀾滄江水電股份有限公司). With total financing amount of RMB1.4 billion, it was then the largest transaction for a single leasing contract independently designed and executed in the PRC market.
2009	In August, the Company engaged in interbank borrowing and lending in the PRC interbank offering market.
2010	The Company obtained permission to set up financial leasing SPVs in Beijing and Tianjin TFZ.
2012	In November, CCB acquired a 24.9 per cent. interest in the Company from the Bank of America Merrill Lynch.
2013	In April, the Company's equity structure change was approved by CBRC and the Company became a wholly-owned subsidiary of CCB.
2014	In February, the Company entered into a two-year Strategic Cooperation Agreement with the BYD Group, a leading developer and manufacturer of new energy vehicles, with a total value of RMB 10 billion covering both production and sales ends.
	In July and August, the Company successfully secured its first domestic syndicated loan amounting to USD175 million.
2015	In February, CCB completed a RMB3.5 billion capital injection into the Company and the Company's share capital increased to RMB8.0 billion.
	The Company's rating was upgraded to "A" by S&P and Fitch (same with CCB).
	Total assets of the Company amounted to RMB100.0 billion.
2016	In June, the Company's fleet size expanded to more than 100.
	In August, the Company's rating was upgraded to "A1" by Moody's (same with CCB).
	In September, the Company obtained the qualification to conduct asset

Year	Milestone Event
	securitization business.
	In December, the Company entered into strategic cooperation agreements with eight key clients in Guizhou Province.
2017	In May, the Company successfully issued the first leasing ABS project of 2017, with a product scale of RMB1.214 billion. In June, the Company implemented its first T+0 finance lease factoring business with direct leasing. In September, the Company completed its first direct finance lease factoring business incorporating a pre-lease phase. In November, the Company achieved a “zero breakthrough” in its cooperation with Air China Limited by delivering the first jointly introduced A320NEO aircraft to the Beijing Tianzhu Comprehensive Bonded Zone. In November, the Company entered into a strategic agreement with Dongfeng Electric Vehicle Co., Ltd. (東風電動車輛股份有限公司).
2018	In May and August, the Company executed cooperation agreements with selected public hospitals in Ankang City, extending its targeted poverty-alleviation programme to one district and three counties in the region.
2019	In April, the Company successfully completed its first financing for the delivery of a new aircraft from the manufacturer. In May, the Company was ranked 27th in the 2018 “Top 50 Global Aircraft Leasing Companies”. In June, the Company entered into a finance lease agreement with the world’s largest operator of floating natural gas storage and regasification vessels, marking the Company’s entry into the Norwegian market. In September, the Company completed its first cash-discount direct-lease transaction.
2020	In April, CCB completed a RMB3.0 billion capital injection into the Company and the Company’s share capital increased to RMB11.0 billion. In response to the COVID-19 pandemic, the Company recalibrated its operating strategy and built a cloud-based leasing platform.
2021	Based on actual conditions, the Company actively stepped out of its comfort zone and launched the “New Finance Initiative,” accelerating the transition to green leasing, inclusive finance, and digital operations to return to the fundamentals of leasing. In February, the Company’s Digital Operations Command Centre was officially launched for the first time. In June, the Company’s deployment of new energy vehicles exceeded 30,000 units. In June, The Company successfully executed the first parent-subsidary

Year	Milestone Event
	collaborative business with Hainan Branch, expanding the domestic collaboration network to 35 tier-1 branches.
	In August, the Company entered into its first agreement for a ship export finance lease project conducted through SPVs in TFZ.
	In December, the Company entered into its first agreement for an offshore ship operating lease project conducted through SPVs in TFZ.
2022	In March, the Company formulated and published guidelines for distributed photovoltaic business and launched its first transaction in this segment. In April, the Company completed drawdown under the ESG Green financing facility with Société Générale, marking its first ESG green financing operation. In the same month, the Company's inclusive leasing platform was officially launched. In May, the Company successfully completed the refinancing of two aircraft, fixing the long-term USD financing rate below the corresponding US Treasury yield for the first time. In June, the Company's cloud-based leasing system was connected to the China Securities Depository and Clearing Corporation Limited (CSDC) network, completing the first automated registration of leased assets through the platform. In the same month, the Company expanded its green vehicle deployment to the logistics vehicle segment for the first time. In July, the company successfully launched its first inclusive leasing business for commercial vehicles via the inclusive leasing platform, marking a breakthrough in serving individual lessees. In August, the Company's deployment of green vehicles exceeded 40,000 units. In the same month, the Company completed the remarketing of its first domestically operated leased aircraft upon expiration of the lease term, becoming the first Chinese financial leasing company to successfully enter the world's top three aviation logistics groups. In September, the Company signed the first phase contract of aircraft asset management with a Chinese leasing company, which was the first time to carry out third-party aircraft asset management business. In November, at the 14th China International Aviation & Aerospace Exhibition, the Company officially signed firm orders for 50 C919 aircrafts and ten ARJ aircrafts with the Commercial Aircraft Corporation of China Ltd. In the same month, the Company completed the re-marketing of the first aircraft whose overseas operating lease had expired, entering into the Canadian market for the first time. In December, the second phase of the Company's digital operation and management decision system was put into operation, which adds functions of ship asset management and aircraft and ship asset monitoring. In the same month, the Company signed a contract with Shandong Marine Group Ltd. on

Year	Milestone Event
	wind power installation ship leasing project, achieving a breakthrough in wind power ships. The Company financed 426 business transactions during the year, which was a big leap from 100 to 400.
2023	In January, the Company was approved to set up an overseas company in Hong Kong to carry out aviation and shipping leasing business. The Company stands out among Chinese leasing companies to acquire the license for the first time. In March, the Company provide financial support for the first offshore wind farm with ultra unit capacity in China. The project is capable of providing over 1.6 billion kwh annually, which could save about 500,000 tons of standard coal and decrease CO2 emission by over 1.36 million tons when it is put into production. In the same month, the Company provide engine finance lease to Norwegian Air Shuttle, which is the first offshore engine finance lease deal in China. The Company also succeeded in signing ship financing agreement with top-notch companies and then novate it. It is profitable break-through in marketing and shipping asset management. In May, the Issuer was established in Hong Kong with the registered capital of USD300 million. In September, the Company cooperated with a downstream supply chain subsidiary under a central state-owned enterprise (“COE”) to carry out repurchase of residual value through vendor leasing model, successfully implementing offshore-guarantee enhancements to strengthen risk mitigation. In December, the Company’s operating lease portfolio of shield tunneling machines exceeded 20 units. In the same month, the Company successfully financed three LNG vessels for two top tier COE shipping companies. The Company’s green leasing increases to a historical high level in light of total funding, proportion and transaction numbers. For the outstanding performance among 121 financial institutions in the industry, the Company wins the highest grade “Excellent” in green financing rated by PBOC Beijing branch.
2024	In April, the Company successfully completed its first aircraft asset management remarketing transaction, with an A350-900 aircraft delivered. In May, the Issuer partnered with Standard Chartered Bank Hong Kong branch on a USD150 million green transition project financing for the leasing of two 16,000 TEU vessels. This marked the first green transition financing in China’s financial leasing industry secured by ship mortgages. This reflected the recognition of the Company’s green assets by overseas capital markets. In June, the Issuer arranged its first sustainability-linked syndicated loan, with the balance of new aircraft assets set as the sustainability performance

Year	Milestone Event
	target. This marked the first syndicated loan of its kind by a financial leasing company in the Hong Kong market.
	In June and July, the Company carried out one of the industry's first cross-border RMB financing lease transactions, delivering two A350-900 aircraft to Turkish Airlines.
	In August, the Company completed its first cross-border RMB ship financing transaction, delivering two 40,000 DWT bulk carriers to Cargill, one of the world's largest grain traders.
	In November, the Company's new-energy bus battery-separation hybrid leasing project—funded via bank-accepted bills in Shenzhen was selected as one of the inaugural national green leasing innovation cases by the Shanghai Leasing Trade Association. In the same month, the Company launched its first leasing business involving domestically manufactured commercial aircraft, delivering two C909 aircraft to Chengdu Airlines.
	In December, the Company completed the global aviation industry's first sustainability-linked loan based on the Pegasus Guidelines, with three A321neo aircraft as the underlying assets leased to Pegasus Airlines. In the same month, the Company pioneered an innovative renewal model with Xiamen Airlines and Hebei Airlines for eight 737NG aircraft, mitigating residual value and remarketing risks while securing full-cycle project returns in advance. In addition, the Company completed its first cross-border RMB fixed-rate aircraft financing transaction with Turkish Airlines, locking in leasing spreads while effectively managing interest rate risks. Furthermore, the Company also completed its first aviation leasing transaction in the United States, with the lessee being United Airlines, which ranks first globally in available seat kilometers (ASK) capacity. The Company also executed a financial leasing project for five tankers with COSCO SHIPPING Energy Transportation Co., Ltd., independently completing the entire process of domestic vessel registration for the first time.

INDUSTRY OVERVIEW

Overview of PRC Leasing Industry

The leasing industry in the PRC started in the early 1980s. From 1981 to 1987, the PRC leasing industry was at its preliminary stage when a guarantee was provided by the government for leasing projects and the financial performance of the leasing companies was mixed. From 1988 to 1998, industry consolidation started as the government no longer provided a guarantee for leasing projects and the majority of leases subsequently became overdue. From 1999 to 2006, industry consolidation continued and the regulators stipulated a series of regulations and policies which established the regulatory framework for the leasing industry. From 2007 onwards, the leasing industry experienced rapid development. Now the Asian leasing market is led and dominated by the PRC market.

Various reasons led to this growth. First, the improved political and social environment increased the demand for leasing services. For example, since 2007, certain qualified financial institutions have been permitted to invest in or establish financial leasing companies. In March 2014, CBIRC promulgated the Measures on Financial Leasing

Companies, which provides more comprehensive protection for the rights and obligations of the respective parties in a leasing transaction and allows more financial institutions to participate in the financial leasing industry. In July 2014, financial leasing companies regulated by CBIRC were allowed to set up onshore and offshore specialised subsidiaries, which accelerated the offshore expansion of leasing businesses. In addition, in August and September 2015, the State Council passed the Guiding Opinions on Enhancing Development of Financial Leasing Business (國務院辦公廳關於加快融資租賃業發展的指導意見) and the Guiding Opinions on Promoting the Healthy Development of Financial Leasing Business (國務院辦公廳關於促進金融租賃行業健康發展的指導意見) to further promote the healthy growth of financial leasing business through financial service innovation and supporting industrial upgrades. Secondly, with the urbanisation of the PRC, the continued growth of fixed asset investment, recovery of equipment and import and export provide a solid foundation for leasing business. Thirdly, there is greater awareness of the leasing industry with more businesses utilising leases to make fixed-asset purchases.

Despite the rapid growth of the PRC leasing industry, the penetration rate in the PRC market was relatively lower than that of developed countries, indicating significant potential for future growth, according to the 2025 Solifi Global Leasing Report.

Growth in the PRC Market

The PRC's economic growth and consumer demand for leasing products have been and are likely to continue to be key drivers for growth in the leasing industry, which has experienced rapid development in the PRC in recent years. The market penetration, defined as the percentage of investment in a given country financed by leasing and hire purchase, in the PRC was 12.3 per cent. in 2023, far lower than that of many developed nations. For example, the penetration rates of the leasing industry in Canada, the United Kingdom and the United States were reported to be 38.0 per cent., 40.0 per cent. and 21.0 per cent. in 2023, respectively, according to the 2025 Solifi Global Leasing Report, indicating potential for further development of the leasing industry in the PRC.

At the same time, an improved social and policy environment has also led to the further development of the leasing industry in the PRC. First, the urbanisation of the PRC, the continued growth of fixed asset investment, recovery of equipment and import and export provide a solid foundation for leasing. Second, there is greater awareness of the leasing industry with more businesses utilising leases to make fixed-asset purchases. Third, the policy environment has improved. For example, since 2007, certain qualified financial institutions have been permitted to invest in or establish financial leasing companies. CBIRC promulgated the Measures on Financial Leasing Companies in March 2014, which provides more comprehensive protection for the rights and obligations of the respective parties in a leasing transaction and allows more financial institutions to participate in the financial leasing industry. Furthermore, the PRC State Council, the State General Administration of Customs, SAT, CBIRC, MOF and MOFCOM have all promulgated new regulations aimed at overcoming regulatory impediments that have traditionally hindered the development of the leasing industry. These reforms and further liberalisation of the leasing industry have given the industry a sound basis for further growth.

Financial Leasing Companies in the PRC

By 20 April 2018, leasing companies in the PRC could be broadly divided into three types, according to their regulatory reporting lines: (i) non-bank financial leasing companies that are approved and regulated by the CBIRC; (ii) foreign-invested leasing companies that are approved and regulated by MOFCOM or provincial MOFCOM authorities; and (iii) certain pilot domestic leasing companies that are jointly approved and regulated by MOFCOM and SAT. A circular issued by the General Office of MOFCOM on 8 May 2018 provides that MOFCOM has transferred to CBIRC the duties of formulating operational and regulatory rules for financial leasing companies and the relevant duties have been carried out by CBIRC since 20 April 2018.

The Measures on Financial Leasing Companies further relaxed the entry barrier for new financial leasing companies,

and, as a result, apart from the major state-owned banks and central state-owned enterprises, more financial institutions, including rural commercial banks, insurance companies and government investment companies, became qualified as initiators of financial leasing companies. As at 31 December 2024, 71 financial leasing companies have been approved for establishment, and it is expected that financial leasing companies will maintain a rapid pace of development.

Financial leasing companies are under strict regulation by the CBIRC. According to the Measures on Financial Leasing Companies, the key regulated indicators include the following: the ratio of net capital and risk-weighted assets should not be less than the minimum criteria required by the CBIRC; the balance of all finance leasing transactions provided to a single lessee shall not exceed 30 per cent. of its net capital; the balance of all finance leasing provided to a single group shall not exceed 50 per cent. of its net capital; the balance of all finance leasing provided to a single related party may not exceed 30 per cent. of its net capital; the balance of all finance leasing provided to all related parties shall not exceed 50 per cent. of its net capital; the balance of all finance leasing provided to the related parties of a shareholder should not exceed the contribution by that shareholder, and at the same time, should fulfil the requirements pertaining to related party transactions; and interbank borrowing may not exceed 100 per cent. of its net capital. Other than the above, financial leasing companies are subject to certain pilot rules governing PRC commercial banks, for example, categorising assets into five risk categories as well as the Measures for the Administration of the Capital of Commercial Banks (商業銀行資本管理辦法(2023修訂)). Financial leasing companies are required to file reports with the CBIRC on a regular basis and are subject to scheduled or unscheduled and on-site or off-site inspections by the CBIRC.

According to the China Financial Leasing Industry Development Report (2024) released by the China Banking Association (中國銀行業協會), as of the end of 2023, the total assets of financial leasing companies reached RMB4.18 trillion, representing a year-on-year growth of 10.49 per cent. The balance of leased assets amounted to RMB3.97 trillion, representing a year-on-year growth of 9.27 per cent. In 2023, direct leasing business placements reached RMB281.49 billion, representing a year-on-year growth of 63.39 per cent., which accounted for 16.42 per cent. of total leasing placements with a year-on-year growth of 4.31 per cent. According to the List of Legal Entities in Banking Financial Institutions (as at 31 December 2024) published by the National Administration of Financial Regulation (國家金融監督管理總局) on 17 March 2025, China had 71 financial leasing companies as of the end of 2024, an increase of one compared to the end of 2023.

In recent years, financial leasing companies in the PRC have become increasingly distinctive in their business operations and have continuously improved their professionalisation level. Some companies have achieved rapid development in traditional areas of financial leasing such as aircraft, ships and engineering machinery, gradually forming a solid business foundation and core competitiveness. Financial leasing companies have continued to carry out beneficial explorations on the path of transformation, seeking new growth points in digital transformation, inclusive finance and operating leasing. Based on the characteristics of leasing business and the advantages of their own resource endowments, they have gradually established development paths suitable for themselves, improved service levels, enhanced the overall competitiveness of financial leasing and made continuous breakthroughs in business innovation.

COMPETITIVE STRENGTHS

The Group believes that its key strengths include the following:

Strong Shareholder Profile with Full Support

The Group serves as an important financial leasing platform of CCB and a key element in CCB's broader integrated "comprehensive, diversified and intensive" financial services business model. As a core subsidiary of CCB, the Company is of strategic importance to CCB. The Group has enjoyed, and will continue to benefit from, significant

competitive advantages in the form of:

- **Overall guidance on strategic planning and daily operations** – CCB supports and guides through the Group’s strategy alignment mechanism designed to offer overall support and guidance on policies, sales channels, customers and products. All board members and management team of the Company are delegated by CCB. CCB provides overall guidance to the Company on strategic planning and daily operations, as the development strategies and operating plans of the Company are subject to approval by CCB. Further, the daily operation of the Company is mainly directed through the equity investment department of CCB exercising shareholder’s rights on behalf of CCB. CCB has developed policies to guide and promote cooperation between CCB and the Group.
- **Customer resources sharing and business synergies** – The Group benefits from CCB’s overall franchise value and client base. The road transport industry customer base represents traditional core clients of CCB, with whom CCB has maintained long-term and close cooperative relationships. As a result, the Company holds a strong competitive advantage in serving this customer segment. Current key clients primarily include provincial-level highway development and investment enterprises, which are generally central state-owned enterprises or leading local state-owned players with robust operational capabilities. The leasing assets associated with these clients are all high-quality in nature. Customers are mainly referred to the Group through CCB, and CCB’s database of internal ratings and credit facilities of customers are important references for project applications and approvals. The local branches of CCB serve the Group’s business in both opening lease accounts and post-monitoring matters. As at 31 December 2024, the Company had set up business cooperation with 36 tier-one branches of CCB.
- **Integrated risk management system** – The Group has an integrated, comprehensive risk management system with CCB. CCB guides and monitors the Company on approval, risk control, industry policies, etc., leveraging its abundant risk management expertise and technologies, for instance, material risk-related matters are required to be reported to the corresponding departments at CCB and the Group regularly reports risk statements to CCB. Upon receiving such reports, CCB identifies, measures, monitors, summarises and evaluates the risks faced by the Group.
- **Capital and financing support** – CCB’s financial support of the Group has led to capital injections such as the RMB3.5 billion capital contribution made in February 2015. In April 2020, CCB announced a RMB3.0 billion capital injection into the Company. CCB will continuously provide capital and liquidity support through capital injections and financing. In September 2024, NAFR promulgated the New Measures on Financial Leasing Companies. Pursuant to Article 32 of the New Measures on Financial Leasing Companies, CCB, as the shareholder of the Company, must stipulate in the Company’s articles of association that it will provide liquidity support when the Company faces payment difficulties and promptly replenish the capital when necessary. The support given by CCB towards the Company is now provided under PRC law. CCB also provides credit support to the Group. As at 31 December 2024, CCB provided credit support to the Company via loans and borrowings, contributing to 15.8 per cent. of the Company’s total financing. As at 31 December 2024, CCB has granted credit facilities of RMB128.4 billion to the Group.

Leading Position in the PRC Leasing Industry

The Group enjoys competitive advantages over its competitors in branding, resources, products, funding and innovation. The Company’s track record of innovation in leasing services includes services provided to hospitals and educational institutions, expedited lease asset turnover and transfer, green business solutions meeting the capital needs of environmentally friendly businesses and the use of TFZs and offshore SPVs in aviation leasing to improve cost efficiency and to diversify customer base. CCB has enjoyed close relationships with core customers, local governments, large enterprises and industries in the PRC with strategic advantages for many years, and engages in a variety of businesses that covers all major lease products. The Group’s business is funded through both direct and indirect capital contributions from CCB, through which the Group benefits from cost advantages in bank borrowings and capital markets by way of credit enhancement.

As at 31 December 2024, the total assets of the Group reached RMB182.15 billion, ranking the seventh in the industry. As at the same date, the Group's total leased assets before deducting provisions amounted to approximately RMB157.06 billion, of which operating leased assets accounted for 36.01 per cent. and finance leased assets (including finance lease receivables and finance lease prepayments) accounted for 63.99 per cent. The Company's key business indicators and operational performance rank among the top in the industry, with steady business development, standardised operational management and high-quality assets.

The Group has adhered to the principle of continuous innovation during its years of development. The Group develops different models in the leasing industry, for example, the offshore aviation leasing program, flag of convenience ship leasing program, joint leasing, cross-border leasing and co-lessee model. In terms of fund management and credit efficiency, the Group builds a long-term effective mechanism of asset structure adjustment and long-term capital replenishment via different methods such as bond issuance and asset securitisation. The Group will continue to develop asset trading business, optimise income structure and increase sources of income.

Diversified Business Mix and Asset Portfolio

As the important leasing platform of CCB, the Group has developed new competitive advantages in its business sectors mainly covering four major segments, namely "aircraft, ships, electricity, and vehicles". As of the end of 2024, the total leased assets of the Group's "aircraft, ships, electricity, and vehicles" businesses accounted for 69.87 per cent. The Company is currently promoting the transformation to green leasing, inclusive leasing and digitalisation, and building a green and inclusive leasing business platform. Furthermore, the Company maintains a balanced asset portfolio by ensuring a proper structure of tenor of its leased assets, with tenors spreading from less than one year to over ten years. The Group believes that its diversified asset portfolio allows it to provide more comprehensive leasing services to its customers and at the same time protects the Group from a potential downturn in any specific industry.

The Group's competitive advantages are derived from its business synergies and diversified product lines in key industries. In the rail transit, road and manufacturing and mining industries, for instance, CCB has an extensive customer base and enjoys a close relationship with its customers, and thus the Group is able to participate in projects such as the Henan Zhongyuan Expressway project and the Huaneng Lancang River Xiaowan Hydropower station project; and, in the aviation industry, the Company has established offshore platforms to leverage offshore aviation leasing capabilities. The Company's comprehensive and accurate pricing model ensures a reasonable risk-return profile, differentiating the Company from other PRC financial leasing companies.

Specialised Aviation Leasing Business

The Group's aviation leasing business benefits from its extensive experience in the aviation and leasing industries. The Group's general manager and deputy general managers of Aviation Department have extensive experience working at leading airline companies, aircraft manufacturers, financial institutions and leasing companies such as Air China Limited, Embraer S.A., The Boeing Company and ICBC Financial Leasing Co., Ltd., among others. The Group also utilises sophisticated aircraft asset valuation systems from reputable advisers including Cirium, the International Bureau of Aviation and MBA, and conducts impairment loss tests on an annual basis using the income approach for aircraft under operating leases. As at 31 December 2024, the Company owned and managed a diversified and modern commercial aircraft portfolio, comprising a total of 199 aircraft. The portfolio includes finance leases and operating leases, with aircraft comprising narrow-body and wide-body models from leading manufacturers Airbus and Boeing. As at 31 December 2024, the Company maintains a young average fleet age of 7.21 years and an average remaining lease tenor of 5.68 years. In 2024, the Group ranked 5th in China and 16th worldwide in terms of fleet value. See "*Description of the Group – Business of the Group – Aviation Leasing*" for more details.

Excellent Capital Strength and Improving Asset Quality

As of the end of 2024, the Company's core tier 1 capital adequacy ratio and total capital adequacy ratio reached 15.22 per cent. and 16.30 per cent., respectively, ranking at a leading level within the industry. In the current environment, the Company's solid capital position provides a strong buffer against unexpected risks and serves as an important foundation for maintaining its credit strength. Over the next one to two years, the Company's capital levels are expected to remain relatively stable, with the capital adequacy ratio likely to stay above the target level of 11 per cent.

As at 31 December 2024, the Group had an NPA ratio of 2.27 per cent., representing a decrease of 0.45 per cent. compared to the end of 2023. The Company has implemented multiple measures to mitigate risks, including making adequate provisions and intensifying the disposal of non-performing assets. While it will take time to stabilise and improve asset quality, the Company's long-term strengths lie in accessing high-quality clients and enhancing risk management through CCB's resources. Coupled with strict asset classification standards and sufficient provisioning, the asset quality is expected to remain stable once the digestion period concludes.

As at 31 December 2024, the Company had made sufficient provisions for impaired finance lease receivables and finance lease prepayments, with a provision coverage ratio of 330.02 per cent.

Furthermore, the Group mitigates its risks through obtaining various forms of securities on a significant portion of its business, including mortgage, pledge, security (via deposit payment) and credit security.

Sound Fund Management, High Financial Flexibility and Diversified Funding Sources

The Group's sound fund management supports its steady business growth through credit facilities from banks. As at 31 December 2024, the Group had obtained credit facilities exceeding RMB500 billion from over 140 international financial institutions in both local and foreign currencies, among which more than RMB400 billion have not be utilised. Both the sources and types of funding are well diversified, with credit facilities originated from domestic commercial banks, policy banks, financial leasing companies to foreign banks' branches established in the PRC, overseas financial institutions and other financial institutions, and types of funding used including onshore U.S. dollar loans, bonds and others. As at 31 December 2024, the Group's funding from CCB, other domestic banks, foreign banks and bonds accounted for 15.8 per cent., 59.6 per cent., 10.6 per cent. and 14.0 per cent. of the total, respectively. The Group's funding in RMB and foreign currencies accounted for 39.3 per cent. and 60.7 per cent., respectively. In addition, the Group's offshore financing agreements with tenor of three years or above and that with tenor of less than three years accounted for 76.9 per and 23.1 per cent., respectively, representing a high proportion of medium- and long-term financing. The Group has partnered with over 140 financial institutions, spanning across markets in Asia, Europe, the United States and the Middle East. Funding from CCB is especially important as it allows the Group to flexibly arrange the timeline of borrowing to balance liquidity and funding costs.

The Company has set up a centralised cash management system for its SPVs to ensure efficient fund management. Moreover, through CCB, the Company will set up a cross-border, two-way cash pool designed to further enhance efficiency of fund usage. Lastly, the Company uses sophisticated asset-liability management techniques in order to effectively control interest rate, foreign exchange rate and liquidity risks, and has fully integrated its liquidity, maturity and market risk management for an optimal asset-liability management framework.

Comprehensive and Prudent Risk Management System

The Group utilises a comprehensive risk management system structured to manage risks both vertically and horizontally. The Risk Management Committee reviews and advises the board of directors of the Company (the "**Board of Directors**") on risk policies, while the Risk Management and Internal Control Committee formulates and supervises the overall risk management and internal control strategies. The Asset and Liability Management

Committee analyses the management of liquidity and profitability of the Group. The Risk Management Department, Marketing Department, Financial Marketing Department, Operation Department and General Affairs Department all help divide risk management duties and responsibilities. The Group's risk management procedures and systems align with CCB's risk management framework as all members of the Board of Directors are appointed by CCB, and its strategies and policies are submitted to the Risk Management Committee comprising personnel appointed by CCB. The Company benefits from long-term advantages in its risk profile, owing to its access to higher-quality customer resources and risk management support at the parent bank level. The Company maintains stringent asset classification standards and adequate impairment provisions. Recent prudent adjustments to the Company's risk management strategy have further strengthened its steady progress in long-term risk control. See *"Description of the Group – Risk Management Framework"* for more details.

Experienced and Professional Management Team

The Group's senior management team has more than 20 years' experience in banking and related industries. Most members of the senior management team have occupied senior positions in the CCB group since the 1990s and have developed abundant expertise in business management. The senior management team is equipped with strong qualifications. Most members hold master's degrees or above and many have been recognised as senior engineer, senior economist, senior accountant, etc.

BUSINESS STRATEGIES

The Group's development goal is to adhere to the purpose of serving CCB, take high-quality development as the orientation, and collaborate with the Group to serve the national development strategy and the real economy. The Group will benchmark against advanced domestic peers, fully leverage the characteristics of asset-leasing, adhere to the guidance of the new development concept for the Group's transformation and development, and earnestly return to the essence of leasing. With "green leasing" and "technology leasing" as the main drivers, the Group will continuously increase the proportion of direct leasing business and operating leasing business. Gradually, the Group will enhance its professional physical asset management capabilities in aviation and shipping, as well as its ability to participate in international competition. Furthermore, the Group will constantly strengthen its value creation capacity and maintain steady growth in operating performance. It plans to achieve this goal by pursuing the following strategic initiatives:

Heighten Integration with CCB and Maintain an Industry-leading Position in the PRC Leasing Industry

The Group will closely align with the development positioning set by CCB's Party Committee, firmly adhere to the requirements of the CCB Group, leverage the distinctive strengths of leasing, and strive to enhance its physical asset management capabilities with a focus on managing leased assets. The Group will explore and establish itself as a key equipment investment and financing channel as well as an operational management platform for physical assets within the CCB Group. By fully utilizing the "asset-based" advantages of leasing, the Group will provide professional and specialized leasing products, offer tailored leasing solutions to support the CCB Group's comprehensive financial services, deepen parent-subsidiary collaboration, and serve the CCB Group's strategic development.

The Group plans to enhance value creation, product innovation, market development and risk control for sustainable business growth. Through CCB's business coverage and customer network, the Group intends to provide professional, diversified and efficient lease products and services. The Group also seeks to improve its competitiveness and business value through continuing and increasing investment in research and development. Finally, the Group aims to maintain a leading industry position as one of the top companies in terms of size of lease assets and return on equity in the PRC leasing industry.

Focus on Business Development

The Group plans to further enhance its traditional advantages by focusing on aviation and shipping segments.

Aviation

Leveraging its three leasing platforms in Beijing, Hong Kong, and Ireland, the Group will continue building an international, diversified, professional, and focused aircraft asset management system. The Group will deepen its global airline customer relationship network, enhance its capability for dynamic global aircraft allocation and trading, and strengthen asset value management. Efforts will be accelerated to boost competitiveness in the international market, aiming to establish a globally competitive strategic foothold in aviation finance. In the short to medium term, the Group will strive to become the primary channel for CCB Group's aviation financial asset allocation and aviation customer relationship management, particularly for overseas clients, promoting diversification of the CCB Group's asset portfolio. In the long term, the Group will develop into CCB Group's aviation financial asset management and aviation technical support platform, enhancing the CCB Group's comprehensive aviation financial service capabilities.

From 2025 to 2026, the Group will maintain an aircraft asset structure primarily based on operating leases, supplemented by finance leases. While the current fleet structure is already within a reasonable range, it will continue to be optimized moderately. By 2030, the total asset value of the managed fleet is expected to approach RMB100 billion, with the average age of the operating lease fleet maintained at a relatively young level.

Shipping

Relying on its three leasing platforms in Beijing, Hong Kong, and Ireland, the Group will continue building an international and professional ship marketing and technical support unit covering the entire business process. The Group will further develop a global customer relationship network and improve capabilities in vessel acquisition, management, and trading. The Group will also continuously analyse and adapt to changes in the international operating environment and industry cycles, alongside establishing a robust risk analysis system and risk management capabilities for ship-related businesses, thereby enhancing international competitiveness. In the medium to long term, the Group's shipping business will focus on four major vessel types: oil tankers, containers, bulk carriers, and liquefied gas carriers. By leveraging cyclical differences within sub-sectors, the Group will adjust annual business priorities opportunistically to achieve steady growth in total business volume. The Group will also promote cross-border RMB business, alongside domestic RMB business in the shipping business segment. The Group will target its marketing efforts on central government-owned enterprises, state-owned enterprises, leading cargo owners, and major shipowners.

Expand the Group's Client Base

The Group also strongly believes in operating its business to a wide range of customers. While maintaining a good relationship with CCB's current customers is and will continue to be its focus, the Group also aims to continue relationship development with both large and medium-sized customers with growth potential and businesses that are in line with industrial upgrades in the onshore market. The Company plans to do so through tailor-made solutions and risk matching for customers with special needs. In terms of geographical focus, the Group plans to concentrate on key regions in the PRC such as the Beijing-Tianjin-Hebei Region, the Yangtze Economic Zone and the Pearl River Delta. In terms of the offshore market, the Group plans to focus on aircraft and shipping leasing business and create

a portfolio coherent with the leasing industry’s characteristics in the offshore market.

Propel and Advance Green Leasing

The Group will enhance synergy and parent-subsidary collaboration to maintain and develop its competitive edge in green leasing, further strengthening green businesses and building a distinctive green brand. By leveraging the asset-based nature of leasing, the Group will continue to support key areas such as clean energy and green transportation, assist traditional enterprises in their low-carbon transition, and cultivate new green advantages in green aircraft and ships, green manufacturing, green services, and energy conservation and emission reduction. These efforts are aimed at enhancing capabilities in serving the green development of the real economy. The Group will strictly enforce the “environmental protection one-vote veto” mechanism, strengthen risk control coordination within the Group, and continuously improve the management of climate and ESG risks. At the same time, focusing on the asset-based financing model, the Group will enrich its green leasing product and service system and explore the development of a “green leasing+” business model. The Group will broaden green financing channels, strengthen communication and cooperation with third-party institutions, and effectively enhance its professional green financial service capabilities. Furthermore, the Group will improve its green financial management system, provide pricing guidance and performance incentives, build a team of green finance professionals, and enhance its own green and low-carbon operational capabilities, thereby providing support and guarantees for contributing to the greater cause of green finance.

Further Develop Marketing Channels and Strategies

Besides marketing initiatives mainly conducted through CCB’s branches, the Group plans to strengthen its self-marketing activities. The Group will also strengthen its marketing efforts and expand beyond CCB’s marketing initiatives by marketing the Group in conjunction with CCB to large groups and corporations, thereby independently positioning the Group for aviation leases and vendor leases with complicated deal structures and engaging in joint marketing with other leasing companies. The Group adopts a customer-driven and market-oriented approach, and intends to enhance its capabilities in value creation, product innovation and market expansion.

Strengthen Financial and Fund Management Strategies

The Group will continue its comprehensive financial management and plans to focus on managing its leasing assets to maintain a reasonable cost-to-income ratio and increase investment to fulfil the Group’s fundamental and strategic needs. Furthermore, the Group aims to improve its asset and liability management to optimise the liability structures of its leasing assets and improve liquidity risk and market risk management. The Group also plans to diversify its global financing channels beyond the current level of cooperation with PRC financial institutions, with a view to securing more stable and diverse funding sources and instruments.

AWARDS

The Group’s accomplishments in the PRC leasing industry have been recognised by the following awards from various prestigious organisations:

- 2024 – “Best Sustainable Financing Deal Award: U.S.\$150 million Transition Shipping Financing Project” by Finance Asia.

- 2024 – “Largest Single Sustainable Development-Linked Loan Award: Outstanding Green and Sustainable Loan Issuer (Financial Leasing Sector)” by Hong Kong Quality Assurance Agency.
- 2024 – “China Leasing Soar Award: High-Quality Development Leading Enterprise” by Global Leasing Industry Competitiveness Forum.
- 2024 – “European Deal of the Year Award: Turkish Airlines A350 Aircraft RMB Denominated Finance Lease Project” by Airfinance Journal.
- 2023 – “CCB Group Green Finance Five-Star Subsidiary”.
- 2023 – “Green Financial Institution Evaluation: Highest Grade ‘Excellent’ Rating” by PBOC.
- 2023 – “China Aviation Finance (DFTP) Innovation & Development Award” by China Airfinance Development (DFTP) Summit.
- 2023 – “National Leasing Innovation Case Award: Outstanding Innovation Case” by China · Dongjiang Leasing Industry (Talents) Alliance.

BUSINESS OF THE GROUP

As of the end of 2024, the Group’s total assets amounted to RMB182.15 billion, of which leased assets (including finance leases and operating leases) amounted to RMB157.06 billion. In recent years, the financial leasing industry has entered a phase of stable development, with intensified competition among market players. In addition, regulatory authorities have strengthened oversight of leasing activities related to structures and encouraged financial leasing companies to return to their core business nature by increasing the proportion of direct leasing and operating lease businesses, which has also influenced the industry’s evolution. In response to these industry shifts, the Company has adjusted its business structure, reinforcing its role as a physical asset management platform and increasing the proportion of operating leases. As at 31 December 2023 and 2024, the Group’s operating leased assets amounted to RMB49.9 billion and RMB56.6 billion, respectively, while its financing leased assets amounted to RMB105.6 billion and RMB100.5 billion, respectively. The proportion of operating leased assets in the total leased assets continues to rise in recent years.

The Group’s leasing business comprises three segments, including general leasing, aviation leasing and shipping leasing. Among these, aviation leasing and shipping leasing are currently business segments that the Company is accelerating development in. The following table shows the distribution of the balance of Group’s leased assets among the above-mentioned three segments as at 31 December 2023 and 2024:

	<i>As at 31 December</i>	
	<i>2023</i>	<i>2024</i>
	<i>(in RMB billion)</i>	
General leasing.....	86.3	74.6
Aviation leasing.....	36.7	48.9
Shipping leasing	32.4	33.6
Total.....	155.5	157.1

CCB earnestly implements Xi Jinping Thought on Ecological Civilization and steps up efforts in green finance. In line with the green finance working principles of comprehensive planning, steady and orderly progress, classified policies, and innovation-driven development, CCB continues to implement the Guiding Opinions on Deeply Stepping up in Green Finance, the Strategic Plan for Green Finance Development (2022-2025) and other work and strategic requirements, fully supporting green and low-carbon development. In active response to the national green

development strategy, the Company continuously increases investment in green energy projects related to wind power, PV power, hydropower, and clean utilisation of traditional energy.

Aviation Leasing

Following a robust recovery, the aviation sector is poised for sustained growth driven by societal and economic drivers. Boeing’s “Commercial Market Outlook 2025-2044” forecasts demand for 43,600 new deliveries, while Airbus’ “Airbus Global Market Forecast 2025-2044” forecasts demand for 43,420 new deliveries between 2025 and 2044. In accordance with Boeing’s “Commercial Market Outlook 2025-2044”, Chinese airlines have seen strong passenger traffic growth over the last several years, with 2024 volumes 10 per cent. above 2019 levels. Over the next 20 years, passenger traffic will grow at 5.3 per cent. annually, outpacing projected economic growth of 3.7 per cent. The Chinese market will see above-average global traffic growth with a growing middle class, liberalising visa policies and strong aviation infrastructure investment. Airbus’ “Airbus Global Market Forecast 2025-2044” also forecasts that while mature markets will continue to expand at a moderate pace, some of the most dynamic growth is anticipated in Asia and the Middle East. Notably, the PRC, as one of Asia’s emerging markets, is expected to see passenger traffic grow at an annual rate of 8.5 per cent.

According to the Aviation Leaders Report 2025 jointly released by KPMG and Airline Economics, the proportion of leased aircraft in global airline fleets has expanded significantly over the past decades. Data shows that leased aircraft accounted for over 50 per cent. of the global fleet by 2024 (reaching 56 per cent. when measured by value). During the COVID-19 pandemic, this share peaked at 52.4 per cent. in mid-2022 as airlines increasingly turned to sale-leaseback transactions to optimise capital structures. Although supply chain disruptions and delayed new aircraft deliveries have since caused a slight dip to 51.5 per cent., leasing remains a dominant force in aviation financing.

The Company’s domestic clients include China’s leading airlines, while its international clients span multiple regions such as Asia-Pacific, and Europe and America. The Company’s aircraft portfolio consists of both passenger and cargo aircraft, with the passenger fleet primarily comprising highly liquid narrow-body models. Within its aviation leasing business, the Group conducts all of its international aviation leasing business through the Issuer. As at 31 December 2024, the customers of the Group in aviation leasing include Air China, China Eastern Airlines, China Southern Airlines, Xiamen Airlines, Shenzhen Airlines, Sichuan Airlines, DHL, Iberia, Wizz Air, Turkish Airlines Inc., United Airlines Inc., Air Arabia PJSC.

As at 31 December 2024, the book value of the Group’s aviation leased assets was valued at approximately RMB48.90 billion, representing approximately 26.95 per cent. of the Group’s total assets. This places the Group 5th in China and 16th worldwide in terms of fleet value.

For the years ended 31 December 2023 and 2024, the Group delivered 18 and 44 aircraft, respectively. As at 31 December 2024, the Group owned and managed 199 aircraft, with 97.45 per cent. of those leased out to a diverse customer base comprising 42 airlines across 17 countries and regions.

The following table shows the Group’s commercial fleet composition (by number of aircraft) as at 31 December 2023 and 2024:

	<i>As at 31 December</i>	
	<i>2023</i>	<i>2024</i>
Total owned fleet	159	193
By contract type		
Finance lease	53	87
Operating lease	106	106
By aircraft type		
Wide body	23	23
Narrow body	136	168

Regional jet	0	2
By aircraft manufacturer		
Comac	0	2
Airbus.....	90	104
Boeing	69	87
Commercial aircraft age		
Average fleet age (years)	7.03	7.21
Average remaining tenor (years)	4.73	5.68

The Group normally acquires aircraft by way of sale-and-leaseback transactions in which the Company purchases an aircraft from an airline and then leases the aircraft back to such airline on a long-term basis and acquiring aircraft with leases attached from other lessors.

In recent years, the Group has continuously optimized the business layout of its aviation leasing portfolio. The Group plans to focus on operating leases of mainstream aircraft models with stable valuations and good market liquidity supplemented by financing leases. While maintaining its position in the PRC market, the Group plans to develop in overseas markets from the Issuer's operations and leverage the strategic partnerships with major aircraft manufacturers established by the Group. The Group will further develop its global network in aviation leasing by developing its SPV leasing platforms, including those in the Xiamen TFZ, the Tianjin TFZ, Hong Kong, Ireland and other overseas jurisdictions. The following table shows the distribution of the balance of Group's aviation leased assets as at 31 December 2023 and 2024:

	<i>As at 31 December</i>	
	<i>2023</i>	<i>2024</i>
	<i>(in RMB billion)</i>	
By contract type		
Finance lease	8.4	17.3
Operating lease.....	28.3	31.6
By regions		
Domestic	17.5	19.4
Offshore.....	19.1	29.6
Total.....	36.7	48.9

Shipping Leasing

The PRC has consolidated its position as the world's leading shipbuilding nation. According to official data released by the Ministry of Industry and Information Technology of the People's Republic of China, in 2024, China's shipbuilding industry achieved remarkable growth with completions reaching 48.18 million deadweight tonnage ("dwt"), representing a 13.8 per cent. year-on-year increase, while new orders amounted to 113.05 million dwt, marking a substantial 58.8 per cent. growth compared to the previous year. As of December 2024, PRC's orderbook stood at 208.72 million dwt, reflecting a 49.7 per cent. annual increase. In terms of global market share, China accounted for 55.7 per cent. of worldwide ship completions, 74.1 per cent. of new orders, and 63.1 per cent. of the global orderbook when measured in dwt, while these figures translated to 50.3 per cent., 68.2 per cent., and 55.4 per cent. respectively when calculated in compensated gross tonnage.

Based on its assessment of the market, the Group established a dedicated shipping leasing department in 2014 to further develop in this market. The Group selectively engages with industry-leading corporations in sectors of port, shipping, shipbuilding and marine engineering as target clients, and chooses high added value, strong value preservation and appreciation, high liquid assets as target leasing objects. The Group leases a range of vessels

including containers, bulk carriers, liquefied gas carriers, oil tankers and cruises. As at 31 December 2024, the existing and former customers of the Group in shipping leasing include Shanghai Guodian Shipping Co., Ltd., Shandong Shipping Corporation, China National Technical Import & Export Corporation, Sinochem International Corporation, Tomini, Pacific Gas, Petredec, Sunrise, Tristar, Sinokor, PIL, Si Zhan, Polaris, QPS, Safargo, GOTC, Elcano, Höegh LNG, Travelopia, Golar LNG, Awilco LNG, Trafigura, Globe, Dealhill, Costamare, MSC, CMA CGM, Greenship Containership, VIKING, Myrtle, Himalaya Shipping, Mangrove Partners, Teekay LNG and Seaspam.

As of the end of December 2024, the distribution of the Group's customers in shipping leasing segment was as follows:

<i>Category</i>	<i>Number of Customers</i>	<i>Proportion</i>
Classified by state-owned and private entities		
State-owned entities	7	24%
Private entities	22	76%
Classified by Regions		
Asia		
Mainland China	4	14%
Hong Kong	5	17%
Singapore.....	4	14%
South Korea.....	4	14%
Japan.....	1	3%
Europe		
Greece	2	7%
Norway	1	3%
Switzerland.....	5	17%
UK.....	3	10%
Total.....	29	100%

As at 31 December 2023 and 2024, the Group owned 76 and 72 vessels, respectively. As at 31 December 2024, the balance of leased assets in this business segment was RMB33.61 billion, with 100 per cent. of those leased out to a diverse customer base.

The following table shows the composition of the Group's vessels under lease (by number of vessels) as at 31 December 2023 and 2024:

	<i>As at 31 December</i>	
	<i>2023</i>	<i>2024</i>
Total vessels under lease	76	72
By contract type		
Finance lease	25	24
Operating lease.....	51	48
By vessel type		
Liquefied gas carriers	19	13
Containers	14	14
Cruises	5	5
Oil tankers.....	20	21
Bulk carriers.....	17	19
Offshore engineering vessel.....	1	0
Average remaining tenor (years)	8.93	9.70

In recent years, the Group has continuously optimized the business layout of its shipping leasing portfolio. The international scale of the shipping leasing business has been steadily expanding, while the share of operating leases shows a consistent year-on-year increase. The following table shows the distribution of the balance of Group's shipping leased assets as at 31 December 2023 and 2024:

	<i>As at 31 December</i>	
	<i>2023</i>	<i>2024</i>
	<i>(in RMB billion)</i>	
By contract type		
Finance lease.....	13.9	11.7
Operating lease.....	18.5	21.9
By regions		
Domestic	10.3	6.5
Offshore	22.1	27.1
Total	32.4	33.6

General Leasing

The Group's general leasing segment covers the following industries: manufacturing, electric power and energy, transportation, public services and construction and infrastructure. As at 31 December 2024, the distribution of general leasing assets in the (i) manufacturing, (ii) electric power and energy, (iii) transportation, (iv) public services and (v) construction and infrastructure accounted for approximately 13.10 per cent., 27.11 per cent., 36.97 per cent., 6.21 per cent. and 3.47 per cent., respectively of the total general leasing assets. As at 31 December 2024, the balance of the general leasing business was approximately RMB74.55 billion, representing 47.46 per cent. of the Group's total leased assets.

In recent years, the Group's general leasing business has consistently pursued transformation and quality improvement, focusing on the synergistic development of the following key areas: green leasing, inclusive leasing, and digital and technology leasing. As at 31 December 2024, the balance of green assets reached RMB43.4 billion. For the year ended 31 December 2024, the Group deployed RMB1.7 billion in inclusive financing to manufacturers and RMB2.9 billion to technology enterprises, respectively.

Manufacturing

The Company's operations in the manufacturing sector are closely aligned with national strategies and the Group's planning, dedicated to supporting the high-quality development of the manufacturing industry. In line with the 14th Five-Year Plan for Financial Support to High-Quality Development of Manufacturing (金融支持製造業高質量發展“十四五”規劃) (the “14th Five-Year Plan”), the Company focuses on assisting traditional manufacturing enterprises in technological transformation and upgrading, covering areas such as industrial internet, digital transformation, green retrofitting and smart factory construction, ensuring capital flows efficiently to high-quality enterprises that align with industrial upgrading.

Simultaneously, in response to the national strategy of building a manufacturing powerhouse, the Company prioritises advanced manufacturing and key sectors such as “new infrastructure, new urbanisation and major projects” (known as “two new and one major”), emphasising high-tech, high-value-added, low-pollution and low-emission industries to drive business growth.

Furthermore, in accordance with the 14th Five-Year Plan, the Company actively strengthens financial support for

advanced manufacturing and emerging industrial clusters to foster innovation and industrial upgrading.

Electric Power and Energy

The Company's operations in the electric power and energy sector encompass a comprehensive portfolio including wind power, photovoltaic, hydropower, biomass power generation, thermal power, energy storage and coal, forming a complementary multi-energy development structure.

In wind power, the Company is actively expanding project scale while systematically developing offshore wind projects. For photovoltaic, it adopts a dual approach supporting both centralised and distributed photovoltaic systems, with particular emphasis on accelerating distributed PV development in eastern China, central China and counties. The hydropower business concentrates on providing specialised financial leasing services for major hydropower base construction in southwestern China. The Company also promotes efficient biomass energy utilisation through technologies converting agricultural/forestry waste, garbage incineration and landfill gas into power. Regarding thermal power, the Company supports high-efficiency, large-capacity projects with low coal consumption and emissions that meet clean energy standards under the premise of safety and reliability, and effectively meet the reasonable financing needs of high-quality thermal power production enterprises. At the same time, the Company is continuously exploring and researching the field of energy storage, focusing on the construction of pumped-storage power stations and the large-scale application of new energy storage technologies to cultivate new avenues for green energy. For coal-related operations, the Company firmly restricts the blind development of high-energy-consuming and high-emission projects, promotes the concentration of coal mining and other extractive industries in resource-rich areas, and reasonably supports high-quality coal-fired power projects, especially key power plants that play a crucial role in grid safety and customers actively exploring transformation. It provides leasing support to continuously optimise customers' production capacity and contribute to the high-quality development of the coal industry.

Transportation

The Company's operations in the transportation sector focus on three key areas: rail transit, ports and airports, and modern logistics. In the rail transit sector, the Company primarily supports the construction of urban rail transit, subway systems and freight railways, maintaining its leading position in the industry. The road transport industry customer base represents traditional core clients of CCB, with whom CCB has maintained long-term and close cooperative relationships. As a result, the Company holds a strong competitive advantage in serving this customer segment. Current key clients primarily include provincial-level highway development and investment enterprises, which are generally central state-owned enterprises or leading local state-owned players with robust operational capabilities. In the ports and airports sector, the Company provides innovative, specialised and comprehensive financial services to support the development of port and shipping enterprises, aligning with the national strategy. In the modern logistics area, the Company actively supports agricultural product warehousing, preservation and cold chain logistics, and promotes the electrification and greening of logistics and distribution vehicles.

Public Services

The Company's operations in the public services sector focus on three key areas: water utilities, heating and gas supply and green transportation. In water utilities, the Company actively promotes the construction of public infrastructure projects and supports the development of green and environmentally friendly infrastructure in key regions. In the heating and gas supply sector, the Company primarily serves heating companies and gas utilities in urban areas and industrial parks, driving the transformation toward green and intelligent heating systems and the utilisation of clean energy. In the green transportation sector, the Company focuses on the new energy vehicle industry chain, supporting bus, taxi and ride-hailing companies with vehicle purchase financing, and is concurrently

constructing charging and battery-swapping facilities to build a green transportation ecosystem.

Construction and Infrastructure

The Company actively explores the leasing of construction machinery and equipment, leveraging the Group's resources to establish cooperative links with construction machinery manufacturers, construction companies, and construction machinery leasing companies to serve national infrastructure construction. The Company continues to build a collaborative ecosystem with leading companies in the field of infrastructure construction, leveraging its comprehensive strengths in financial leasing, equipment operation, inclusive finance, and supply chain finance. Using aerial work vehicles and aerial work platforms as a leasing lever, the Company provides high-quality comprehensive services to the entire infrastructure industry chain. Additionally, the Company collaborates with high-end equipment manufacturing companies and shield construction companies to leverage its leasing advantages in connecting manufacturing and construction firms, serving projects such as railway tunnels, subway tunnels, mining tunnels, water conservancy projects, and urban utility tunnels.

Leasing Arrangement

The Group's leased assets are under the following leasing arrangements:

- Direct financial leasing - The Company purchases new equipment from suppliers according to the choice of the enterprise, leases it to the enterprise, and transfers the ownership of the equipment to the enterprise at the end of the term.
- After-sale leaseback financial leasing - The enterprise sells its own fixed assets to the Company, then leases them back for use, and ownership of the equipment will be returned to the enterprise at the end of the term.
- After-sale leaseback operating leasing - The enterprise sells its own fixed assets to the Company, then leases them back for use, and the enterprise has the option of returning or repurchasing at the end of the term.
- Direct operating leasing – The Company purchases new equipment from suppliers according to the choice of the enterprise, leases it to the enterprise, and the enterprise has the option of returning or repurchasing at the end of the term.

The Group is committed to CCB's strategy to develop a full range of financial services for CCB Group, including proprietary investments, bank loans, debt instruments, leasing and investment banking. The Group will follow the strategic direction of CCB and position itself to capture the opportunities offered by the economic reform and transformation of the PRC in key growth areas, such as new industrialisation, urbanisation, modernisation of the agriculture sector, evolution of the technology sector and overseas expansion strategies of PRC enterprises. The Group plans to maintain diversified business strategies and enhance its professional capabilities according to changes in the macroeconomic environment while developing other specialised leasing businesses.

The Group leverages its strengths in fintech to develop an inclusive leasing business system with independent intellectual property rights. This system integrates technological capabilities with the physical-asset-based nature of leasing, enabling direct reach to end customers and supporting fully online, real-time end-to-end transaction processing. The Company has established a new model for truck inclusive leasing, providing support to alleviate challenges in the freight logistics industry.

FUNDING

The Group mainly relies on credit loans for its financing activities. With a low proportion of restricted assets, the Company maintains favourable financing flexibility. As at 31 December 2024, the proportion of the Group's unsecured debt accounted for 86.4 per cent., remaining generally stable in recent years. As at 31 December 2024, the Group had obtained credit facilities exceeding RMB500 billion from over 140 international financial institutions in both local and foreign currencies, among which more than RMB400 billion have not be utilised. Both the sources and types of funding are well diversified, with credit facilities originated from domestic commercial banks, policy banks, financial leasing companies to foreign banks' branches established in the PRC, overseas financial institutions and other financial institutions, and types of funding used including onshore U.S. dollar loans, bonds and others. As at 31 December 2024, the Group's funding from CCB, other domestic banks, foreign banks and bonds accounted for 15.8 per cent., 59.6 per cent., 10.6 per cent. and 14.0 per cent. of the total, respectively. The Group's funding in RMB and foreign currencies accounted for 39.3 per cent. and 60.7 per cent., respectively. In addition, the Group's offshore financing agreements with tenor of three years or above and that with tenor of less than three years accounted for 76.9 per and 23.1 per cent., respectively, representing a high proportion of medium- and long-term financing. The Group has partnered with over 140 financial institutions, spanning across markets in Asia, Europe, the United States and the Middle East. Funding from CCB is especially important as it allows the Group to flexibly arrange the timeline of borrowing to balance liquidity and funding costs.

The Group seeks to maintain prudent financial ratios in its business. The table below sets forth the key financial ratios of the Group as at or for the years ended 31 December 2023 and 2024:

	<i>As at and for the year ended 31</i>	
	<i>December</i>	
	<i>2023</i>	<i>2024</i>
	<i>(per cent.)</i>	
Profitability Metric		
ROAA	1.17	1.53
ROAE	6.82	9.57
Asset Quality		
NPA Ratio	2.72	2.27
Impairment Coverage Ratio	297.41	330.02
Capital Strength		
Capital Adequacy Ratio	17.31	16.30
Core Tier 1 Capital Adequacy Ratio	16.18	15.22

In recent years, the maturity structure of the Group's financing has been continuously improved, with the proportion of its short-term debt decreasing steadily over the past three years—a trend consistent with that of most other institutions in the industry. As at 31 December 2024, the proportion of the Group's short-term debt accounted for 57.6 per cent., down from the same period of the previous year.

RISK MANAGEMENT FRAMEWORK

The Group's risk management framework operates across three tiers: the decision-making level, management level, and operational level. At the decision-making level, the Board of Directors serves as the Group's highest decision-making body, responsible for establishing the overall risk management strategy, policies and framework. Among the four specialised committees under the Board of Directors, three are dedicated to risk and compliance oversight: the Risk Management Committee, the Related Party Transactions Control Committee and the Audit Committee, ensuring comprehensive risk governance through centralised expertise. At the management level, the senior executives in charge of risk management are appointed by the Head Office of CCB, maintaining seamless integration with CCB's risk management systems. They are responsible for implementing the risk management strategy and policies approved by the Board of Directors, overseeing the Company's risk management work, reviewing the systems and processes related to business and risk management established by each department, and comprehensively understanding the

overall status of the Company's risk management. The Risk Management and Internal Control Committee, operating under the management level, formulates and supervises the implementation of company-wide risk and internal control policies. At the operational level, dedicated risk departments lead the formulation of risk management strategies and standards, refine risk processes and organise and implement the relevant risk controls.

As the leading department for the Company's risk management, the Risk Management Department has formulated the CCB Financial Leasing Corporation Limited Comprehensive Risk Management Measures (2021 Edition) (建信金融租賃有限公司全面風險管理辦法(2021年版)). In response to different types of risks faced by the Company in its business operations, it has formulated corresponding risk management systems and measures respectively. Furthermore, it has gradually organised and improved the risk management system in line with the Company's business development, ensuring that the operation and management of all business activities are conducted in accordance with established rules and that various risks are effectively prevented and controlled.

Credit Risk

Credit risk is the risk which arises when a counterparty fails to meet its contractual obligations at the relevant due date. Credit risk primarily arises from the Group's leasing business and treasury operations. The Group applies qualitative and quantitative metrics to identify credit risk, which mirrors CCB's risk management policies and framework. It ascertains an applicable rating to a counterparty in order to proceed with a transaction. It also examines quantitative metrics such as non-performing ratio, provision coverage, single customer concentration and other related data.

The Group has formulated a credit risk control system that specifically addresses the credit risk of the leasing business. The main features of the system are as follows:

- **Strict customer selection process:** The Group receives customer referrals from CCB's branches and relies on CCB's customer ratings as one of the conditions of service. The Group's customers are mainly large PRC state-owned enterprises or other industry leaders who are rated "AA-" or above by CCB. If a customer does not meet the Group's credit requirements, the Group will seek other means of credit enhancement, such as parent or affiliate guarantees.
- **Multilayer risk identification:** The Company has account managers within its Business Department who perform preliminary risk identification and due diligence for each project. After the initial risk identification, the Company's Project Management Committee and Risk Management Department will further evaluate each project until a decision to approve or reject the project is reached. In certain cases, projects will be referred to the Company's Credit Department for additional evaluation.
- **Prudent risk control:** The Group engages in post-transaction monitoring which includes regular on-site and unplanned off-site inspections of the customers' operations, financial condition and credit position. The Group has five risk categories: normal, special mention, sub-standard, doubtful and loss to identify and control risks arising from each asset.

The Company is supported by CCB's industry and policy experts. The Company uses CCB's credit database and scoring template to assess the credit risk of lessees, but produces a separate credit assessment report based on its own assessment metrics. Guidance on leasing risks is issued by CCB and the Company at the start of each year, which is subject to quarterly evaluation. Large-scale leasing project assessments are further reviewed by CCB's headquarters after being assessed by the Company.

The Company measures and monitors the quality of finance lease receivables and other financial assets according to the "Guiding Principles on the Risk-Based Loan Categorization" (貸款風險分類指引) promulgated by the CBIRC. After asset allocation, the Company continues to monitor and adjust for changes in risk, continuously weighing risk versus expected return. Business managers are held accountable for risk and are responsible for post-lease credit

monitoring on a quarterly basis.

Post-Transaction Project Management

Post-transaction project management includes asset quality classification, lease management and transfer and disposal of leased assets (including non-performing assets). Asset quality classifications are carried out by the Business Department, Operation Department and Risk Management Department. The classification is based on the actual value and the risks associated with the assets, so as to allow effective measures to be taken to protect the value of the assets.

Lease management includes collecting rentals and conducting post-lease reviews. Reminders and notices of payment are issued to the lessees around one to two weeks before the due date. If any lease payment is overdue, the relevant department would communicate with the lessees and consider whether to accept deferred payments with interest. Post-lease reviews are performed in accordance with the Group's policy and the frequency of checks performed is linked to asset quality. In principle, reviews are performed once every 12 months for assets in the "normal" category, every six months for the "special mention" category and in greater frequency for the "non-performing" categories (which comprise "sub-standard", "doubtful" and "loss" categories). Upon the occurrence of any high-risk events, post-lease reviews will be performed immediately. After the completion of post-lease reviews, reports are submitted to the Risk Management Department of the Company.

Leased asset transfers are generally used to adjust the Group's asset structure and provide capacity for new projects. The transfer and disposal of non-performing assets are also important means of risk mitigation.

To control risk, leased assets are generally required to be insured by the lessee. Lessees normally undertake to protect and maintain the value of leased assets, including making insurance claims or undertaking litigation. In financing leases, the leased asset would normally be transferred to the lessee at the end of the lease.

Market Risk

Market risk refers to the potential loss suffered by the Group as a result of adverse movements in market prices, primarily interest rates and foreign currency exchange rates. The Board of Directors sets market risk strategy, appetite, policies and procedures. Senior management and the Asset and Liability Management Committee oversee and approve risk measurement procedures and stress tests. The Risk Management Department takes the lead in management of market risk, and regularly submits risk reports to the Risk Management Committee of the Board of Directors. The Financial Market Department oversees day-to-day risk management, including hedging and stress test levels.

The Group relies on market risk exposure and sensitivity analysis as the main technical methods to measure and control market risk. The Group sets market risk appetite at the beginning of every year and re-evaluates those levels quarterly. The Group aims to maintain low foreign currency risk by raising funds in relevant foreign currencies for projects that are denominated in foreign currencies. The Group regularly calculates and monitors foreign exchange exposure, as well as the difference between interest-bearing assets and liabilities which would mature in a certain period or require repricing, in order to perform sensitivity analyses using different exchange rates and interest rates. Desired transaction targets and limits are subject to capital authorisation checks. The Group prepares post-transaction reports to assess the success of the risk assessment procedures and make future improvements.

The Group has limited foreign currency exposure. Foreign exchange risks may occur when financial statements of foreign subsidiaries are translated for consolidation purposes into RMB, the reporting currency of the Group. The Company's primary source of currency rate risk arises from aircraft operating leases by its SPVs in the Tianjin TFZ, as the reporting currency for these SPVs is RMB with the asset value of their aircraft also recorded in RMB, whereas the Group funds its business with U.S. dollar-denominated debt to match the denominated currency of the market

value of the aircraft. Although the Group's financial statements may show foreign exchange risks due to currency conversion on the reporting date, the Company believes that there is very limited actual foreign exchange risk. The Company utilises currency forward contracts to hedge currency risk.

The Group's primary source of interest rate risk comes from the different benchmarks between its long-term interest-bearing assets and liabilities. The Group manages interest rate risk by adjusting the maturity structure of its assets and liabilities and controlling the re-pricing of the leased assets and corresponding liabilities.

In relation to US dollar-denominated assets, the primary source of risk is re-pricing risk, which results from the fact that lease payments are calculated based on a fixed interest rate while bank borrowings are priced with floating interest rates. The Group utilises interest rate swaps to hedge this risk.

In relation to RMB-denominated assets, as the lease payments are re-priced periodically, the main interest rate risk derives from benchmark risk, which is the risk that the benchmark interest rates adopted in the pricing of the leased assets (the PBOC's benchmark rates) and which is different from the benchmark rate adopted for the funding (interbank SHIBOR rates or fixed rate).

Liquidity Risk

Liquidity risk refers to the risk which arises when the Group is unable to obtain funds at a reasonable cost to repay liabilities or realise investment opportunities. The primary source of liquidity demand for the Group is the repayment of maturing bank borrowings and withdrawal requests from lessees under finance leases. The Group's goal of liquidity risk management is to ensure that sufficient capital resource is available at any time to meet such demands.

The Asset and Liability Management Committee is the administrative body responsible for monitoring and analysing liquidity risk, asset and liability management and profit management. The Risk Management Department takes the lead in the management of liquidity risk and regularly submits risk reports to the Risk Management Committee of the Board of Directors. The Financial Market Department oversees day-to-day risk management, including capital budgeting, balancing current funds, maintaining appropriate working capital and carrying out regular liquidity stress tests. The Group's objectives of liquidity risk management include:

- managing and controlling cash flow mismatch;
- holding liquid reserves in order to meet any stress demand; and
- balancing between revenue and liquidity risk.

The Group maintained cash and deposits with banks equal to 15.31 per cent. of total assets as at 31 December 2024.

The Group has liquidity management procedures which are followed on a daily basis and designed according to monthly and weekly cash management plans. The Group uses interbank money market transactions to adjust any liquidity exposures and improve the overall operational efficiency of funds.

Through stress testing, the Group is able to gauge cash flows under different scenarios and adjust its liquidity reserves according to market conditions. This allows the Group to maintain its high-quality liquid assets and to mitigate any potential liquidity risks.

Management and Disposal of Non-performing Assets

If payments on any lease contracts are overdue, the payment collection business unit will take charge of the collection process based on the Group's lease payment management procedures and take appropriate legal measures to protect

the value of the Group's assets.

If any lease receivable becomes non-collectable, a specialised team within the Group will take responsibility for taking recourse in accordance with the Group's non-performing asset management policy. Such recourse may include seeking recourse from the guarantor, disposing of the collateral, transferring the lease, recovering and selling the leased assets and taking legal actions. After taking all possible means of recourse or disposal, the Group will, in accordance with relevant Group policies, write off the balance as bad debt if there are still debts outstanding.

EMPLOYEES

As at 31 December 2024, the Group had a total of 235 full-time employees with an average age of 38 years and an average working experience of 14 years, of whom 68 per cent. have obtained a master's degree or above.

The Group is committed to recruiting, training and retaining skilled and experienced employees throughout its operations. The Company intends to achieve this by offering competitive remuneration packages as well as by focusing on training and career development. In accordance with the relevant PRC laws and regulations, the Group contributes to social welfare insurance for its full-time employees in the PRC, including basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance.

The Group's labour union safeguards the rights and interests of the employees and coordinates closely with management with respect to human resources matters. The Group's operations have never been affected by any strike or significant labour disputes. The Group believes it has a good relationship with the labour union and the Group's employees.

LEGAL PROCEEDINGS

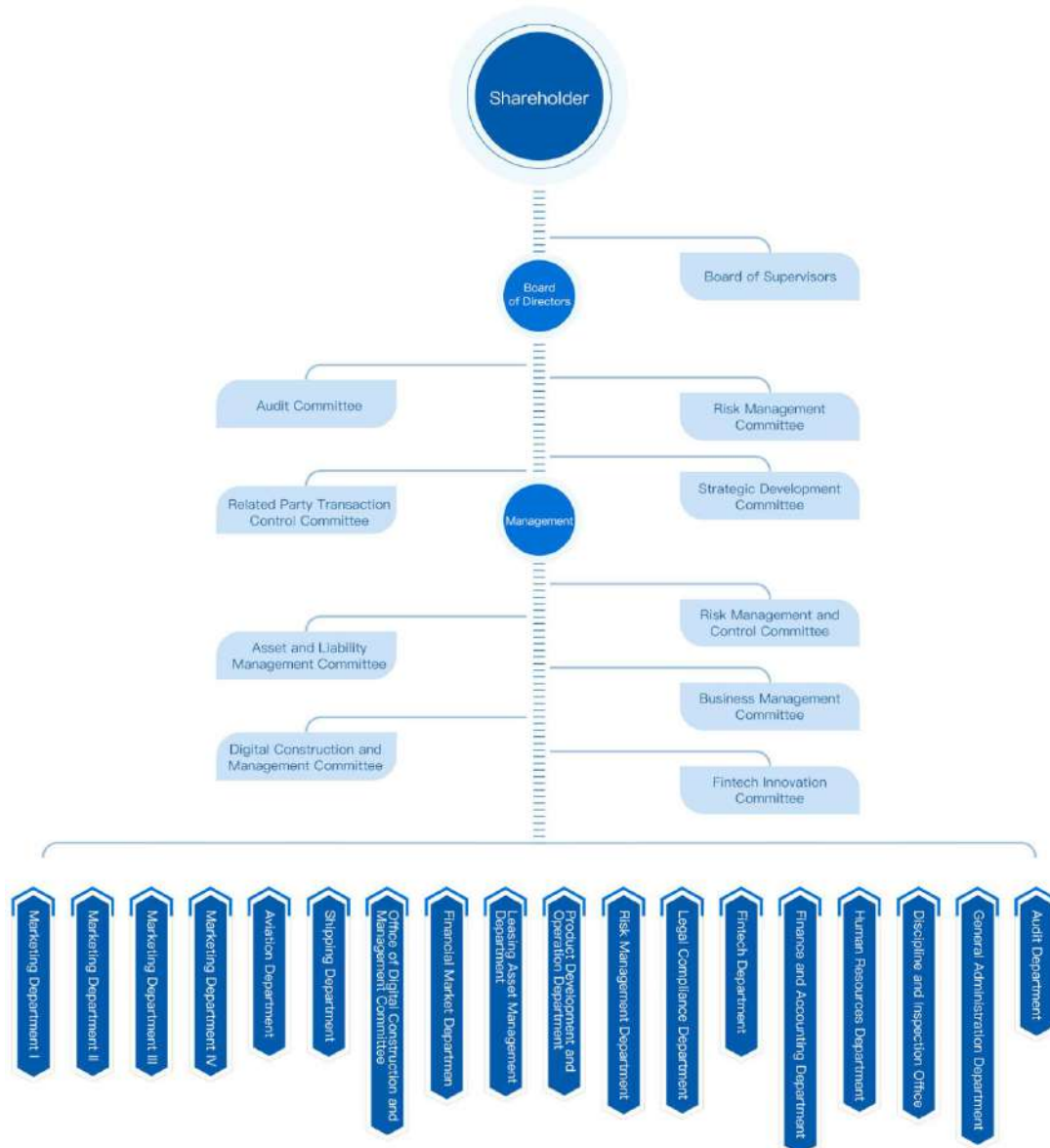
From time to time, the Group is involved in legal proceedings, claims or disputes in the ordinary course of its business.

As at the date of this Offering Circular, there is no litigation, arbitration or claim pending or threatened against the Group which is expected to have a material adverse effect on its business, financial condition and results of operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

GOVERNANCE STRUCTURE

The diagram below shows the governance structure of the Company as at the date of this Offering Circular.



DIRECTORS AND BOARD OF DIRECTORS

The Board of Directors is responsible for the overall corporate governance of the Company including establishing the Company’s strategic direction and management goals, as well as monitoring the achievement of these goals. The following table sets forth information regarding the Company’s directors (the “**Directors**”) as at the date of this Offering Circular.

<i>Directors</i>	<i>Year of birth</i>	<i>Position</i>
Mr. SONG Tao (宋濤).....	1972	Chairman of the Board of Directors, Legal Representative and Secretary of the Party Committee
Mr. TIAN Jianming (田建明).....	1970	Executive Director, President and Deputy Secretary of the Party Committee
Ms. YAN Xiuxia (閆秀霞)	1967	Full-time Director
Ms. LI Qing (李卿).....	1973	Executive Director, Vice President and Member of the Party Committee

For additional biographical information on each of the Directors, see “*Directors, Supervisors and Senior Management – Management Biographical Information – Directors*” in this Offering Circular.

Special Committees

The Board of Directors has established four special committees: the Risk Management Committee, the Related Party Transaction Control Committee, the Audit Committee and the Strategic Development Committee.

Risk Management Committee

The primary responsibilities of the Risk Management Committee are, *inter alia*:

- to review and advise the Board of Directors on the Company’s risk management strategies, policies and control procedures, to monitor and assess such strategies, policies and procedures, and to evaluate their effectiveness;
- to monitor the establishment of structures and procedures, to evaluate the effectiveness of the Company’s risk management system, and to make proposals for improvement;
- to monitor and assess the effectiveness of the control of credit risks, market risks and operational risks by the senior management team and to make proposals for improvement of risk management and internal controls;
- to conduct periodic assessments of the Company’s risk profile and to make proposals to the Board of Directors;
- to examine and approve significant risk management matters, including transactions that are beyond the authority of the Company’s president or transactions that are submitted to the Risk Management Committee for further consideration, as it is authorised to do so by the Board of Directors;
- to ensure regulatory compliance with relevant laws, administrative regulations and rules; and
- to attend to any other matters relating to risk management.

The Risk Management Committee is composed of the directors SONG Tao (宋濤), TIAN Jianming (田建明) and YAN Xiuxia (閆秀霞).

Related Party Transaction Control Committee

The primary responsibilities of the Company’s Related Party Transaction Control Committee are, *inter alia*:

- to identify related parties and to report its findings to the Board of Directors and board of supervisors of the Company (the “**Board of Supervisors**”), and to promptly inform the business departments of the identities of such related parties;
- to conduct preliminary reviews of the relevant related party transactions and submit the findings to the Board of Directors or, as appropriate, to the shareholders, for approval;
- to review and approve related party transactions that are within the Board of Directors’ authority and to maintain records of related party transactions and other related matters;
- to ensure regulatory compliance with relevant laws, administrative regulations and rules; and
- to attend to any other matters as authorised by the Board of Directors.

The Related Party Transaction Control Committee is composed of the directors YAN Xiuxia (閆秀霞), TIAN Jianming (田建明) and LI Qing (李卿).

Audit Committee

The primary responsibilities of the Audit Committee are, *inter alia*:

- to oversee the Company’s financial reporting and approve the appointment of the Company’s independent registered public accounting firm;
- to review the Company’s financial information, auditor’s examinations, key financial statement issues, the plans and evaluation of internal control and the administration of the Company’s financial affairs by the Board of Directors; and
- to examine the agenda for, and financial statements and other reports to be submitted by, the Board of Directors to the shareholders.

The Audit Committee is composed of the directors YAN Xiuxia (閆秀霞) and LI Qing (李卿).

Strategic Development Committee

The primary responsibilities of the Strategic Development Committee are, *inter alia*:

- to formulate the Company’s medium- and long-term strategic development plans, evaluate their implementation and provide recommendations to the Board of Directors;
- to review the Company’s annual financial settlement plan and submit it to the Board of Directors for deliberation;
- to review the Company’s profit distribution plan and submit it to the Board of Directors for deliberation;
- to review the Company’s annual business plan and self-owned asset allocation plan, and submit them to the Board of Directors for approval;
- to evaluate the coordinated development of various leasing businesses and provide recommendations to the Board of Directors;

- to review the establishment of the Company’s internal management structure and domestic or overseas branches, and submit them to the Board of Directors for approval;
- to examine the Company’s equity investment and bond issuance plans, and provide recommendations to the Board of Directors; and
- to handle other matters as authorised by the Board of Directors.

The Strategic Development Committee is composed of the directors SONG Tao (宋濤), TIAN Jianming (田建明) and YAN Xiuxia (閔秀霞).

SUPERVISORS AND BOARD OF SUPERVISORS

The Board of Supervisors is composed of two supervisors of the Company (the “**Supervisors**”). The Directors and senior management members may not serve as Supervisors. The Supervisors include Supervisors acting as representatives of both shareholders and employees. The following table sets forth information regarding the Supervisors as at the date of this Offering Circular.

<i>Supervisors</i>	<i>Year of birth</i>	<i>Representation</i>
Mr. JI Wei (紀偉)	1967	Shareholders
Ms. LI Jun (李峻)	1970	Employees

For additional biographical information on each of the Company’s Supervisors, see “*Directors, Supervisors and Senior Management – Management Biographical Information – Supervisors*” in this Offering Circular.

The Board of Supervisors is the Company’s supervisory authority and is accountable to the shareholders. It monitors the financial management of the Company and the conduct of the Board of Directors and senior management and their respective members in order to prevent abuse of power and encroachment on the rights and interests of its shareholders. In addition, the Board of Directors is required by the Company’s articles of association to be subject to the supervision of the Company’s Board of Supervisors, and shall not obstruct or hinder the Board of Supervisors from conducting examination and audit activities pursuant to its responsibilities and rights.

The Board of Supervisors is accountable to the shareholders and reports to the shareholders. According to the Company’s articles of association, the shareholders shall exercise their responsibilities and rights to elect and remove supervisors acting as representatives of the shareholders, approve the remuneration of the Supervisors and consider and approve the work reports of the Board of Supervisors. In addition, the Supervisors acting as representatives of the employees shall be elected and removed by democratic election of the employees.

SENIOR MANAGEMENT

The Company operates under a president responsibility system authorised by the Board of Directors, with the president overseeing daily business operations and management matters. All of the Company’s senior management team are appointed and dismissed by the Board of Directors.

The following table sets forth information regarding the Company’s senior management members as at the date of this Offering Circular.

<i>Senior Management</i>	<i>Year of birth</i>	<i>Position</i>
Mr. SONG Tao (宋濤)	1972	Chairman of the Board of Directors, Legal Representative and Secretary of the Party Committee

Mr. TIAN Jianming (田建明)	1970	Executive Director, President and Deputy Secretary of the Party Committee
Ms. LI Qing (李卿).....	1973	Executive Director, Vice President and Member of the Party Committee
Mr. SONG Jingzong (宋敬宗)	1970	Secretary of the Discipline Inspection Commission and Member of the Party Committee
Mr. MI Shuguang (密書廣).....	1977	Vice President and Member of the Party Committee
Ms. LU Na (盧娜)	1974	Chief Risk Officer
Mr. AN Zhicheng (安志成).....	1967	Chief Product Officer and Marketing Director

For additional biographical information on each of the Company's senior management members, see "*Directors, Supervisors and Senior Management – Management Biographical Information – Senior Management*" in this Offering Circular.

Special Committees

The Company's senior management has established five specialised committees: the Asset and Liability Management Committee, the Project Management Committee, the Risk and Internal Control Management Committee, the Digital Construction and Operations Committee and the FinTech Innovation Committee.

Asset and Liability Management Committee

The primary responsibilities of the Asset and Liability Management Committee are, *inter alia*:

- to organise training on accounting policies and tax regulations;
- to organise training on the Company's relevant strategies and methods on management of asset liability, capital adequacy ratio and profitability;
- to arrange seminars on liquidity management (at least once a year) and liquidity risks assessment and report the liquidity risk and contingency plans to the senior management;
- to organise regular analysis and real-time monitoring of the Company's operations and financial status, and to make reasonable predictions on the Company's main financial indicators and trends;
- to review and monitor the Company's financial gap management, asset-liability mismatch management and other related matters;
- to organise training on the major funding plans;
- to review the Company's pricing policies;
- to complete the Company's annual operational plans, budget internal decomposition and the corresponding assessment;
- to monitor the capital adequacy ratio to ensure it meets the regulatory requirement; and
- to coordinate, implement and stipulate other matters assigned by the senior management.

Each of the departments of the Company is a member department under the Asset and Liability Committee; the president is the head of the Asset and Liability Committee and it is also composed of the heads of each department of the Company, internal auditors and compliance staff.

Project Management Committee

The primary responsibilities of the Company's Project Management Committee are, *inter alia*:

- to maintain project channels of the Company;
- to issue assessment plans; and
- to coordinating the operations of various departments of the Company.

Risk and Internal Control Management Committee

The primary responsibilities of the Company's Risk and Internal Control Management Committee are, *inter alia*:

- to evaluate the effectiveness of the Company's risk management and internal control and to make proposals for the Company's various business risks and risk management; to detect the loopholes of the Company's risk management and internal control based on internal and external auditor's reports, external regulatory reports and regulatory requirements, to make proposals for improvement and to guide and supervise the effective implementation of the proposals;
- to review policies of various risks under the Company's overall risk management framework, such as credit risk, market risk, operational risk, liquidity risk, legal risk, legal risk and reputation risk;
- to assess the impact of the major risk on the Company's business activities, to review the resolution of the Company's major risks, resolution of Company's non-performing assets and resolution of the asset write-off scheme;
- to review the risk management and internal control plan and the implementation of inspection and supervision of the relevant work;
- to examine the Company's comprehensive risk reports, internal control evaluation reports and reports related to risk management and internal management;
- to organise and implement other important work assigned by Board of Directors and senior management; and
- to deal with other important matters decided by the Risk and Internal Control Management Committee.

The Risk and Internal Control Management Committee is composed of senior management and the heads of risk management, internal auditors, legal compliance and office of digital construction and operations committee.

Digital Construction and Operations Committee

The primary responsibilities of the Company's Digital Construction and Operations Committee are, *inter alia*:

- to research and promote the implementation of regulatory and head office's requirements for digital

development and operations;

- to research and formulate the Company's overall digital development and operations plan, work mechanisms, annual plans, and implementation strategies;
- to review and approve digital development and operations reports, major innovation and R&D plans submitted by the Committee Office, and to promote the implementation of strategic tasks and optimise business processes;
- to research and approve resource allocation for digital development, digital operations, and digit marketing, and to coordinate supporting resources; and
- to promote the Company's digital operations and exploring sustainable innovation models.

FinTech Innovation Committee

The primary responsibilities of the Company's FinTech Innovation Committee are, *inter alia*:

- to research and formulate the Company's strategic plan, working mechanisms and various development measures for fintech innovation;
- to review major scientific and technological innovation R&D plans;
- to coordinate fintech R&D and supporting resources;
- to research the application of new technologies in leasing business and promote the operation of fintech innovation mechanisms;
- to research and implement the requirements of central, national, and regulatory authorities for fintech innovation and promote the development of major special projects; and
- to research and promote data capacity building; and
- to promote the Company's fintech risk management and explore the establishment of sustainable fintech innovation models.

MANAGEMENT BIOGRAPHICAL INFORMATION

The following contains certain biographical information of each of the Company's Directors, Supervisors and senior management members as at the date of this Offering Circular.

Directors

Mr. SONG Tao (宋濤), has served as the chairman of the Board of Directors, legal representative and secretary of the Party Committee. Mr. Song served as the clerk, staff member, and deputy principal staff member in the Personnel Division, Mortgage Department, Information Research Division, and Capital Planning Division of CCB Shandong Branch, the official, assistant to the division director, deputy general manager of the Financial Planning Division and the general manager, division manager of the Human Resources Department (Party Committee Organization Department) of CCB Tianjin Branch, the chief auditor and director of CCB Jilin General Audit Office, the secretary of the Discipline Inspection Commission, member of Party Committee of CCB Tianjin Branch, the director of CCB

Tianjin Audit Division, the deputy secretary of the Party Committee, deputy president and secretary of the Party Committee and president of CCB Gansu Branch, and the head and general manager of the Strategic Client Department of CCB Head Office. (Mr. Song's appointment as the chairman of the Board of Directors has been approved by the regulatory authorities with the business registration under processing.)

Mr. TIAN Jianming (田建明) – See “*Description of the Issuer – Directors*”.

Ms. YAN Xiuxia (閆秀霞), has served as the full-time director of the Company since October 2018. Ms. Yan served in a number of positions within the CCB system since August 1988, including as the general manager of the Personal Banking Business Department, general manager of the International Business Department and general manager of the Financial Markets Department of CCB Beijing Branch. Ms. Yan is a senior accountant and obtained a bachelor's degree in economics.

Ms. LI Qing (李卿), has served as the member of the Party Committee, vice president and executive director of the Company since June 2023. Ms. Li joined CCB in 1999 and served in a number of positions within the CCB system, including as the senior deputy manager and senior financial specialist (professional technical level III) of the Business Planning Division, senior financial specialist (professional technical level III) and division director of the Wealth Management Support Division, division director of the Performance Evaluation Division in the Financial Planning Department of the Head Office, the member of the Party Committee, chief financial officer and executive director of CCB Cost Consulting Co., Ltd. (建銀造價諮詢有限責任公司), and the member of the Party Committee, chief financial officer and executive director of CCB Engineering Consulting Co., Ltd. (建銀工程諮詢有限責任公司). Ms. Li is a senior economist and obtained a master's degree in management.

Supervisors

Mr. JI Wei (紀偉), has served as the supervisor of the Company since December 2020. Mr. Ji has also served as the executive director and president of Sino-German Bausparkasse Co., Ltd. (中德住房儲蓄銀行有限責任公司) since September 2022. Mr. Ji served in a number of positions within the CCB system, including as the general manager of the Credit Approval Department of CCB, the non-executive director of CCB Wealth Management Co., Ltd. (建信理財有限責任公司) etc.

Ms. LI Jun (李峻), has served as the employee supervisor of the Company since November 2021. Ms. Li has also served as the general manager of the Risk Management Department of the Company since June 2015. Ms. Li served as the full-time loan approver, assistant to the general manager and deputy general manager of the Risk Management Department of the Company.

Senior Management

Mr. SONG Tao (宋濤) – See “*Directors, Supervisors and Senior Management – Management Biographical Information – Directors*”.

Mr. TIAN Jianming (田建明) – See “*Description of the Issuer – Directors*”.

Ms. LI Qing (李卿) – See “*Directors, Supervisors and Senior Management – Management Biographical Information – Directors*”.

Mr. SONG Jingzong (宋敬宗), has served as the member of the Party Committee and secretary of the Discipline Inspection Commission of the Company since June 2023. Mr. Song joined CCB in 1993 and served in a number of positions within the CCB system, including as the deputy general manager of the Human Resources Department,

general manager of the Audit and Supervision Department, and deputy secretary of the Discipline Inspection Commission and concurrently director of the Inspection Office of CCB Henan Branch, the secretary of the Discipline Inspection Commission and member of the Party Committee of CCB Qingdao Branch, and the secretary of the Discipline Inspection Commission and member of the Party Committee of CCB Hebei Branch. Mr. Song is a senior economist and obtained a bachelor's degree in economics.

Mr. MI Shuguang (密書廣), has served as the member of the Party Committee and vice president of the Company since January 2024. Mr. Mi joined CCB in 1999 and served in a number of positions within the CCB system, including as the staff member of the Cash Cashier Division in the Accounting Department of CCB Head Office, and the deputy general manager of the Product Development Department, deputy general manager and general manager of the Aircraft Business Department of the Company. Mr. Mi obtained a master's degree in business administration.

Ms. LU Na (盧娜), has served as the chief risk officer of the Company since August 2023. Ms. Lu joined CCB in 2000 and served in a number of positions within the CCB system, including as the principal staff member and business manager of the Credit Asset Quality Supervision Division, senior deputy manager of the Risk Reporting Division, division director of the Risk Monitoring and Reporting Division, and senior deputy manager (professional technical level II) and concurrently division director of the Risk Reporting Division in the Credit Risk Management Department of CCB Head Office. Ms. Lu is a senior economist and obtained a master's degree in engineering.

Mr. AN Zhicheng (安志成), has served as the chief product officer of the Company since February 2019 and the marketing director of the Company since November 2016. Mr. An served as the assistant to the president of the Company, the manager of the Export Business Department of Tianjin Foreign Trade Import and Export Corporation (天津外貿進出口公司), the representative in Tianjin of Yingya Trading Co., Ltd. (英亞商社有限公司), the deputy general manager of Beijing Fuying Investment Co., Ltd. (北京福盈投資有限公司), the vice president of Beijing Chongrong Guanghai Consulting Co., Ltd. (北京產融光華諮詢有限公司), and the vice president of Binhai Fund Management Co., Ltd. (濱海基金管理有限公司). Mr. An is an international business specialist and obtained a master's degree in economics.

TERMS AND CONDITIONS OF THE NOTES

The following (other than the words in italics) is the text of the terms and conditions which, as completed by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme. The Pricing Supplement in respect of any Tranche of Notes may supplement, amend and/or replace any information in this Offering Circular.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Form of the Notes – Summary of Provisions Relating to the Notes while in Global Form" below.

1. Introduction

- (a) *Programme:* CCB Shipping and Aviation Leasing Corporation Limited (the "**Issuer**") has established a Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.\$5,000,000,000 in aggregate principal amount of notes (the "**Notes**").
- (b) *Pricing Supplement:* Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a pricing supplement (the "**Pricing Supplement**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.
- (c) *Trust Deed:* The Notes are constituted by, are subject to, and have the benefit of, a trust deed dated 4 September 2025 (as amended, restated and/or supplemented from time to time, the "**Trust Deed**") between the Issuer, CCB Financial Leasing Corporation Limited as company (the "**Company**") and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).
- (d) *Keepwell and Liquidity Support Deed:* The Notes have the benefit of a keepwell and liquidity support deed dated 4 September 2025 (as amended, restated and/or supplemented from time to time, the "**Keepwell and Liquidity Support Deed**") entered into between the Issuer, the Company and the Trustee.
- (e) *Deed of Asset Purchase Undertaking:* The Notes also have the benefit of a deed of asset purchase undertaking dated 4 September 2025 (as amended, restated and/or supplemented from time to time, the "**Deed of Asset Purchase Undertaking**") entered into between the Issuer, the Company and the Trustee.
- (f) *Agency Agreement:* The Notes are the subject of an issue and paying agency agreement dated 4 September 2025 (as amended, restated and/or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Company, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as issuing and paying agent (the "**Issuing and Paying Agent**", which expression includes any successor issuing and paying agent appointed from time to time in connection with the Notes), China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as CMU lodging and paying agent (the "**CMU Lodging and Paying Agent**", which expression includes any successor CMU lodging and paying agent appointed from time to time in connection with the Notes), the paying agents named therein (together with the Issuing and Paying Agent and the CMU Lodging and Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes), China Construction Bank (Asia) Corporation Limited (中國建設銀行

(亞洲)股份有限公司) as registrar for Notes to be held in Euroclear and Clearstream (each as defined below) (the "**Principal Registrar**", which expression includes any successor registrar appointed from time to time in connection with such Notes), China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as registrar for Notes to be held in the CMU (as defined below) (the "**CMU Registrar**", which expression includes any successor registrar appointed from time to time in connection with such Notes) (collectively, the "**Registrars**" and each, a "**Registrar**"), the transfer agent named therein (together with the Registrars, the "**Transfer Agent**", which expression includes any successor or additional transfer agent appointed from time to time in connection with the Notes) and the Trustee. In these Conditions references to the "**Agents**" are to the Paying Agents and the Transfer Agent and any reference to an "**Agent**" is to any one of them.

- (g) *The Notes:* The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). All subsequent references in these Conditions to "**Notes**" are to the Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing and copies may be obtained from the Specified Offices of each of the Agents upon prior written request and proof of holding to the satisfaction of the relevant Agent.
- (h) *Summaries:* Certain provisions of these Conditions are summaries of the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking and the Agency Agreement and are subject to their detailed provisions. Noteholders (as defined below) and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking and the Agency Agreement applicable to them. Copies of the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking and the Agency Agreement are available for inspection by Noteholders during normal business hours (being between 9:00 am (Hong Kong time) and 3:00 pm (Hong Kong time) Mondays to Fridays, excluding public holidays) at the Specified Offices of each of the Agents upon prior written request and proof of holding to the satisfaction of the relevant Agent.

2. Interpretation

- (a) *Definitions:* In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Pricing Supplement;

"**Additional Amounts**" has the meaning given in Condition 13 (*Taxation*);

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Pricing Supplement;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Pricing Supplement;

"**Approval Authorities**" means, as applicable, any national, state, municipal, provincial or local government (including any subdivision, court, administrative agency or commission or other authority thereof) or any quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority of any jurisdiction whose licences, authorisations, registrations or other approvals are necessary for undertaking the transactions contemplated by the Trust Deed, the Keepwell and Liquidity Support Deed, as applicable, the Deed of Asset Purchase Undertaking and the Relevant Documents (as defined in the Deed of Asset Purchase Undertaking);

"**Assets**" means the airplanes, ships, equipment and/or other assets held by a Relevant Transferor which is subject to the purchase pursuant to the Deed of Asset Purchase Undertaking, but which shall not include any share or share capital of a Relevant Transferor;

"**Business Day**" means:

- (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;
- (b) in relation to any sum payable in Renminbi, any day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed;
- (c) in relation to any sum payable in a currency other than euro or Renminbi, a day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre; and
- (d) in respect of Notes for which the Reference Rate is specified as SOFR Benchmark in the relevant Pricing Supplement, any weekday that is a U.S. Government Securities Business Day and is not a legal holiday in New York and each (if any) Additional Business Centre and is not a date on which banking institutions in those cities are authorised or required by law or regulation to be closed;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
 - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day

falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

- (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

- (e) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"Calculation Agent" means the calculation agent appointed by the Issuer in respect of a Series of Notes pursuant to the terms of the Agency Agreement or such other Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

"Calculation Amount" has the meaning given in the relevant Pricing Supplement;

a **"Change of Control"** occurs when:

- (a) the Controlling Persons cease to Control the Company or the Issuer; or
- (b) the Company ceases to, directly or indirectly, own and control 100 per cent. of the voting rights of the issued share capital of the Issuer;

"China Business Days" means a day (other than a Saturday, Sunday or a public holiday) on which banks in Beijing, the PRC are not authorised or obligated by law or executive order to be closed;

"Clearstream" means Clearstream Banking S.A.;

"CMU" means the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority;

"Company Audited Financial Reports" means the annual audited consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Company and its Subsidiaries and statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company (if any) together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

"Company Unaudited Management Accounts" means the semi-annual unaudited consolidated statement of financial position and consolidated statement of comprehensive income of the Company and its Subsidiaries together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them (if any);

"Compliance Certificate" means a certificate of each of the Issuer and the Company signed by any of their respective directors or authorised officers certifying that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer or (as the case may be) the Company as at a date (the **"Certification Date"**) not more than five days before the date of the certificate:

- (a) no Event of Default or other Triggering Event or an event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 14 (*Events of Default*), become an Event of

Default or other Triggering Event had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

- (b) the Issuer or (as the case may be) the Company has complied with all its obligations under the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking and the Notes;

"Control" means (where applicable), with respect to a Person, (i) the ownership, acquisition or control of 51 per cent. or more of the voting rights of the issued share capital of such Person, whether obtained directly or indirectly or (ii) the right to appoint and/or remove a majority of the members of the Person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such Person;

"Controlling Persons" mean China Construction Bank Corporation or its successor;

"Coupon Sheet" means, in respect of a Note, a coupon sheet relating to the Note;

"Day Count Fraction" means, in respect of the calculation of an amount for any period of time (the **"Calculation Period"**), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

- (a) if **"Actual/Actual (ICMA)"** is so specified, means:
 - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (b) if **"Actual/Actual (ISDA)"** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if **"Actual/360"** is so specified, means the actual number of days in the Calculation Period divided by 360;

- (e) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30";

- (f) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30; and

- (g) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"Early Redemption Amount (Change of Control)" means, in respect of any Note, 101 per cent of its principal amount or such other amount as may be specified in the relevant Pricing Supplement;

"Early Redemption Amount (Tax)" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Pricing Supplement;

"Early Termination Amount" means, in respect of any Note, its principal amount or such other amount as may be specified in these Conditions or the relevant Pricing Supplement;

"EURIBOR" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Money Markets Institute (or any person which takes over administration of that rate);

"Event of Default" means any one of the circumstances described in Condition 14 (*Events of Default*);

"Extraordinary Resolution" has the meaning given in the Trust Deed;

"Final Redemption Amount" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"First Interest Payment Date" means the date specified in the relevant Pricing Supplement;

"Fixed Coupon Amount" has the meaning given in the relevant Pricing Supplement;

"Holder" or **"Noteholder"** means in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Title to Registered Notes*);

"Hong Kong" means the Hong Kong Special Administrative Region of the PRC;

"HKFRS" means the Hong Kong Financing Reporting Standards;

"IFRS" means the International Financing Reporting Standards;

"Independent Investment Bank" means an independent investment bank of international repute (acting as an expert) selected by the Issuer (at the expense of the Issuer) and notified in writing to the Trustee;

"Interest Amount" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"Interest Commencement Date" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

"Interest Determination Date" has the meaning given in the relevant Pricing Supplement;

"Interest Payment Date" means the First Interest Payment Date and any other date or dates specified as such (including as Specified Interest Payment Date(s)) in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"Interest Period" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date (or, if the Notes are redeemed on any earlier date, the relevant redemption date) unless otherwise specified in the relevant Pricing Supplement;

"ISDA" means the International Swaps and Derivatives Association, Inc. (or any successor);

"ISDA Definitions" has the meaning given in the relevant Pricing Supplement;

"Issue Date" has the meaning given in the relevant Pricing Supplement;

"Issuer Audited Financial Reports" means the annual audited consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statements of changes in equity and consolidated statement of cash flows of the Issuer and its

Subsidiaries and statement of profit or loss and other comprehensive income and statement of financial position of the Issuer together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

"Issuer Unaudited Management Accounts" means the semi-annual unaudited consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position of the Issuer and its Subsidiaries together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them (if any);

"Macau" means the Macau Special Administrative Region of the PRC;

"Margin" has the meaning given in the relevant Pricing Supplement;

"Maturity Date" has the meaning given in the relevant Pricing Supplement;

"Maximum Redemption Amount" has the meaning given in the relevant Pricing Supplement;

"Minimum Rate of Interest" for any Interest Period has the meaning given in the Pricing Supplement but shall never be less than zero, including any relevant margin;

"Minimum Redemption Amount" has the meaning given in the relevant Pricing Supplement;

"NDRC" means the National Development and Reform Commission of the PRC;

"NDRC Foreign Debt Measures" means the Administrative Measures for the Examination and Registration of Medium and Long-Term Foreign Debt of Enterprises (企业中长期外债审核登记管理办法(国家发展和改革委员会令第 56 号)) issued by the NDRC on 5 January 2023 and which came into effect on 10 February 2023 and any relevant implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time;

"Net Assets" means total assets less total liabilities;

"Optional Redemption Amount (Call)" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"Optional Redemption Amount (Put)" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"Optional Redemption Date (Call)" has the meaning given in the relevant Pricing Supplement;

"Optional Redemption Date (Put)" has the meaning given in the relevant Pricing Supplement;

"Payment Business Day" means:

- (a) if the currency of payment is euro, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

- (ii) in the case of payment by transfer to an account, (a) a TARGET Settlement Day and (b) a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euro, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies (including, in the case of Notes denominated in Renminbi, settlement of Renminbi payments) may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"Permitted Security Interest" means:

- (a) any Security Interest on any property or asset existing at the time of acquisition of such property or asset or to secure the payment of all or any part of the purchase price or construction cost thereof or to secure any indebtedness incurred prior to, at the time of, or following, such acquisition or the completion of construction of such property or asset for the purpose of directly or indirectly financing all or any part of the purchase price or construction cost thereof or any substitute security created on those property or asset in connection with the refinancing of indebtedness secured by the relevant property or asset (**provided that** the principal amount secured by any such security may not be increased without approval by an Extraordinary Resolution of the Noteholders);
- (b) any lien arising by operation of law;
- (c) any Security Interest on any property or asset securing Relevant Indebtedness if (i) by the terms of such indebtedness it is expressly **provided that** recourse by the holders of such indebtedness is limited to the properties or assets of the issuer or the borrower and the revenues to be generated by the operation of, or loss of or damage to, such properties or assets, for repayment of the moneys advanced and payment of interest thereon and (ii) such indebtedness is not guaranteed by the Issuer, the Company or any Principal Subsidiary of the Issuer or the Company; and
- (d) any Security Interest on any property or asset of the Issuer, the Company or any Principal Subsidiary of the Issuer or the Company which is created pursuant to any securitisation, repackaging or like arrangement in accordance with normal market practice;

"Person" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity);

"PRC" means the People's Republic of China, for the purposes of this definition, excluding Hong Kong, Macau and Taiwan;

"PRC GAAP" means the Accounting Standards for Business Enterprises in the PRC;

"Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (a) in relation to euro, it means the principal financial centre of such member state of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;
- (b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (c) in relation to Renminbi, it means Hong Kong and/or any other relevant financial centre, as is specified in the relevant Pricing Supplement;

"Principal Subsidiary", with respect to the Issuer or the Company, means any Subsidiary of the Issuer or the Company (as the case may be) whose Net Assets or total revenue, as shown by the accounts of such Subsidiary, based upon which the latest audited consolidated financial statements of the Issuer or the Company in the Issuer Audited Financial Reports or the Company Audited Financial Reports (as the case may be) have been prepared and provided to the Trustee, are at least 5.0 per cent. of the Net Assets or total revenue (as the case may be) of the Issuer or the Company (as the case may be) shown by such audited financial statements in the Issuer Audited Financial Reports or the Company Audited Financial Reports (as the case may be), **provided that** if any such Subsidiary (the **"Transferor"**) shall at any time transfer the whole or a substantial part of its business, undertaking or assets to the Issuer or the Company or another of their respective Subsidiaries (the **"Transferee"**) then (a) if the whole of the business, undertaking and assets of the Transferor shall be so transferred, the Transferor shall thereupon cease to be a Principal Subsidiary and the Transferee (unless it is the Issuer or the Company) shall thereupon become a Principal Subsidiary; and (b) if a substantial part only of the business, undertaking and assets of the Transferor shall be so transferred, the Transferor shall remain a Principal Subsidiary and the Transferee (unless it is the Issuer or the Company) shall thereupon become a Principal Subsidiary;

Any Subsidiary which becomes a Principal Subsidiary by virtue of (a) above or which remains or becomes a Principal Subsidiary by virtue of (b) above shall continue to be a Principal Subsidiary until the earlier of the date of issue of (i) the first Issuer Audited Financial Reports or the Company Audited Financial Reports (as the case may be) prepared as at a date later than the date of the relevant transfer which show the Net Assets or total revenue as shown by the accounts of such Subsidiary, based upon which such audited consolidated financial statements of the Issuer or the Company in the Issuer Audited Financial Reports or the Company Audited Financial Reports (as the case may be) have been prepared, to be less than 5.0 per cent. of the Net Assets or total revenue (as the case may be) of the Issuer or the Company (as the case may be) as shown by such audited consolidated financial statements or (ii) a report by the auditors of the Issuer or the Company (as the case may be) dated on or after the date of the relevant transfer which shows the Net Assets or total revenue of such Subsidiary to be less than 5.0 per cent. of the Net Assets or total revenue (as the case may be) of the Issuer or the Company (as the case may be). A certificate by the Issuer or the Company (as the case may be) that a Subsidiary is or is not a Principal Subsidiary shall, in the absence of manifest error, be conclusive;

"Put Option Notice" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"Put Option Receipt" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"Rate of Interest" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

"Rating Agency" means

- (a) any one of Moody's Investors Service, Inc. ("**Moody's**"), or Fitch Ratings Limited ("**Fitch**"), or S&P Global Ratings, a division of S&P Global Inc. ("**S&P**") and their respective successors; or
- (b) if none of Moody's, Fitch and S&P makes a rating of the Notes publicly available, any internationally recognised securities rating agency selected by the Issuer;

"Redemption Amount" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Early Redemption Amount (Change of Control), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"Reference Banks" has the meaning given in the relevant Pricing Supplement or, if none, four major banks selected by the Issuer in the market that is most closely connected with the Reference Rate and notified in writing to the Trustee and the Calculation Agent;

"Reference Price" has the meaning given in the relevant Pricing Supplement;

"Reference Rate" means EURIBOR, HIBOR, CNH HIBOR or such other rate as specified in the relevant Pricing Supplement in respect of the currency and period specified in the relevant Pricing Supplement;

"Register" has the meaning given in the Agency Agreement;

"Regular Period" means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"Relevant Date" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Issuing and Paying Agent or the

Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"Relevant Financial Centre" has the meaning given in the relevant Pricing Supplement;

"Relevant Indebtedness" means any present or future indebtedness (whether being principal, premium, interest or other amounts) which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities (a) which for the time being is, or is intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market, (b) which has an original maturity in excess of one year, (c) which is issued outside of the PRC, and (d) which does not have the benefit of credit enhancement through a standby letter of credit, bank guarantee or other similar arrangement or instrument from a commercial bank;

"Relevant Screen Page" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"Relevant Time" has the meaning given in the relevant Pricing Supplement;

"Reserved Matter" has the meaning given in the Trust Deed;

"SAFE" means the State Administration of Foreign Exchange of the PRC or its local counterpart;

"SASAC" means the State-owned Assets Supervision and Administration of the State Council of the PRC or its successor;

"Security Interest" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"Specified Currency" has the meaning given in the relevant Pricing Supplement;

"Specified Denomination(s)" has the meaning given in the relevant Pricing Supplement;

"Specified Office" has the meaning given in the Agency Agreement;

"Specified Period" has the meaning given in the relevant Pricing Supplement;

"Subsidiary" means, in relation to any Person (the **"first Person"**) at any particular time, any other Person (the **"second Person"**) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"T2" means the real time gross settlement system operated by the Eurosystem or any successor system;

"Talon" means a talon for further Coupons;

"TARGET Settlement Day" means any day on which T2 is open for the settlement of payments in euro;

"Triggering Event", in relation to a Series of Notes, means any of the following events:

- (a) an Event of Default; or

- (b) the failure by the Issuer to provide the Issuing and Paying Agent with a liquidity notice on or prior to the relevant liquidity notice date in accordance with the terms of the Agency Agreement and the Deed of Asset Purchase Undertaking;

"**United States**" means the United States of America, the District of Columbia, and its possessions); and

"**Zero Coupon Note**" means a Note specified as such in the relevant Pricing Supplement;

- (b) *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes or are Registered Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*) (or any undertaking given in addition to or in substitution of Condition 13 (*Taxation*)), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) (or any undertaking given in addition to or in substitution of Condition 13 (*Taxation*) pursuant to the Trust Deed) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;
- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes;
- (viii) any reference to the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking or the Agency Agreement shall be construed as a reference to the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking or the Agency Agreement (as applicable), as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes;
- (ix) any reference in these Conditions to any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted; and
- (x) all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent, and all such references shall be construed accordingly.

3. **Form, Denomination, Title and Transfer**

- (a) *Bearer Notes:* Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination. In any case, Bearer Notes will not be exchangeable for Registered Notes.
- (b) *Title to Bearer Notes:* Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.
- (c) *Registered Notes:* Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement. In any case, Registered Notes will not be exchangeable for Bearer Notes or *vice versa*.
- (d) *Title to Registered Notes:* Each Registrar will maintain a register at its Specified Office outside the United Kingdom in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.
- (e) *Ownership:* The Holder of any Note or Coupon shall (except as ordered by a court of competent jurisdiction or otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.
- (f) *Transfers of Registered Notes:* Subject to sub-paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the relevant Registrar or the Transfer Agent, together with such evidence as such Registrar or (as the case may be) Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.
- (g) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with sub-paragraph (f) (*Transfers of Registered Notes*) above, the relevant Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of the Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured mail to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general

business (including dealings in foreign currencies) in the city where the relevant Registrar or (as the case may be) Transfer Agent has its Specified Office.

- (h) *No charge*: The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the relevant Registrar or the Transfer Agent but against such indemnity as such Registrar or (as the case may be) Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (i) *Closed periods*: Noteholders may not require transfers to be registered (i) during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes; (ii) after a Put Option Notice has been delivered in respect of the relevant Note(s) in accordance with Condition 10(f) (*Redemption at the option of the Noteholders*); (iii) after a Change of Control Put Exercise Notice has been delivered in respect of the relevant Note(s) in accordance with Condition 10(c) (*Redemption for Change of Control*) and (iv) the five Business Days (in the case of Renminbi) and 15 days (in the case of a currency other than Renminbi, whether or not such 15th day is a Business Day) before the Record Date (as defined in Condition 12(f) (*Record date*)) in respect of the Registered Notes.
- (j) *Regulations concerning transfers and registration*: All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available for inspection by the Registrar to any Noteholder upon prior written request and satisfactory proof of holding.

4. **Status**

Status of the Notes: The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 5(a) (*Negative pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of applicable law that are both mandatory and of general application.

5. **Covenants**

- (a) *Negative pledge*: So long as any Note remains outstanding (as defined in the Trust Deed),
 - (i) the Issuer shall not, and the Issuer shall procure that none of its Principal Subsidiaries will, create or permit to subsist any Security Interest (save for Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or guarantee or indemnity in respect of any Relevant Indebtedness without at the same time or prior thereto (A) securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (B) providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders; and
 - (ii) the Company shall not, and the Company shall procure that none of its Principal Subsidiaries will, create or permit to subsist any Security Interest (save for Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or guarantee or indemnity in respect of any Relevant Indebtedness without at the same time or prior thereto (A) securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (B) providing such other security for the Notes as may be approved by an Extraordinary Resolution of the Noteholders.

- (b) *Rating maintenance:* Where the relevant Pricing Supplement specifies that the Notes are rated or are expected to be rated by any Rating Agency, so long as the relevant Series or Tranche of Notes remains outstanding, save with the approval of an Extraordinary Resolution of Noteholders, the Issuer and the Company shall use their respective reasonable endeavours to maintain a rating on the Notes by a Rating Agency.
- (c) *Financial statements etc.:* So long as the relevant Series or Tranche of Note remains outstanding, each of the Issuer and the Company shall provide the Trustee with:
 - (i) a Compliance Certificate (on which the Trustee may rely as to such compliance) within 14 days from request by the Trustee and at the time of provision of the Company Audited Financial Reports (in the case of the Company) and the Issuer Audited Financial Reports (in the case of the Issuer);
 - (ii) a copy of the relevant Company Audited Financial Reports and the Issuer Audited Financial Reports (as the case may be) within 180 days of the end of each Relevant Period prepared in accordance with PRC GAAP, IFRS or HKFRS (as the case may be) (in each case, audited by an internationally recognised firm of independent accountants), **provided that** if such statements shall be in the Chinese language, the Issuer or the Company (as the case may be) shall provide the Trustee with an English translation of the same translated by (x) an internationally recognised firm of accountants or (y) a professional translation service provider and checked by an internationally recognised firm of independent accountants, together with a certificate signed by a director or an authorised officer of the Issuer or the Company (as the case may be) certifying that such translation is complete and accurate; and
 - (iii) a copy of the Company Unaudited Management Accounts and the Issuer Unaudited Management Accounts within 90 days of the end of each Relevant Period prepared on a basis consistent with the Company Audited Financial Reports and the Issuer Audited Financial Reports, (as the case may be), **provided that** if such statements shall be in the Chinese language, the Company or the Issuer (as the case may be) shall provide the Trustee with an English translation of the same together with a certificate signed by a director or an authorised officer of the Company or the Issuer (as the case may be) certifying that such translation is complete and accurate,

provided that, (A) if at any time the capital stock of the Company or the Issuer is listed for trading on a recognised stock exchange, the Company or the Issuer may make available to the Trustee, as soon as they are available but in any event not more than 14 days after any financial or other reports of the Company or the Issuer are filed with the exchange on which the Company's or the Issuer's capital stock is at such time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the reports or accounts of the Company or the Issuer identified in this Condition 5(c); and (B) where pursuant to Condition 5(c)(ii), the Company is required to appoint an internationally recognised firm of independent accountants, it shall not be required to do so if prohibited or restricted by applicable laws from doing so.

The Trustee shall not be required to review the relevant Company Audited Financial Reports and the Issuer Audited Financial Reports or any other financial report furnished or delivered to it as contemplated in this Condition 5(c) or otherwise and, if the same shall not be in the English language, shall not be required to request or obtain or arrange for an English language translation of the same, and the Trustee shall not be liable to any Noteholder or any other person for not doing so.

- (d) *Obligation to acquire Assets:* In the event of a Triggering Event, the Company has agreed in the Deed of Asset Purchase Undertaking that it shall purchase (either by itself or through a Subsidiary of the Company as designated by it) certain Assets held by the Issuer and/or any of its Subsidiaries (each a "**Relevant Transferor**") in the manner as set out in the Deed of Asset Purchase Undertaking

in order to assist the Issuer with its obligations under the Notes and the Trust Deed. The Issuer has undertaken to the Trustee in the Deed of Asset Purchase Undertaking that it shall procure each Relevant Transferor that is not the Issuer to promptly on-lend or otherwise transfer any payment (each an "**On-Loan**") received pursuant to the Deed of Asset Purchase Undertaking to the Issuer and shall promptly apply all proceeds from each On-Loan towards satisfying its obligations under the Notes and the Trust Deed.

The Issuer shall take all actions necessary for the proceeds received from each On-Loan towards the payment in full of any outstanding amounts as they fall due under the Trust Deed and the Notes (including accrued and unpaid interest on the Notes (if any)). Each of the Issuer and the Company has undertaken in the Deed of Asset Purchase Undertaking that all obligations of the Issuer owing to a Relevant Transferor under each On-Loan shall be subordinated to sums payable and all obligations owing to the Trustee and the Noteholders by the Issuer whether present or future, actual or contingent, and all claims, rights, damages, remedies and/or proceeds in respect of any or all of the foregoing.

- (e) *Information Report to NDRC*: Where the NDRC Foreign Debt Measures applies, for the benefit of the relevant Series or Tranche of Notes to be issued in accordance with these Conditions and the Trust Deed, the Company undertakes to:
- (i) file or cause to be filed with the NDRC the requisite information and documents within the prescribed time frames after the Issue Date in accordance with the NDRC Foreign Debt Measures and any implementation rules as issued by the NDRC from time to time (the "**NDRC Continuous Filings**"), including the initial filing with the NDRC in accordance with the NDRC Foreign Debt Measures of the requisite information and documents in respect of the issue of the relevant Series or Tranche of Notes within 10 China Business Days or other time frame prescribed under the NDRC Foreign Debt Measures after the Issue Date (the "**NDRC Post-issue Information Report**"); and
 - (ii) within eight China Business Days after submission of such NDRC Post-issue Information Report, provide the Trustee with a certificate signed by a director or authorised signatory of the Company confirming the submission of the NDRC Post-issue Information Report and provide the Trustee and the Issuing and Paying Agent with a notice confirming the due filing of the NDRC Post-issue Information Report for dissemination to the Noteholders in accordance with the Condition 21 (*Notices*) by the Issuing and Paying Agent on behalf of the Issuer.

The Trustee shall have no obligation to monitor, assist with or ensure the completion of the NDRC Continuous Filings or the NDRC Post-issue Information Report on or before the deadlines referred to above or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Continuous Filings or the NDRC Post-issue Information Report, and shall not be liable to Noteholders or any other person for not doing so.

6. **Fixed Rate Note Provisions**

- (a) *Application*: This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Accrual of interest*: The Notes bear interest from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments – Bearer Notes*) and Condition 12 (*Payments – Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever

is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Issuing and Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

- (c) *Fixed Coupon Amount:* Other than if the Notes are redeemed on any date that is not an Interest Payment Date, the amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Notes accruing interest otherwise than a Fixed Coupon Amount:* This Condition 6(d) shall apply to Notes which are Fixed Rate Notes only where the Pricing Supplement for such Notes specify that the Interest Payment Dates are subject to adjustment in accordance with the Business Day Convention specified therein. The amount of interest payable in respect of each Note for any Interest Period for such Notes shall be calculated by the Calculation Agent by multiplying the product of the Rate of Interest for such Interest Period and the Calculation Amount by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. The Calculation Agent shall cause the relevant amount of interest and the relevant Interest Payment Date to be notified to the Issuer, the Trustee, the Paying Agents, the Registrar (in the case of Registered Notes) and the Noteholders in accordance with Condition 21 (*Notices*) and, if the Notes are listed on a stock exchange and the rules of such exchange so requires, such exchange as soon as possible after their determination or calculation but in no event later than the fourth Business Day thereafter or, if earlier in the case of notification to the stock exchange, the time required by the rules of the relevant stock exchange.
- (e) *Calculation of interest amount:* Except where Condition 6(d) (*Notes accruing interest otherwise than a Fixed Coupon Amount*) is applicable, the amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified or if the Notes are redeemed on any date that is not an Interest Payment Date shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. Floating Rate Note and Index-Linked Interest Note Provisions

- (a) *Application:* This Condition 7 is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments – Bearer Notes*) and Condition 12 (*Payments – Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Issuing and Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect

of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

- (c) *Screen Rate Determination (other than the Notes which specify the Reference Rate as SOFR)*: If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be (other than in respect of Notes for which SOFR or any related index is specified as the Reference Rate in the relevant Pricing Supplement) determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
 - (A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period;

provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall calculate the Rate of Interest at such time and by reference to such sources as the Issuer, in consultation with an Independent Investment Bank appointed by the Issuer (and such Independent Investment Bank to act in good faith and in a commercially reasonable manner) determines appropriate;

- (iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
- (v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial

Centre of the Specified Currency, selected by the Issuer, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading international banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however**, subject to Condition 7(e) (*Benchmark Replacement for Notes (other than Notes which specify the Reference Rate as SOFR)*), that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (d) *Screen Rate Determination where the Reference Rate is specified as being SOFR Benchmark:* If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined where the Reference Rate is SOFR Benchmark, the Rate of Interest applicable to the Notes for each Interest Period will, subject as provided below, be equal to the sum of the relevant SOFR Benchmark plus or minus (as specified in the relevant Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent on the relevant Interest Determination Date.

The "**SOFR Benchmark**" will be determined based on Simple SOFR Average, Compounded SOFR Average or SOFR Compounded Index (as specified in the relevant Pricing Supplement), as follows (subject in each case to Condition 7(f) (*Benchmark Replacement (SOFR)*)):

- (i) If Simple SOFR Average ("**Simple SOFR Average**") is specified in the relevant Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Period shall be the arithmetic mean of the SOFR reference rates for each day during such Interest Period, as calculated by the Calculation Agent, and where, if applicable and as specified in the relevant Pricing Supplement, the SOFR reference rate on the SOFR Rate Cut-Off Date shall be used for the days in the relevant Interest Period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the last day of that Interest Period.
- (ii) If Compounded SOFR Average ("**Compounded SOFR Average**") is specified in the relevant Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Period shall be equal to the value of the SOFR reference rates for each day during the relevant Interest Period (where SOFR Observation Lag, SOFR Payment Delay or SOFR Lockout is specified in the relevant Pricing Supplement to determine Compounded SOFR Average) or SOFR Observation Period (where SOFR Observation Shift is specified as applicable in the relevant Pricing Supplement to determine Compounded SOFR Average).

Compounded SOFR Average shall be calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified in the relevant Pricing Supplement:

- (1) SOFR Observation Lag:

$$\left(\prod_{i=1}^{d_0} \left(1 + \frac{SOFR_{i-USBD} \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards) and where:

"**SOFR_{i-xUSBD}**" for any U.S. Government Securities Business Day "i" in the relevant Interest Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day "i";

"**Lookback Days**" means such number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement;

"**d**" means the number of calendar days in the relevant Interest Period;

"**d_o**" for any Interest Period, means the number of U.S. Government Securities Business Days in the relevant Interest Period;

"**i**" means a series of whole numbers ascending from one to do, each representing the relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period; and

"**n_i**" for any U.S. Government Securities Business Day "i" in the relevant Interest Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day for which SOFR_{i-xUSBD} applies.

(2) SOFR Observation Shift:

$$\left(\prod_{i=1}^{d_o} \left(1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards) and where:

"**SOFR_i**" for any U.S. Government Securities Business Day "i" in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day "i";

"**SOFR Observation Period**" means, in respect of each Interest Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of the relevant Interest Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the last day of such Interest Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement;

"**d**" means the number of calendar days in the relevant SOFR Observation Period;

"**d_o**" for any SOFR Observation Period, means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

"i" means a series of whole numbers ascending from one to d_0 , each representing the relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period; and

" n_i " for any U.S. Government Securities Business Day "i" in the relevant SOFR Observation Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day for which $SOFR_i$ applies.

(3) SOFR Payment Delay:

$$\left(\prod_{i=1}^{d_0} \left(1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards) and where:

" $SOFR_i$ " for any U.S. Government Securities Business Day "i" in the relevant Interest Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day "i";

"Interest Payment Date" shall be the date falling the number of Interest Payment Delay Days following each Interest Payment Date; **provided that** the Interest Payment Date with respect to the final Interest Period will be the Maturity Date or the relevant date for redemption, as applicable;

"Interest Payment Delay Days" means the number of Business Days as specified in the relevant Pricing Supplement;

"d" means the number of calendar days in the relevant Interest Period;

" d_0 " for any Interest Period, means the number of U.S. Government Securities Business Days in the relevant Interest Period;

"i" means a series of whole numbers ascending from one to d_0 , each representing the relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period; and

" n_i " for any U.S. Government Securities Business Day "i" in the relevant Interest Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day for which $SOFR_i$ applies.

For the purposes of calculating Compounded SOFR Average with respect to the final Interest Period where SOFR Payment Delay is specified in the relevant Pricing Supplement, the SOFR reference rate for each U.S. Government Securities Business Day in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Maturity Date or the relevant date for redemption, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date.

(4) SOFR Lockout:

$$\left(\prod_{i=1}^{d_0} \left(1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards) and where:

"**SOFR_i**" for any U.S. Government Securities Business Day "i" in the relevant Interest Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day "i", except that the SOFR for any U.S. Government Securities Business Day "i" in respect of the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the last day of such Interest Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date;

"**d**" means the number of calendar days in the relevant Interest Period;

"**d₀**" for any Interest Period, means the number of U.S. Government Securities Business Days in the relevant Interest Period;

"**i**" means a series of whole numbers ascending from one to d₀, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period; and

"**n_i**" for any U.S. Government Securities Business Day "i" in the relevant Interest Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day for which SOFR_i applies.

The following defined terms shall have the meanings set out below for purpose of Conditions 7(d)(i) and 7(d)(ii):

"**Bloomberg Screen SOFRRATE Page**" means the Bloomberg screen designated

"**SOFRRATE**" or any successor page or service;

"**Reuters Page USDSOFR=**" means the Reuters page designated "USDSOFR=" or any successor page or service;

"**SOFR**" means, with respect to any U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provision:

- i. the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator's Website;
- ii. if the reference rate specified in i above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not

occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; or

- iii. if the reference rate specified in i above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 7(f) (*Benchmark Replacement (SOFR)*) shall apply;

"SOFR Determination Time" means approximately 3:00 p.m. (New York City time) on the immediately following the relevant U.S. Government Securities Business Day.

- (iii) If SOFR Compounded Index is specified as applicable in the relevant Pricing Supplement, the SOFR Benchmark for each Interest Period shall be equal to the value of the SOFR reference rates for each day during the relevant Interest Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}} - 1 \right) \times \left(\frac{360}{d_c} \right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards) and where:

"SOFR Index", with respect to any U.S. Government Securities Business Day, means the SOFR Index value as published on the SOFR Administrator's Website at the SOFR Index Determination Time, **provided that** if such SOFR Index value is not available and:

- i. if a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the "SOFR Compounded Index" shall be calculated on any Interest Determination Date with respect to an Interest Period, in accordance with the Compounded SOFR Average formula described above in Condition 7(d)(ii)(2) (*SOFR Observation Shift*); or
- ii. if a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 7(f) (*Benchmark Replacement (SOFR)*) shall apply;

"SOFR Index_{End}" means the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the relevant Pricing Supplement prior to the last day of such Interest Period (or in the final Interest Period, the Maturity Date);

"SOFR Index_{Start}" means the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the relevant Pricing Supplement prior to the first day of the relevant Interest Period;

"SOFR Index Determination Time" means, in relation to any U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day; and

"d_c" means the number of calendar days from (and including) the day in relation to which SOFR Index_{Start} is determined to (but excluding) the day in relation to which SOFR Index_{End} is determined (being the number of calendar days in the applicable reference period).

The following defined terms shall have the meanings set out below for purpose of this Condition 7(d):

"SOFR Administrator's Website" means the website of the Federal Reserve Bank of New York at <http://www.newyorkfed.org>, or any successor source;

"SOFR Benchmark Replacement Date" means the date of occurrence of a Benchmark Event with respect to the then-current SOFR Benchmark;

"SOFR Benchmark Transition Event" means the occurrence of a Benchmark Event with respect to the then-current SOFR Benchmark;

"SOFR Rate Cut-Off Date" has the meaning given in the relevant Pricing Supplement; and

"U.S. Government Securities Business Day" or **"USBD"** means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

- (e) *Benchmark Replacement for Notes (other than Notes which specify the Reference Rate as SOFR):* In addition, notwithstanding the provisions of this Condition 7(e), if the Issuer determines that a Benchmark Event has occurred in relation to the relevant Reference Rate specified hereon when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

- (i) the Issuer shall use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Investment Bank to determine (acting in a reasonable manner), no later than five Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the **"IA Determination Cut-off Date"**), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;
- (ii) if the Issuer (acting in a reasonable manner) is unable to appoint an Independent Investment Bank, or the Independent Investment Bank appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in a reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;
- (iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 7(e); **provided, however, that** if sub-paragraph (ii) applies and the Issuer (acting in a reasonable manner) is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest) (subject, where applicable, to substituting the Margin, Maximum Rate of Interest or Minimum Rate of Interest that applied to such preceding Interest Period for the Margin, Maximum Rate of Interest or Minimum Rate of Interest that is to be applied to the relevant Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (iii) shall apply to the relevant Interest Period only and any subsequent

Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 7(e)(iii);

- (iv) if the Independent Investment Bank or the Issuer (acting in a reasonable manner) determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Investment Bank or the Issuer (acting in good faith and in a commercially reasonable manner) (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, business days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, if such changes are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (as applicable). If the Independent Investment Bank (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable), determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Investment Bank or the Issuer (acting in a reasonable manner) (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Issuing and Paying Agent and the Trustee shall, at the direction and expense of the Issuer, effect such consequential amendments to the Trust Deed, the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 7(e)(iv). Consent or approval of the Noteholders or the Couponholders shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Issuing and Paying Agent or the Trustee (if required); and
- (v) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), give notice thereof to the Issuing and Paying Agent, the Noteholders and the Couponholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any consequential changes made to these Conditions,

provided that the determination of any Successor Rate or Alternative Reference Rate, and any other related changes to the Notes, shall be made in accordance with applicable law.

The following defined terms shall have the meanings set out below for purpose of Condition 7(e) (*Benchmark Replacement for Notes (other than Notes which specify the Reference Rate as SOFR)*):

"Adjustment Spread" means (a) a spread (which may be positive or negative or zero) or (b) a formula or methodology for calculating a spread, in each case required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Investment Bank (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt

capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

- (iii) if the Independent Investment Bank (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines that no such customary market usage is recognised or acknowledged, the Independent Investment Bank (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in a reasonable manner) to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this sub-paragraph (iii) only, of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Noteholders and Couponholders.

"Alternative Reference Rate" means the rate that the Independent Investment Bank or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Investment Bank or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Investment Bank or the Issuer (as applicable) determines in its discretion (acting in a reasonable manner) is most comparable to the relevant Reference Rate;

"Benchmark Event" means:

- (i) the relevant Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or
- (ii) a public statement by the administrator of the relevant Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such Reference Rate) it has ceased publishing such Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date (the **"Specified Future Date"**); or
- (iii) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will, by a specified future date (the **"Specified Future Date"**), be permanently or indefinitely discontinued; or
- (iv) a public statement by the supervisor of the administrator of the relevant Reference Rate that means that such Reference Rate will, by a specified future date (the **"Specified Future Date"**), be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes; or
- (v) a public statement by the supervisor of the administrator of the relevant Reference Rate (as applicable) that, in the view of such supervisor, (i) such Reference Rate is or will, by a specified future date (the **"Specified Future Date"**), be no longer representative of an underlying market or (ii) the methodology to calculate such Reference Rate has materially changed; or
- (vi) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent to calculate any payments due to be made to any Noteholder using the relevant Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (ii), (iii), (iv), or (v) above and the Specified Future Date in the

public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed to occur until the date falling six months prior to such Specified Future Date;

"Relevant Nominating Body" means, in respect of a reference rate:

- (i) the central bank for the currency to which the reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the reference rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof; and

"Successor Rate" means the rate that the Independent Investment Bank or the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

- (f) *Benchmark Replacement (SOFR)*: The following provisions shall apply if Benchmark Event (SOFR) is specified as applicable in the relevant Pricing Supplement:

- (i) *Benchmark Replacement*

If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the then current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

- (ii) *Benchmark Replacement Conforming Changes*

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, any of the Agents and the Trustee shall, at the direction and expense of the Issuer, effect such consequential amendments to the Trust Deed, the Agency Agreement and these Conditions as may be required to give effect to this Condition 7(f). Consent or approval of the Noteholders or the Couponholders shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by the Trustee or any of the Agents (if required). Further, none of the Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

- (iii) *Decisions and Determinations*

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 7(f), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (i) will be conclusive and binding absent manifest error, (ii) will be made in the sole discretion of the Issuer or its designee, as applicable, and (iii) notwithstanding anything to the contrary in the

documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

The following defined terms shall have the meanings set out below for purpose of Condition 7(f) (*Benchmark Replacement (SOFR)*):

"Benchmark" means, initially, the relevant SOFR Benchmark specified in the relevant Pricing Supplement; **provided that** if the Issuer or its designee determines on or prior to the Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then **"Benchmark"** means the applicable Benchmark Replacement;

"Benchmark Event" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

- (i) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, **provided that**, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, **provided that**, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"Benchmark Replacement" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

- (i) the sum of:
 - 1. the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and
 - 2. the Benchmark Replacement Adjustment;

- (ii) the sum of:
 - 1. the ISDA Fallback Rate; and
 - 2. the Benchmark Replacement Adjustment; or
- (iii) the sum of:
 - 1. the alternate reference rate that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Notes at such time; and
 - 2. the Benchmark Replacement Adjustment;

"Benchmark Replacement Adjustment" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

- (i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- (ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or
- (iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Notes at such time;

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary);

"Benchmark Replacement Date" means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

- (i) in the case of sub-paragraph (i) or (ii) of the definition of "Benchmark Event", the later of:
 - (1) the date of the public statement or publication of information referenced therein; and
 - (2) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or
- (ii) in the case of sub-paragraph (iii) of the definition of "Benchmark Event", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"designee" means a designee as selected and separately appointed by the Issuer in writing;

"ISDA Definitions" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

"ISDA Fallback Adjustment" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"ISDA Fallback Rate" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"Reference Time" with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Simple SOFR Average or Compounded SOFR Average is specified in the relevant Pricing Supplement) or SOFR Index Determination Time (where SOFR Compounded Index is specified in the relevant Pricing Supplement); or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes;

"Relevant Governmental Body" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto;

"Successor Rate" means the rate that the Independent Investment Bank or the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body; and

"Unadjusted Benchmark Replacement" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

- (g) *Rate of Interest for Index Linked Interest Notes:* The Rate of Interest in respect of Index Linked Interest Notes for each Interest Period shall be determined by the Calculation Agent in the manner specified hereon and interest will accrue by reference to an index or formula as specified hereon.
- (h) *ISDA Determination:* If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
 - (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement;
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on EURIBOR, HIBOR or CNH HIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement; and
 - (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
 - (A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.
- (i) *Index-Linked Interest:* If the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Pricing Supplement.
- (j) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified. If the relevant Pricing Supplement does not specify any Minimum Rate of Interest and the Rate of Interest as determined by the Calculation Agent according to this Condition 7 is a negative value, the Rate of Interest shall be zero per cent. per annum.
- (k) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest

Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

- (l) *Calculation of other amounts:* If the relevant Pricing Supplement specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Pricing Supplement.
- (m) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Paying Agents, and the Trustee as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given by the Issuer to the Noteholders and, if the Notes have been admitted to listing, trading and/or quotation to any stock exchange and/or quotation system and the rules of the relevant competent authority or such stock exchange and/or quotation system so require, to such competent authority, stock exchange and/or quotation system. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (n) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Company, the Trustee, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. **Zero Coupon Note Provisions**

- (a) *Application:* This Condition 8 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Issuing and Paying Agent or the Trustee has notified the

Noteholders that the Issuing and Paying Agent has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. **Dual Currency Note Provisions**

- (a) *Application:* This Condition 9 is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Rate of Interest:* If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Pricing Supplement.

10. **Redemption and Purchase**

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments – Bearer Notes*) and Condition 12 (*Payments – Registered Notes*).
- (b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part:
 - (i) at any time (unless the Floating Rate Note Provisions or the Index Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable); or
 - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable) at their Early Redemption Amount (Tax), together with accrued and unpaid interest (if any) to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that (A) the Issuer has or will become obliged to pay the Additional Amounts, as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Hong Kong, the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, **provided, however, that**, no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee:

- (1) a certificate signed by any director of the Issuer stating that the circumstances referred to in (A) and (B) above prevail and setting out the details of such circumstances; and
- (2) an opinion in form and substance satisfactory to the Trustee of independent legal or tax advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

The Trustee shall be entitled to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (A) and (B) above, in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 10(b) (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b) (*Redemption for tax reasons*).

- (c) *Redemption for Change of Control*: At any time following the occurrence of a Change of Control, the Issuer shall, at the option of the Holder of any Note (the "**Change of Control Put Option**") redeem all but not some only of the Notes held by such Holder on the Change of Control Put Settlement Date at a price equal to the Early Redemption Amount (Change of Control) together with accrued and unpaid interest (if any) to such date. Following the occurrence of a Change of Control, the Issuer shall give notice to Noteholders and the Trustee in accordance with Condition 21 (*Notices*) by not later than seven days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by Noteholders of their rights to require redemption of the Notes pursuant to this Condition 10(c) (*Redemption for Change of Control*).

In order to exercise the Change of Control Put Option, the Holder of a Note must, within 30 days (i) following a Change of Control or (ii) following (if later) the day upon which the Issuer gives such relevant notice to Noteholders in accordance with Condition 21 (*Notices*), deposit the Note Certificate relating to such Note with any Paying Agent together with a duly completed and signed notice of redemption (a "**Change of Control Put Exercise Notice**") in the form obtainable from the Specified Office of any Paying Agent. The "**Change of Control Put Settlement Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above. No Note Certificate, once deposited with a duly completed Change of Control Put Exercise Notice in accordance with this Condition 10(c) (*Redemption for Change of Control*), may be withdrawn; **provided, however, that** if, prior to the Change of Control Put Settlement Date, the Notes evidenced by any Note Certificate so deposited become immediately due and payable or, upon due presentation of any Note Certificate on the Change of Control Put Settlement Date, payment of the redemption moneys is improperly withheld or refused, such Note Certificate shall, without prejudice to the exercise of the Change of Control Put Option, be returned to the Holder by uninsured mail at the address specified by such Holder in the relevant Change of Control Put Exercise Notice.

The Trustee and the Agents shall not be obliged to take any steps to ascertain whether a Change of Control has occurred or to monitor the occurrence of a Change of Control, and shall not be liable to any Noteholders or any other person for not so doing.

- (d) *Redemption at the option of the Issuer*: If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Pricing Supplement (which notice shall be irrevocable, but may (at the option of the Issuer) be conditional on one or more conditions precedent being satisfied, or waived by the Issuer, and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued and unpaid interest (if any) to such date).
- (e) *Partial redemption*: If the Notes are to be redeemed in part only on any date in accordance with Condition 10(d) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Trustee approves and in such manner as the Trustee considers appropriate, subject to compliance with applicable law, the

rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 10(d) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

- (f) *Redemption at the option of Noteholders*: If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with accrued and unpaid interest (if any) to such date. In order to exercise the option contained in this Condition 10(f), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Pricing Supplement), deposit with any Paying Agent such Bearer Note together with all unmatured Coupons relating thereto or the Notes Certificates evidencing such Registered Notes to be redeemed and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(f), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(f), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.
- (g) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (f) (*Redemption at the option of Noteholders*) above.
- (h) *Early redemption of Zero Coupon Notes*: Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 10(h) or, if none is so specified, a Day Count Fraction of 30E/360.

- (i) *Purchase*: The Issuer, the Company or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith.

- (j) *Cancellation*: All Notes so redeemed or purchased by the Issuer, the Company or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them may be held, reissued, resold or at the option of the Issuer, surrendered to the Principal Paying Agent for cancellation.
- (k) *Calculations*: Neither the Trustee nor any of the Agents (other than the Calculation Agent and solely in respect of its functions as an appointment Calculation Agent of the Issuer) shall be responsible for calculating or verifying the calculations of any amount under any notice of redemption or have a duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection thereto, and shall not be liable to the Noteholders or any other person for not doing so.

11. **Payments – Bearer Notes**

This Condition 11 is only applicable to Bearer Notes.

- (a) *Principal*: Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency, and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency.
- (b) *Interest*: Payments of interest shall, subject to paragraph (h) (*Payments on business days*) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.

In relation to Bearer Notes held in the CMU, payments of principal and interest in respect of Bearer Notes held in the CMU will be made to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time.

Payments of principal and interest in respect of Bearer Notes held in the CMU will be made to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU.

- (c) *Payments in New York City*: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws*: All payments in respect of the Bearer Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 13 (*Taxation*)) any law implementing an intergovernmental approach thereto.

- (e) *Charges on payments:* No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (f) *Deductions for unmatured Coupons:* If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:
 - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
 - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) (*Principal*) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.
- (g) *Unmatured Coupons void:* If the relevant Pricing Supplement specifies that this Condition 11(g) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(c) (*Redemption for Change of Control*), Condition 10(d) (*Redemption at the option of the Issuer*), Condition 10(f) (*Redemption at the option of Noteholders*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (h) *Payments on business days:* If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (i) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the

Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) (*Payments in New York City*) above).

- (j) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (k) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Issuing and Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

So long as the Global Note is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Note will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Payment of interest or principal by the in respect of a Global Note held through CMU shall be made to the person(s) for whose account(s) interests in the Global Note are credited as being held with the CMU at the relevant time.

12. **Payments – Registered Notes**

This Condition 12 is only applicable to Registered Notes.

- (a) *Principal:* Payments of principal shall be made (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Issuing and Paying Agent not later than the 15th day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London), and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency, and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) *Interest:* Payments of interest shall be made (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Issuing and Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London), and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency, and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

In relation to Registered Notes held in the CMU, payments of principal and interest in respect of Registered Notes held in the CMU will be made to the person(s) for whose account(s) interests in the relevant Registered Note are credited as being held with the CMU in accordance with the CMU Rules at the relevant time.

- (c) *Payments subject to fiscal laws:* All payments in respect of the Registered Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 13 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 12 arriving after the due date for payment or being lost in the mail.
- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) *Record date:* Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the close of business in the place of the relevant Registrar's Specified Office on the fifth Business Day (in the case of Renminbi) and the 15th day (in the case of a currency other than Renminbi, whether or not such 15th day is a Business Day) before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the close of business on the relevant Record Date.

*So long as the Global Note Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Note Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

Payment of interest or principal by the in respect of a Global Note Certificate held through CMU shall be made to the person(s) for whose account(s) interests in the Global Note Certificate are credited as being held with the CMU at the relevant time.

13. **Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected,

withheld or assessed by or on behalf of Hong Kong or the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law.

Where such withholding or deduction is made by the Issuer at the rate applicable in the PRC on the date on which agreement is reached to issue the first Tranche of Notes (the "**Applicable Rate**"), the Issuer will pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

In the event that the Issuer is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate; or (ii) by or within Hong Kong, the Issuer shall pay such additional amounts (in each case, the "**Additional Amounts**") as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note or Coupon:

- (a) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
- (b) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such Additional Amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 13 or any undertaking given in addition to or in substitution of this Condition 13 pursuant to the Trust Deed.

If the Issuer becomes subject at any time to any taxing jurisdiction other than Hong Kong or the PRC, references in these Conditions to Hong Kong or the PRC shall be construed as references to Hong Kong, the PRC and/or such other jurisdiction.

Neither the Trustee nor the Agents shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 13 (*Taxation*) or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Company, the Noteholders or any other person to pay such tax, duty, charge, withholding or other payment in any jurisdiction or to provide any notice or information to the Noteholders that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

14. **Events of Default**

If any of the following events occurs, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or pre-funded and/or secured to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with accrued and unpaid interest (if any) without further action or formality:

- (a) *Non-payment*: default is made for more than seven days when payment is due (in the case of principal) or for more than 14 days in the payment of any interest due (in the case of interest) in respect of any of the Notes; or
- (b) *Breach of other obligations*: the Issuer or the Company defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking or the Trust Deed (other than the non-compliance of Clause 3 of the Deed of Asset Purchase Undertaking or where it gives rise to a redemption pursuant to Condition 10(c) (*Redemption for Change of Control*)) and such default (i) is incapable of remedy or (ii) being a default which is capable of remedy remains unremedied for 45 days; or
- (c) *Cross-acceleration of Issuer, Company or Principal Subsidiary*:
 - (i) any indebtedness of the Issuer, the Company or any Principal Subsidiary of the Issuer or the Company is not paid when due or (as the case may be) within any originally applicable grace period;
 - (ii) any such indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Company or (as the case may be) the relevant Principal Subsidiary or (**provided that** no event of default, howsoever described, has occurred) any person entitled to such indebtedness; or
 - (iii) the Issuer, the Company or any Principal Subsidiary of the Issuer or the Company fails to pay when due any amount payable by it under any guarantee of any indebtedness;

provided that the amount of indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds U.S.\$50,000,000 (or its equivalent in any other currency or currencies); or
- (d) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment of any amount exceeding U.S.\$50,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer, the Company or any Principal Subsidiary of the Issuer or the Company, such judgment continue(s) unsatisfied and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment and no further appeal or judicial review from such judgment is permissible under applicable law; or
- (e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets or revenues of the Issuer, the Company or any Principal Subsidiary of the Issuer or the Company; or
- (f) *Insolvency etc*: (i) the Issuer, the Company or any Principal Subsidiary of the Issuer or the Company becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer, the Company or any Principal Subsidiary of the Issuer or the Company or the whole or a substantial part of the undertaking, assets and revenues of the Issuer, the Company or any Principal Subsidiary of the Issuer or the Company, (iii) the Issuer, the Company or any Principal Subsidiary of the Issuer or the Company takes any action for a readjustment or deferment of a substantial part of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of all or a substantial part of its indebtedness or any guarantee of all or a substantial part of its indebtedness given by it, in each case, except on terms approved by an Extraordinary Resolution of the Noteholders; or

- (g) *Winding up etc*: (i) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Company or any Principal Subsidiary of the Issuer or the Company or (ii) the Issuer, the Company or any Principal Subsidiary of the Issuer or the Company ceases or threatens to cease to carry on all or a substantial part of its business except (A) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Noteholders, or (B) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Company, the Issuer or any of their respective Subsidiaries, or (C) a members' voluntary solvent winding-up of any Principal Subsidiary, or (D) in the case of a Principal Subsidiary, any disposal or sale of a Principal Subsidiary to any other person on arms' length terms for market consideration; or
- (h) *Analogous event*: any event occurs which under the laws of Hong Kong or the PRC has an analogous effect to any of the events referred to in Condition 14(d) (*Unsatisfied judgment*) to 14(g) (*Winding up etc*) above; or
- (i) *Failure to take action etc*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Company lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes, Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking or the Agency Agreement, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Coupons, the Trust Deed, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
- (j) *Unlawfulness*: it is or will become unlawful for the Issuer or the Company to perform or comply with any of their respective obligations under or in respect of the Notes, the Trust Deed, the Keepwell and Liquidity Support Deed or the Deed of Asset Purchase Undertaking; or
- (k) *Keepwell and Liquidity Support Deed and Deed of Asset Purchase Undertaking*: the Keepwell and Liquidity Support Deed or the Deed of Asset Purchase Undertaking is not (or is claimed by the Company not to be) in full force and effect, or any of the Keepwell and Liquidity Support Deed or the Deed of Asset Purchase Undertaking is modified, amended or terminated other than in accordance with its terms or these Conditions.

15. **Prescription**

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

16. **Replacement of Notes and Coupons**

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Issuing and Paying Agent, in the case of Bearer Notes, or the relevant Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as

to evidence, security, indemnity and otherwise as the Issuer or the relevant Agent may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

17. **Trustee and Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified and/or pre-funded and/or provided with security to its satisfaction, as well as relieved from responsibility in certain circumstances and to be paid its fees, costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Company and any entity relating to the Issuer and the Company without accounting for any profit.

In the exercise of its powers and discretions under these Conditions, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Holders of Notes or Coupons as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer, the Company and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer and the Company reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor to any of the Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Principal Registrar, the CMU Registrar or the Calculation Agent and additional or successor Paying Agents and Transfer Agent; **provided, however, that:**

- (i) the Issuer shall at all times maintain an Issuing and Paying Agent and a Principal Registrar; and
- (ii) the Issuer shall at all times maintain a CMU Lodging and Paying Agent (and a CMU Registrar, in case of Registered Notes) in relation to Notes accepted for clearance through the CMU; and
- (iii) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer shall at all times maintain a Calculation Agent; and
- (iv) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given by the Issuer to the Noteholders.

18. **Meetings of Noteholders; Modification and Waiver**

- (a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking and the Agency Agreement. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the

Company (acting together) or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes, and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** certain proposals (including any Reserved Matter) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

Any such meeting of the Noteholders may be convened at a physical location, or such other method (which may include, without limitation, a conference call or video conference) as the Trustee may determine in accordance with the provisions of the Trust Deed.

In addition, a resolution in writing signed by or on behalf of Noteholders holding not less than 90 per cent. of the aggregate principal amount of the outstanding Notes who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

The consent or approval of the Noteholders shall not be required in the case of amendments to these Conditions pursuant to Condition 7(e) or 7(f) to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes or for any other variation of these Conditions, the Trust Deed and/or the Agency Agreement required to be made in the circumstances described in Condition 7(e) or 7(f), where the requirements of Condition 7(e) or 7(f) have been satisfied (including the provision of a certificate to the Trustee, where applicable).

- (b) *Modification and waiver:* The Trustee may, without the consent of the Noteholders, agree (i) to any modification of these Conditions, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking or the Agency Agreement (other than in respect of a Reserved Matter) if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and (ii) to any modification of the Notes, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error. In addition, the Trustee may, without the consent of the Noteholders or Couponholders, authorise or waive any proposed breach or breach of the Notes, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking or the Agency Agreement (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Any such authorisation, waiver or modification shall be binding on the Noteholders and the Couponholders and (in the case of any such modification, unless the Trustee agrees otherwise) any such authorisation, waiver or modification shall be notified to the Noteholders by the Issuer as soon as practicable thereafter.

- (c) *Directions from Noteholders:* Notwithstanding anything to the contrary in these Conditions or the Trust Deed, whenever the Trustee is required or entitled by the terms of these Conditions, the Trust Deed, the Agency Agreement, the Keepwell and Liquidity Support Deed or the Deed of Asset Purchase Undertaking to exercise any discretion or power, take any action, make any decision or

give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions or clarifications of directions from the Noteholders by way of an Extraordinary Resolution and shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions or clarifications of directions, or in the event that the directions or clarification of directions sought are not provided by the Noteholders.

- (d) *Certificates and reports:* The Trustee may rely without liability to any Noteholder, Couponholder or to other person on a report, advice, opinion, confirmation or certificate from any lawyers, valuers, accountants (including the auditors, surveyors), financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation, certificate, opinion or advice shall be binding on the Issuer, the Company, the Trustee, the Noteholders and the Couponholders.

19. **Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such proceedings, actions or steps as it thinks fit to enforce its rights under the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking or the Agency Agreement, but it shall not be bound to do so unless:

- (i) it has been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (ii) it has been indemnified and/or pre-funded and/or secured to its satisfaction.

No Noteholder may proceed directly against the Issuer or the Company unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

20. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest and the timing for reporting to the NDRC) so as to form a single series with the Notes.

21. **Notices**

- (a) *Bearer Notes:* Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in Hong Kong or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Asia. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

- (b) *Registered Notes*: Notices to the Holders of Registered Notes shall be sent to them by uninsured mail at their respective addresses on the Register or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Asia. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Notes are represented by a Global Note or a Global Note Certificate and such Global Note or Global Note Certificate is held on behalf of Euroclear or Clearstream or the CMU, or any other clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions.

22. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify the Trustee, each Noteholder and Couponholder, on the written demand of the Trustee, such Noteholder or Couponholder addressed and delivered to the Issuer, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Trustee, such Noteholder or Couponholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

23. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

24. **Governing Law and Jurisdiction**

- (a) *Governing law*: The Notes, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking and the Agency Agreement and any non-contractual obligations arising out of or in connection with the Notes, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking and the Agency Agreement are governed by English law.
- (b) *Jurisdiction*: Each of the Issuer and the Company has in the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking and the Agency Agreement (i) agreed for the benefit of the Trustee and the Noteholders that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes, the Trust Deed, the Keepwell and Liquidity Support Deed, the Deed of Asset Purchase Undertaking and the

Agency Agreement); (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) in the case of the Company, designated a person in Hong Kong to accept service of any process on its behalf; and (iv) to the extent that it may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

FORM OF THE NOTES

Bearer Notes

Each Tranche of Notes in bearer form (“**Bearer Notes**”) will initially be in the form of either a temporary global note in bearer form (the “**Temporary Global Note**”), without interest coupons, or a permanent global note in bearer form (the “**Permanent Global Note**”), without interest coupons, in each case as specified in the relevant Pricing Supplement. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a “**Global Note**”) will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear and/or Clearstream and/or a sub- custodian for the CMU and/or any other relevant clearing system.

In the case of each Tranche of Bearer Notes, the relevant Pricing Supplement will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the “**TEFRA C Rules**”) or United States Treasury Regulation §1.163 5(c)(2)(i)(D) (the “**TEFRA D Rules**”) are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for a Permanent Global Note”, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note, duly authenticated to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Issuing and Paying Agent or the CMU Lodging and Paying Agent; and
- (ii) receipt by the Issuing and Paying Agent or the CMU Lodging and Paying Agent of a certificate or certificates of non-U.S. beneficial ownership,

within seven days of the bearer requesting such exchange.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier

than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Issuing and Paying Agent within 30 days of the bearer requesting such exchange.

Permanent Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or
- (ii) at any time, if so specified in the relevant Pricing Supplement; or
- (iii) if the Pricing Supplement specifies “in the limited circumstances described in the Permanent Global Note”, then if either of the following events occurs:
 - (a) Euroclear or Clearstream, the CMU or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or
 - (b) an Event of Default as defined in the Conditions occurs and the Notes become due and payable.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Issuing and Paying Agent or the CMU Lodging and Paying Agent within 30 days of the bearer requesting such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” and the provisions of the relevant Pricing Supplement which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “*Summary of Provisions Relating to the Notes while in Global Form*” below.

Legend concerning United States persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

Registered Notes

Each Tranche of Notes in registered form (“**Registered Notes**”), will be represented by either individual note certificates in registered form (“**Individual Note Certificates**”) or a global note in registered form (a “**Global Note Certificate**”), in each case as specified in the relevant Pricing Supplement.

Each Global Note Certificate will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream and/or a sub-custodian for the CMU and/or any other relevant clearing system and registered in the name of a nominee for such depositary or the HKMA and will be exchangeable for Individual Note Certificates in accordance with its terms.

If the relevant Pricing Supplement specifies the form of Notes as being “Individual Note Certificates”, then the Notes will at all times be represented by Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

Global Note Certificate exchangeable for Individual Note Certificates

If the relevant Pricing Supplement specifies the form of Notes as being “Global Note Certificate exchangeable for Individual Note Certificates”, then the Notes will initially be represented by one or more Global Note Certificates each of which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or
- (ii) at any time, if so specified in the relevant Pricing Supplement; or
- (iii) if the relevant Pricing Supplement specifies “in the limited circumstances described in the Global Note Certificate”, then:
 - (a) if Euroclear, Clearstream, the CMU or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
 - (b) an Event of Default as defined in the Conditions occurs and the Notes become due and payable.

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate to the Registrar of such information as is required to complete and deliver such Individual Note Certificates against the surrender of the Global Note Certificate at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Trust Deed and the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Agency Agreement and, in

particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” below and the provisions of the relevant Pricing Supplement which amend, supplement and/or replace those terms and conditions.

The terms and conditions applicable to any Global Note Certificate will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “*Summary of Provisions Relating to the Notes while in Global Form*” below.

Summary of Provisions relating to the Notes while in Global Form

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note in bear form, references in the Terms and Conditions of the Notes to “Noteholder” are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system, and/or a sub-custodian for the CMU, will be that depositary, common depositary or sub-custodian, as the case may be.

In relation to any Tranche of Notes represented by a Global Note Certificate, references in the Terms and Conditions of the Notes to “Noteholder” are references to the person in whose name such Global Note Certificate is for the time being registered in the Register which (a) in the case of any Global Note Certificate which is held by or on behalf of a depositary or a common depositary for Euroclear and/or Clearstream that depositary or common depositary and (b) in the case of any Global Note Certificate which is held by or on behalf of a sub- custodian for the CMU, the HKMA.

Each of the persons shown in the records of Euroclear, Clearstream and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Note Certificate (each an “**Accountholder**”) must look solely to Euroclear, Clearstream and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the Issuer to the holder of such Global Note or Global Note Certificate and in relation to all other rights arising under such Global Note or Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Note Certificate will be determined by the respective rules and procedures of Euroclear and Clearstream and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Note Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Note or Global Note Certificate.

If a Global Note or a Global Note Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Note Certificate are credited as being held in the CMU in accordance with the CMU Rules shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU as entitled to receive payments in respect of Notes represented by such Global Note or Global Note Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular

principal amount of Notes represented by such Global Note or Global Note Certificate must look solely to the CMU for his share of each payment so made by the Issuer in respect of such Global Note or Global Note Certificate.

Conditions applicable to Global Notes and Global Note Certificates

Each Global Note and Global Note Certificate will contain provisions which modify the Conditions as they apply to the Global Note or Global Note Certificate. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note or Global Note Certificate which, according to the Conditions, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Note Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that the payment is noted in a schedule thereto.

Calculation of interest: Save for any Notes represented by a Global Note or a Global Note Certificate lodged with a sub-custodian for or registered with the CMU, the calculation of any interest amount in respect of any Note which is represented by a Global Note or Global Note Certificate will be calculated on the aggregate outstanding principal amount of the Notes represented by such Global Note or Global Note Certificate, as the case may be, and not by reference to the Calculation Amount.

Payment Business Day: In the case of a Global Note, or a Global Note Certificate, if the currency of any payment made in respect of Notes represented by this Global Certificate is euro, the applicable Payment Business Day shall be any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; if the currency of any payment made in respect of Notes represented by this Global Certificate is Renminbi, the applicable Payment Business Day shall be any day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; and if the currency of any payment made in respect of Notes represented by this Global Certificate is neither euro nor Renminbi, the applicable Payment Business Day shall be any day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the Specified Currency and in each (if any) Additional Financial Centre.

Payment Record Date: Each payment in respect of a Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “**Record Date**”) where “**Clearing System Business Day**” means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

Exercise of put option: In order to exercise the option contained in Condition 10(c) (*Redemption for Change of Control*) or Condition 10(f) (*Redemption at the option of Noteholders*) (each, a “**Put Option**”), the Holder must, within the period specified in the Conditions for the deposit of the relevant Note Certificate and Put Option Notice or Change of Control Put Exercise Notice (as applicable) (as each such expression is defined in the Condition), give notice of such exercise to the Issue and Paying Agent or the CMU Lodging and Paying Agent, in accordance with the rules and procedures of Euroclear, Clearstream or the CMU and/or any other relevant clearing system, specifying the principal amount of Notes in respect of which the Put Option or Change of Control Put Option (as applicable) is being exercised. Any such notice shall be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 10(d) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note or Global Note Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and

procedures of Euroclear and/or Clearstream or the CMU (as the case may be) (to be reflected in the records of Euroclear and/or Clearstream or the CMU (as the case may be) as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 21 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Note Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Note Certificate is, deposited with a depositary or a common depositary for Euroclear and/or Clearstream or a sub-custodian for the CMU and/or any other relevant clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear, Clearstream, the CMU and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 21 (*Notices*) on the date of delivery to such clearing system.

Similarly, the provisions for meetings of Noteholders in the Trust Deed contain provisions that apply while the Notes are represented by a Global Note or a Global Note Certificate. The following is a summary of certain of those provisions:

Electronic Consent and Written Resolution: While any Global Note or Global Note Certificate is held on behalf of a clearing system, then:

- (a) approval of a resolution proposed by the Issuer, the Company or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent. in principal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which a special quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons, Talons and Receipts whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer, the Company and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer, the Company and/or the Trustee, as the case may be, by (a) accountholders in the clearing system with entitlements to such Global Note or Global Note Certificate and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer, the Company and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, the CMU or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or EasyWay or Clearstream's CreationOnline or Xact Web Portal system) in accordance with its usual procedures and in which the accountholder of a particular principal or principal amount of the Notes is clearly identified together with the amount of such holding. None of the Issuer, the Company nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

FORM OF PRICING SUPPLEMENT

The Pricing Supplement in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.

[MiFID II / UK MiFIR Product Governance – [appropriate target market legend to be included]]

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (“**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “**SFA**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are [“prescribed capital markets products”]/[capital markets products other than “prescribed capital markets products”] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).]

[Paragraph 21 of the Hong Kong SFC Code of Conduct – As paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission applies to this offering of Notes, prospective investors should refer to the section on “*Important Notice to Prospective Investors*” appearing on pages **iii to iv** of the Offering Circular, and CMIs (as defined in the Offering Circular) should refer to the section on “*Important Notice to CMIs (including private banks)*” appearing on pages **174 to 176** of the Offering Circular.]

This document is for distribution to professional investors as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Professional Investors**”) only. **Notice to Hong Kong investors:** The Issuer and the Company confirm that the Notes (as defined below) are intended for purchase by Professional Investors only and will be listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer and the Company confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Stock Exchange of Hong Kong Limited (the “HKSE”) has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme or the Notes on HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer, the Company or the Company together with its subsidiaries and affiliates (the “Group”) or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and HKSE take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document together with the Offering Circular (as defined below) includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Company and the Group. Each of the Issuer and the Company accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Pricing Supplement dated [•]

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED

(a company incorporated in Hong Kong with limited liability)

Issue of [Aggregate Principal Amount of Tranche] [Title of Notes] (the “Notes”)

with the benefit of a keepwell and liquidity support deed and a deed of asset purchase undertaking provided by

CCB FINANCIAL LEASING CORPORATION LIMITED

(建信金融租賃有限公司)

(a company incorporated in the PRC with limited liability)

under the U.S.\$5,000,000,000 Medium Term Note Programme (the “Programme”)

This document constitutes the Pricing Supplement relating to the issue of the Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the “Conditions”) set forth in the offering circular dated 4 September 2025 [and the supplemental offering circular dated [date]] (the “Offering Circular”). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an offering circular with an earlier date and the relevant terms and conditions from that offering circular with an earlier date were incorporated by reference in the current offering circular.]

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “Conditions”) set forth in the offering circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and, save in respect of the Conditions, must be read in conjunction with the offering circular dated [current date] [and the supplemental offering circular dated [date]] (the “Offering Circular”). The Conditions are incorporated by reference in the Offering Circular.]

Full information on the Issuer and the Company and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular.

1. (i) Issuer: CCB Shipping and Aviation Leasing Corporation Limited (The LEI of the Issuer is 836800V637O21R4LHK69)

- (ii) Company: CCB Financial Leasing Corporation Limited (建信金融租賃有限公司)
2. [(i) Series Number:] [•]
- [(ii) Tranche Number:] [•]
- [(iii) Date on which the Notes become fungible:] [Not Applicable] / [The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [•]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 26 below [which is expected to occur on or about [•]].]
3. Specified Currency or Currencies: [•]
4. Aggregate Principal Amount: [•]
- [(i) Series: [•]]
- [(ii) Tranche: [•]]
5. [(i)] Issue Price: [•] per cent. of the Aggregate Principal Amount [plus accrued interest from *[insert date]* (*in the case of fungible issues only, if applicable*)]
- [(ii) Net Proceeds: [•] (*Required only for listed issues*)]
6. (i) Specified Denominations:^{1, 2, 3} [•]
- (ii) Calculation Amount: [•]
7. (i) Issue Date: [•]
- (ii) Interest Commencement Date: [*Specify* / Issue Date / Not Applicable]
8. Maturity Date: [*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]⁴
- (If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum*

¹ Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

² If the specified denomination is expressed to be EUR100,000 or its equivalent and multiples of a lower principal amount (for example EUR1,000), insert the additional wording as follows: EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]. No Notes in definitive form will be issued with a denomination above [EUR199,000]. In relation to any issue of the Notes which are a “Global Note exchangeable for Definitive Notes” in circumstances other than “in the limited circumstances specified in the Global Notes”, such Notes may only be issued in denominations equal to, or greater than, EUR100,000 (or equivalent) and multiples thereof.

³ For so long as any Notes are listed on The Stock Exchange of Hong Kong Limited (the “HKSE”) and the rules of the HKSE so require, such Notes will be traded on the HKSE in a minimum board lot size of not less than HK\$500,000 (or its equivalent in other currencies).

⁴ Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

redemption value of £100,000 (or its equivalent in other currencies) and be sold only to “professional investors” or (ii) another applicable exemption from section 19 of the FSMA must be available.)

9. Interest Basis: [[•] per cent. Fixed Rate]
[[Specify reference rate] +/-[•] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest] [Other (Specify)]
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency]
[Other (Specify)]
11. Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of the Notes into another interest or redemption/payment basis]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. Date of [board] [and] [shareholder] approval for issuance of Notes obtained: [Issuer board approval: [•]]
[Issuer shareholder approval: [•]]
[Company board approval: [•]]
[Company shareholder approval: [•]]
14. Date of NDRC Registration: [•]
15. Listing: [The Stock Exchange of Hong Kong Limited (“HKSE”) / Other (specify) / None] (For Notes to be listed on the HKSE, insert the expected effective listing date of the Notes)
16. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17. Fixed Rate Note Provisions [Applicable / Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
 - (i) Rate[(s)] of Interest: [•] per cent. per annum [payable [annually / semi-annually / quarterly / monthly / other (specify)] in arrear]
 - (ii) Interest Payment Date(s): [•] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of “Business Day”] / not adjusted]⁵

⁵ Note that for certain Renminbi or Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to adjustment in accordance with the Modified Following Business Day Convention.

- (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount⁶
- (iv) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
- (v) Day Count Fraction: [30/360 / Actual/Actual (ICMA) /Actual/Actual (ISDA) / Actual/360 / Actual/365 (Fixed) / 30E/360 / 30E/360 (ISDA) / other]
- (vi) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable / *give details*]
18. Floating Rate Note Provisions..... [Applicable / Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest Period(s): [•]
- (ii) Specified Period: [•]
- (iii) Specified Interest Payment Dates: [•]
(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert “Not Applicable”)
- (iv) First Interest Payment Date: [•]
- (v) Business Day Convention: [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / other (*give details*)]
- (vi) Additional Business Centre(s): [Not Applicable / *give details*]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ Screen Rate Determination (SOFR)/ ISDA Determination/ other (*give details*)]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s): [Name] shall be the Calculation Agent
- (ix) Screen Rate Determination (Condition 7(c)): [•]
- Reference Rate: [*For example, EURIBOR, HIBOR or CNH HIBOR*]
 - Reference Bank: [•] / [Not Applicable]

⁶ For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: “Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest RMB0.01, RMB0.005 for the case of Renminbi-denominated Fixed Rate Notes and to the nearest HK\$0.01, HK\$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards”.

- Interest Determination Date(s): ... [☐]
(Second Hong Kong business day prior to the start of each Interest Period if CNH HIBOR, first day of each Interest Period if HIBOR and the second day on which T2 is open prior to the start of each Interest Period if EURIBOR)
 - Relevant Screen Page: [For example, EURIBOR 01]
 - Relevant Time: [For example, 11.00 a.m. Brussels time / Hong Kong time]
 - Relevant Financial Centre: [For example, Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro) / Hong Kong]
- (x) Screen Rate Determination (SOFR)
(Condition 7(d)):
- Reference Rate: SOFR Benchmark – [Simple SOFR Average / Compounded SOFR Average / SOFR Compounded Index]
 - Compound SOFR Average Method: [Not Applicable / SOFR Observation Lag / SOFR Observation Shift / SOFR Payment Delay / SOFR Lockout – used for Compound SOFR Average only]
 - Interest Determination Date(s): ... [The [☐] U.S. Government Securities Business Day prior to the last day of each Interest Period – only applicable in the case of Simple SOFR Average/ SOFR Observation Lag / SOFR Observation Shift / SOFR Lockout / SOFR Compounded Index]

[The Interest Payment Date at the end of each Interest Period, provided that the Interest Determination Date with respect to the final Interest Period will be the U.S. Government Securities Business Day immediately following the relevant SOFR Rate Cut-Off Date – only applicable in the case of SOFR Payment Delay]
 - Lookback Days: [[☐] U.S. Government Securities Business Days – used for SOFR Lag only] / [Not Applicable]
 - SOFR Observation Shift Days: [[☐] U.S. Government Securities Business Days – used for the SOFR Observation Shift or SOFR Compounded Index only] / [Not Applicable]
 - SOFR Rate Cut-Off Date: [The date falling [☐] Business Days prior to the end of each Interest Period, the Maturity Date or the date fixed for redemption, as applicable – used for only Simple SOFR Average (if applicable), Compound SOFR Average – SOFR Payment Delay or SOFR Lockout only] / [Not Applicable]
 - Interest Payment Delay Days: [[☐] Business Days – used for SOFR Payment Delay only] / [Not Applicable]
 - SOFR Index_{Start}: [Not Applicable] / [[☐] U.S. Government Securities Business Days – used for SOFR Index only]

- SOFR Index_{End}: [Not Applicable] / [[•] U.S. Government Securities Business Days – *used for SOFR Index only*]
- (xi) ISDA Determination (Condition 7(h)):
- Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]
 - ISDA Definitions: [•]
- (xii) Linear interpolation: [Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (xiii) Margin(s): [+/-][•] per cent. per annum
- (xiv) Minimum Rate of Interest: [•] per cent. per annum
- (xv) Maximum Rate of Interest: [•] per cent. per annum
- (xvi) Day Count Fraction: [•]
- (xvii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [Benchmark Event / Benchmark Event (SOFR) / *specify if fallback provisions different from those set out in the Conditions*]
19. Zero Coupon Note Provisions [Applicable / Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Accrual Yield: [•] per cent. per annum
 - (ii) Reference Price: [•]
 - (iii) Day Count Fraction in relation to Early Redemption Amount: [30/360 / Actual/Actual (ICMA) / Actual/Actual (ISDA) / other]
 - (iv) Any other formula/basis of determining amount payable: [•]
20. Index-Linked Interest Note/other variable-linked interest Note Provisions [Applicable / Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Index/Formula/other variable: [*give or annex details*]
 - (ii) Calculation Agent responsible for calculating the interest due: [•]

- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [•]
- (iv) Interest Determination Date(s): [•]
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [•]
- (vi) Interest or calculation period(s): [•]
- (vii) Specified Period: [•]
(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")
- (viii) Specified Interest Payment Dates: [•]
(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")
- (ix) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (x) Additional Business Centre(s): [•]
- (xi) Minimum Rate/Amount of Interest: ... [•] per cent. per annum
- (xii) Maximum Rate/Amount of Interest: .. [•] per cent. per annum
- (xiii) Day Count Fraction: [•]
- 21. Dual Currency Note Provisions..... [Applicable / Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
 - (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
 - (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [•]
 - (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [•]

- (iv) Person at whose option Specified [•]
Currency(ies) is/are payable:

PROVISIONS RELATING TO REDEMPTION

22. Call Option [Applicable / Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date (Call): [•]
- (ii) Optional Redemption Amount (Call) [•] per Calculation Amount
of each Note and method, if any, of
calculation of such amount(s):
- (iii) If redeemable in part: [•]
- (a) Minimum Redemption [•] per Calculation Amount
Amount:
- (b) Maximum Redemption [•] per Calculation Amount
Amount:
- (iv) Notice period: [•]⁷
23. Put Option [Applicable / Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date (Put): [•]
- (ii) Optional Redemption Amount (Put) of [•] per Calculation Amount
each Note and method, if any, of
calculation of such amount(s):
- (iii) Notice period: [•]⁸
24. Final Redemption Amount of each Note: [•] per Calculation Amount
- [In cases where the Final Redemption Amount is Index-Linked or other variable-linked:*
- (i) Index/Formula/variable: [give or annex details]
- (ii) Calculation Agent responsible for [•]
calculating the Final Redemption
Amount:
- (iii) Provisions for determining Final [•]
Redemption Amount where calculated
by reference to Index and/or Formula
and/or other variable:
- (iv) Date for determining Final [•]
Redemption Amount where

⁷ Euroclear and Clearstream require a minimum of 5 business days' notice for exercise of call options.

⁸ Euroclear and Clearstream require a minimum of 15 business days' notice for exercise of put options.

calculation by reference to Index and/or Formula and/or other variable:

- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise: [•]
- (vi) [Payment Date]: [•]
- (vii) Minimum Final Redemption Amount: [•]
- (viii) Maximum Final Redemption Amount: [•]
.....

25. Early Redemption Amount

- (i) Early Redemption Amount (Tax) per Calculation Amount payable on redemption for taxation reasons and/or the method of calculating the same: ... [Not Applicable] / [•] per Calculation Amount
- (ii) Early Redemption Amount (Change of Control) per Calculation Amount payable on redemption on change of control and/or the method of calculating the same: [Not Applicable] / [•] per Calculation Amount
- (iii) Early Termination Amount per Calculation Amount payable on mandatory redemption on event of default or other early redemption and/or the method of calculating the same: [Not Applicable] / [•] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

26. Form of Notes: **Bearer Notes:**⁹

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]

[Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]

Registered Notes:

[Global Note Certificate exchangeable for Individual Note Certificates on [•] days' notice/at any time/in the

⁹ Bearer Notes issued in compliance with the TEFRA D Rules must initially be represented by a Temporary Global Note.

limited circumstances described in the Global Note Certificate]

27. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable / *give details*]
[Financial Centre(s) (being the Principal Financial Centre and any Additional Financial Centre(s)) are:
(a) [repeat the details of the Additional Financial Centre(s) as per above if applicable]; and
(b) [New York City] / [Hong Kong] / [Singapore] / [London] / [TARGET Settlement Day (being any day on which T2 is open for the settlement of payments in euro)]]
28. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.]
29. Redenomination, renominatisation and reconventioning provisions: [Not Applicable / The provisions annexed to this Pricing Supplement apply]
30. Consolidation provisions: The provisions [in Condition 20 (*Further Issues*)] / [annexed to this Pricing Supplement] apply
31. Any applicable currency disruption / fallback provisions: [Not Applicable / *give details*]
32. Other terms or special conditions: [Not Applicable / *give details*]

DISTRIBUTION

33. (i) If syndicated, names of Managers: [Not Applicable / *give names*]
(ii) Stabilisation Manager(s) (if any): [Not Applicable/*give names*]
34. If non-syndicated, name and address of Dealer: [Not Applicable / *give name and address*]
35. U.S. Selling Restrictions: Reg. S Category 2; [*In the case of Bearer Notes*] – [TEFRA C / TEFRA D / TEFRA not applicable]
36. Additional selling restrictions: [Not Applicable / *give details*]¹⁰
37. Prohibition of Sales to EEA Retail Investors: .. [Applicable / Not Applicable]
(*If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a KID will be prepared in the EEA, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.*)
38. Prohibition of Sales to UK Retail Investors: [Applicable / Not Applicable]
(*If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a KID will be prepared in the UK, “Not Applicable” should be specified. If the Notes may*

¹⁰ In respect of Singapore selling restrictions, consider whether to restrict offers to only institutional investors and accredited investors.

constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.)

OPERATIONAL INFORMATION

39. ISIN Code: [•]
40. Common Code: [•]
41. CMU Instrument Number: [•]
42. Any clearing system(s) other than Euroclear/Clearstream and the CMU and the relevant identification number(s): [Not Applicable / give name(s) and number(s)]
43. Delivery: Delivery [against / free of] payment
44. Additional Paying Agent(s) (if any): [•]

GENERAL

45. The aggregate principal amount of the Notes issued has been translated into United States dollars at the rate of [•] to U.S.\$1.00, producing a sum of *(for Notes not denominated in United States dollars)*: [Not Applicable / U.S.\$[•]]
46. Ratings: The Notes to be issued [have not been] / [are expected to be] rated:
 [Moody’s: [•]]; [Fitch: [•]]; [S&P: [•]]; [Other: [•]]
(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

HONG KONG SFC CODE OF CONDUCT

47. Rebates: [A rebate of [•] bps is being offered by the [Issuer] to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.] / [Not Applicable]
48. Contact email addresses of the Overall Coordinators where underlying investor *[Include relevant contact email addresses of the Overall Coordinators where the underlying investor*

information in relation to omnibus orders should be sent: *information should be sent – OCs to provide*] / [Not Applicable]

49. Marketing and Investor Targeting Strategy: [As indicated in the Offering Circular] / [Describe if different from the Offering Circular]

[USE OF PROCEEDS]

Give details if different from the “Use of Proceeds” section in the Offering Circular.]

[STABILISATION]

In connection with this issue, [insert name of Stabilisation Manager] (the “**Stabilisation Manager(s)**”) (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there is no obligation on such Stabilisation Manager(s) to do this. Such stabilisation, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilisation shall be in compliance with all applicable laws, regulations and rules.]

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for the issue of Notes described herein pursuant to the U.S.\$5,000,000,000 Medium Term Note Programme.

[LISTING APPLICATION]

Specify (if any)]

RESPONSIBILITY

The Issuer and the Company each accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of **CCB Shipping and Aviation Leasing Corporation Limited**:

By: _____

Duly authorised

Signed on behalf of **CCB Financial Leasing Corporation Limited (建信金融租賃有限公司)**:

By: _____

Duly authorised

DESCRIPTION OF THE KEEPWELL AND LIQUIDITY SUPPORT DEED AND THE DEED OF ASSET PURCHASE UNDERTAKING

The following contains summaries of certain key provisions of the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking. Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking. Capitalised terms used in this section shall have the meanings given to them in the Conditions, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, as the case may be.

Ownership and Control over the Issuer

Pursuant to the Keepwell and Liquidity Support Deed, for so long as any Note is outstanding:

- (i) the Company will undertake to, directly or indirectly, own and control 100 per cent. of the legal and beneficial title to all the outstanding shares of the Issuer;
- (ii) the Company will undertake to procure the Controlling Persons (as defined in the Conditions) to Control (as defined in the Conditions) each of the Company and the Issuer; and
- (iii) the Company will undertake to procure that the title, rights and interests in the shares of the Issuer are not pledged or in any way encumbered other than in accordance with the Notes.

Maintenance of Net Worth and Liquidity

Pursuant to the Keepwell and Liquidity Support Deed, for so long as any Note is outstanding:

- (i) the Company will undertake to procure the Issuer to, and the Issuer undertakes to, have a Consolidated Net Worth of at least U.S.\$10,000,000 at all times;
- (ii) the Company will undertake to procure the Issuer to have sufficient liquidity to make timely payment of any amounts payable by it under or in respect of the Notes in accordance with the Conditions and/or the Trust Deed and/or Agency Agreement; and
- (iii) the Company will undertake to procure the Issuer to remain solvent and a going concern at all times under the laws of its jurisdiction of incorporation or applicable accounting standards so long as any Note is outstanding.

In these undertakings, “**Consolidated Net Worth**” means, in respect of the Issuer, the excess of the total assets of the Issuer and its Subsidiaries over the total liabilities of the Issuer and its Subsidiaries, each of "total assets" and "total liabilities" to be determined in accordance with HKFRS consistently applied (which may be based upon internal management accounts).

Pursuant to the Keepwell and Liquidity Support Deed, if the Issuer at any time determines that it will have insufficient liquidity or cashflow to meet any of its payment obligations as they fall due, then the Issuer shall promptly notify the Company of the shortfall and the Company shall make available, or procure the availability of, or cause the Issuer to obtain, before the due date of the relevant payment obligations, funds sufficient by means as permitted by applicable laws and regulations so as to enable the Issuer to pay such payment obligations in full as they fall due. The Issuer shall use any funds made available to it by the Company in accordance with the Keepwell and Liquidity Support Deed solely for the payment when due of such payment obligations under the Notes or the Trust Deed.

Primary Overseas Platform

Pursuant to the Keepwell and Liquidity Support Deed, For so long any Note remains outstanding, the Company will undertake that it shall maintain the Issuer as a primary overseas leasing platform of the Company for its offshore leasing business.

Other Undertakings

Pursuant to the Keepwell and Liquidity Support Deed, for so long as any Note is outstanding:

- (i) each of the Company and the Issuer will undertake to promptly take any and all action necessary to comply with their respective obligations under the Keepwell and Liquidity Support Deed;
- (ii) the Company will undertake to procure the Issuer to remain in full compliance with the Conditions, the Trust Deed, the Deed of Asset Purchase Undertaking, the Keepwell and Liquidity Support Deed, the Agency Agreement, the Pricing Supplement and all applicable rules and regulations in Hong Kong, the PRC and England and Wales;
- (iii) the Company will undertake to ensure that the Issuer has sufficient funds to meet its obligations with respect to its payment obligations under each Series of Notes and the Trust Deed; and
- (iv) the Company will undertake to procure that the articles of association of the Issuer shall not be amended in a manner that is, directly or indirectly, materially adverse to Noteholders.

Obligation to Acquire Assets

Pursuant to the Deed of Asset Purchase Undertaking, in the event that a Triggering Event has occurred, upon the receipt of a written Purchase Notice provided by the Trustee in accordance with the Trust Deed, the Company will agree that it shall purchase (either by itself or through a Subsidiary of the Company as designated by it (the “**Designated Purchaser**”)) (the “**Purchase**”) and the Issuer will agree that it shall sell (or procure any of its Subsidiaries to sell) to the Company:

- (i) the Assets held by the Issuer and/or a Subsidiary of the Issuer, as designated by the Issuer and notified in writing to the Trustee within seven Business Days after the date of the Purchase Notice; and
- (ii) in the absence of a designation and notification within seven Business Days after the date of the Purchase Notice from the Trustee as provided in paragraph (i), all the Assets held by the Issuer and its Subsidiaries,

(each such designated entity (in the case referred to in (i) above) or, as the case may be, each such Subsidiary of the Issuer or the Issuer in the case (in the case referred to in (ii) above), a “**Relevant Transferor**”), in either such case, at the Purchase Price on the relevant Purchase Closing Date on the terms set out in the Deed of Asset Purchase Undertaking and the relevant Asset Purchase Agreement.

The obligations to acquire Assets set out in the Deed of Asset Purchase Undertaking will be suspended in relation to a Series of Notes subject to the Purchase Notice if the Company and the Issuer receive a notice in writing from the Trustee (a “**Suspension Notice**”) stating that any of the following events has occurred (each a “**Suspension Event**”):

- (i) the Trustee (a) has received a notice in writing from the Issuing and Paying Agent that all of the payment obligations of the Issuer in respect of any principal, premium and interest under all the Notes of a relevant Series have been satisfied in full; and (b) is satisfied that all amounts due and payable to the Trustee under the Trust Deed have been satisfied in full; or

- (ii) in the event of a Liquidity Notice Failure Event, the Trustee (a) has received a notice in writing from the Issuing and Paying Agent that the payment obligations of the Issuer in respect of any principal, premium and interest under the relevant Series of Notes due on the Interest Payment Date immediately following the relevant Liquidity Notice Date together with any default interest due as at the date of the notice from the Issuing and Paying Agent have been satisfied in full and (b) is satisfied that all amounts due and payable to the Trustee under the Trust Deed as at the date of the notice from the Issuing and Paying Agent have been satisfied in full; or
- (iii) in the event of an Event of Default where a Purchase Notice has been given, such Event of Default has been waived by the Trustee acting on the instructions of the Noteholders of the relevant Series by Extraordinary Resolution.

The Suspension Notice shall be provided by the Trustee to the Company and the Issuer within four Business Days after the Business Day on which a Suspension Event occurs.

Determination of Purchase Price

Pursuant to the Deed of Asset Purchase Undertaking, within seven Business Days after the date of the Purchase Notice, the Company shall determine in accordance with any applicable laws and regulations effective at the time of determination (i) the purchase price of the Relevant Asset(s) in the Specified Currency for the relevant Series of Notes (the “**Purchase Price**”); and (ii) the other applicable terms relating to the Purchase which shall not conflict with the Company’s obligations in the Deed of Asset Purchase Undertaking, **provided that** the Purchase Price shall be no less than the Relevant Amount.

In these undertakings, “**Relevant Amount**” means the following:

- (a) if the Triggering Event is a Liquidity Notice Failure Event in respect of a Series of Notes, an amount in the Specified Currency for such Notes that is no less than the amount sufficient to enable the Issuer to meet its payment obligations under or in respect of such Notes in accordance with the Conditions and/or the Trust Deed on the immediately next Interest Payment Date; or
- (b) if the Triggering Event is an Event of Default in respect of a Series of Notes, an amount in the Specified Currency for such Notes that is no less than the amount sufficient to enable the Issuer to discharge in full its obligations under such Notes and the Trust Deed (including without limitation the payment of the principal amount of such Notes then outstanding as at the date of the Purchase Notice and any interest due and unpaid and/or accrued but unpaid on such Notes up to but excluding the Purchase Closing Date),

in any such case together with all costs, fees, expenses and other amounts payable to the Trustee and/or the Agents under or in connection with such Notes, the Trust Deed, the Agency Agreement, the Keepwell and Liquidity Support Deed and/or the Deed of Asset Purchase Undertaking as at the date of such Purchase Notice plus provisions for fees, costs, expenses and other amounts which may be incurred after the date of the Purchase Notice, as notified by the Trustee in the Purchase Notice.

Completion of Purchase

Pursuant to the Deed of Asset Purchase Undertaking, the Company will undertake to the Trustee that within 30 days after the date of the Purchase Notice:

- (i) it shall (or shall procure the Designated Purchaser to), and shall procure each Relevant Transferor to, execute an asset sale agreement (the “**Asset Purchase Agreement**”);

- (ii) it shall procure the transfer of the Relevant Assets to it or the Designated Purchaser; and
- (iii) it shall make payment (or procure the payment by the Designated Purchaser) to or to the order of each Relevant Transferor the Purchase Price payable in immediately available funds in the Specified Currency for the relevant Series of Notes to such account as may be designated by such Relevant Transferor and notified in writing to the Trustee,

provided that if the Trustee receives an opinion of a PRC counsel of recognised international standing in form and substance satisfactory to the Trustee stating that under applicable PRC law as at the date of the opinion, approvals, consents, clearances or other authorisations of a PRC government authority is required for the purchase of any Relevant Asset, the Company will undertake to use its reasonable efforts to obtain such approval, clearance or other authorisation and complete the completion of the Purchase within six months from the date of the Purchase Notice.

PRC counsel to the Arrangers and Dealers and PRC counsel to the Issuer and the Company have confirmed that (i) if the assets to be purchased under the Deed of Asset Purchase Undertaking would be imported into the PRC, the relevant PRC governmental approvals or permits from PRC approval authorities, including but not limited to the NDRC, Civil Aviation Administration of China, MOFCOM and the General Administration of Customs of the PRC (中華人民共和國海關總署), are required and (ii) if the purchased assets under the Deed of Asset Purchase Undertaking would not be imported into the PRC, and those assets would be leased by the Company after the purchase (falling within the ambit of the finance leasing laws in the PRC), the Company should register such lease at the local foreign exchange authority within 15 working days after an external claim under the finance leasing occurs and there are no other Regulatory Approvals required under the PRC laws.

Use of Proceeds

Pursuant to the Deed of Asset Purchase Undertaking:

- (i) the Company undertakes to the Trustee that it shall procure each Relevant Transferor that is not the Issuer to promptly on-lend or otherwise transfer any payment (each an “**On-Loan**”) received pursuant to Clause 2 (*Obligation to Acquire Assets*) of the Deed of Asset Purchase Undertaking to the Issuer, and shall procure the Issuer to promptly apply all proceeds from each On-Loan towards satisfying its obligations under the relevant Series of Notes and the Trust Deed;
- (ii) the Issuer undertakes to take all actions necessary for the proceeds received from each On-Loan towards the payment in full of any outstanding amounts as they fall due under the Trust Deed and the relevant Series of Notes (including the principal amount and any interest accrued but unpaid on the relevant Series of Notes); and
- (iii) each of the Issuer and the Company agrees that all obligations of the Issuer owing to a Relevant Transferor under each On-Loan shall be subordinated to sums payable and all obligations owing to the Trustee and the Noteholders of the relevant Series of Notes by the Issuer, whether present or future, actual or contingent, and all claims, rights, damages, remedies and/or proceeds in respect of any or all of the foregoing,

provided that if an Event of Default also occurs under other Series of Notes, the Company shall cause such proceeds to be applied solely towards the payment in accordance with the Trust Deed of any outstanding amounts under the Trust Deed and all Series of Notes which are subject to an Event of Default on a *pari passu* basis, prior to any other use, disposal or transfer of the proceeds received.

Not a Guarantee

Neither the Keepwell and Liquidity Support Deed nor the Deed of Asset Purchase Undertaking is, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, or shall be construed as, or shall be deemed an evidence of, a guarantee by or any similar legally binding obligation of the Company of the payment of any obligation, indebtedness or liability, of any kind or character whatsoever, of the Issuer under the laws of any jurisdiction, including the PRC.

Other Provisions

In order for each of the Issuer and the Company to comply with their respective obligations under the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, the Issuer and/or the Company may require Regulatory Approvals. The Company will undertake to use its reasonable efforts to obtain such Regulatory Approvals within the time stipulated by the relevant Approval Authorities, if applicable.

A certificate signed by of the Company as to the fact stating that the Company has used reasonable efforts to fulfil its obligations under the Keepwell and Liquidity Support Deed or, as the case may be, the Deed of Asset Purchase Undertaking, but having used such efforts, it has not been able to fulfil its obligations under the Keepwell and Liquidity Support Deed or, as the case may be, the Deed of Asset Purchase Undertaking and setting forth a statement of facts showing such efforts, together with any evidence or records of communication, filings and/or submissions supporting such efforts, and an opinion of a PRC counsel of recognised international standing stating the applicable Regulatory Approvals under the Keepwell and Liquidity Support Deed or, as the case may be, the Deed of Asset Purchase Undertaking and, where applicable, setting out the legal analysis as to why these cannot be obtained or are not reasonably achievable under the applicable PRC laws and regulations, shall be *prima facie* evidence of that fact and the Trustee shall not be obligated to call for further evidence and shall be entitled to rely on the same to satisfy itself that the Company has used reasonable efforts to fulfil its obligations under the Keepwell and Liquidity Support Deed or, as the case may be, the Deed of Asset Purchase Undertaking and the Company shall not be required to comply with the Keepwell and Liquidity Support Deed or, as the case may be, the Deed of Asset Purchase Undertaking thereafter. The Trustee will not be responsible or liable to any person for any loss occasioned by acting on or relying on such a certificate or opinion.

The Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking, as to which time shall be of the essence, and any non-contractual obligations arising out of or in connection with each of them, shall be governed by and construed in accordance with English law. The courts of Hong Kong have exclusive jurisdiction to settle any dispute arising out of or in connection with the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking.

The parties to the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking acknowledge and agree that the Trustee has agreed to become a party to each of the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking solely for the purpose of taking the benefit of, and for agreeing amendments to, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking and shall not assume any other obligations or liabilities whatsoever to the other parties to the Keepwell and Liquidity Support Deed or the Deed of Asset Purchase Undertaking by virtue of the provisions of the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as tax advice for any holder of the Notes or any person acquiring, selling or otherwise dealing in the Notes.

Persons considering the purchase of the Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Notes.

PRC

The following summary describes the principal PRC tax consequences of ownership and disposition of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC resident Noteholders in this section. In considering whether to invest in the Notes, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Pursuant to the New Enterprise Income Tax Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose “de facto management bodies” are within the territory of China are deemed to be PRC tax resident enterprises for the purpose of the New Enterprise Income Tax Law and are subject to enterprise income tax at the rate of 25 per cent. in respect of their worldwide income. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the “de facto management body” of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the New Enterprise Income Tax Law and be subject to enterprise income tax at the rate of 25 per cent. on its worldwide income. As at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the New Enterprise Income Tax Law. For as long as this continues to be the case, holders of the Notes will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of the holding of the Notes or any repayment of principal and payment of interest or premium made thereon.

However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the New Enterprise Income Tax Law and related implementation regulations. Pursuant to the New Enterprise Income Tax Law and its implementation regulations, any non-resident enterprise without an establishment or place of business within the PRC or whose income is not effectively connected with an establishment or place of business inside the PRC shall pay enterprise income tax at the rate of 10 per cent. on the income sourced inside the PRC, unless a preferential rate is provided by tax treaties or arrangements entered into between the country or region where the non-resident is established and the PRC, and such income tax shall be withheld at source by the applicable PRC payer. In the case of non-PRC resident individual investors, the tax may be withheld at a rate of 20 per cent., unless a lower treaty rate is applicable. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities, the Issuer may be required to withhold income tax from the payments of interest or redemption premium in respect of the Notes to any non-PRC resident Noteholder. However, despite the potential withholding of PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Notes, subject to certain exceptions, so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the Conditions.

If the Issuer were treated as a PRC tax resident enterprise under the New Enterprise Income Tax Law and related implementation regulations, any gain realised from the transfer of the Notes may be regarded as being derived from

sources within the PRC and accordingly may be subject to a 10 per cent. PRC income tax in the case of non-PRC enterprise Noteholders or 20 per cent. in the case of non-PRC individual Noteholders (or lower applicable treaty rate, if any).

No PRC stamp duty will be chargeable upon the issue or transfer of a Note (for so long as the register of Noteholders is maintained outside the PRC).

On 23 March 2016, the MOF and the SAT jointly issued the Circular 36, as amended and revised on 1 July 2017, 1 January 2018 and 1 April 2019, which provides that all business tax payers are included into the pilot programme to pay value added tax (“VAT”) from 1 May 2016. With effect from 1 May 2016, the income derived from the provision of financial services which previously attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within PRC shall be subject to VAT. The services are treated as being provided within PRC where either the service provider or the service recipient is located in PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the interpretation of “loans” under the Circular 36, the issuance of Notes may be treated as the holders of the Notes providing loans to the Issuer and the Company, which thus shall be regarded as the provision of financial services that could be subject to VAT. As at the date of this Offering Circular, as confirmed by the Company, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident. Further, if the Issuer is treated as a PRC tax resident in the future, the holders of the Notes could be regarded as providing financial services within PRC and consequently, the holders of the Notes shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments from the Issuer under the Notes. In addition, in that case the holders of the Notes shall also be subject to the local levies at approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.7 per cent. Given that the Issuer pays interest income to Noteholders who are located outside of the PRC, if such interest income is subject to VAT in the future, the Issuer, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Noteholders who are located outside of the PRC.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically the Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located within the PRC.

The Circular 36 has been issued quite recently and the above disclosure may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of the Circular 36.

Pursuant to the EIT Law, the Business Tax Laws and the VAT reform detailed above, if the Issuer is treated as a PRC tax resident in the future, the Issuer may need to withhold EIT, (should such tax apply) from the payments of interest in respect of the Notes for any non-PRC-resident Noteholder and the Issuer may need to withhold business tax or VAT (should such tax apply) from the payments of interest in respect of the Notes for any Noteholders located outside of the PRC. However, in the event that the Issuer is required to make such a deduction or withholding (whether by way of EIT, business tax or VAT or otherwise), the Issuer have agreed to pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see “*Terms and Conditions of the Notes – Taxation*”.

No PRC stamp duty will be imposed on non-PRC resident Noteholders either upon issuance of the Notes or upon a subsequent transfer of Notes to the extent that the register of holders of the Notes is maintained outside the PRC and the issuance and the sale of the Notes is made outside of the PRC.

Hong Kong

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal (including any premium payable on redemption of the Notes) or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (a) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation (other than a financial institution) carrying on a trade, profession or business in Hong Kong; or
- (b) interest on the Notes is derived from Hong Kong and is received by or accrues to a person (other than a corporation (such as a partnership)) carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business; or
- (c) Interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of the laws of Hong Kong (the “**Inland Revenue Ordinance**”)) by way of interest which arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (d) Interest on the Notes is received by or accrues to a corporation (other than a financial institution) and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax.

Gains or profits derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, from carrying on of a trade, profession or business in Hong Kong and the sums are revenue in nature and have a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

Sums received by or accrued to a corporation (other than a financial institution) by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance) from the sale, disposal and redemption of the Notes will be subject to profits tax.

In addition, with effect from 1 January 2024, pursuant to various foreign-sourced income exemption legislation in Hong Kong (the “**FSIE Amendments**”), certain specified foreign-sourced income (including interest, dividend, disposal gain or intellectual property income, in each case, arising in or derived from a territory outside Hong Kong) accrued to an MNE entity (as defined in the FSIE Amendments) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received

in Hong Kong. The FSIE Amendments also provide for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisers to ascertain the applicability of any exemptions to their individual position.

Stamp duty

Stamp duty will not be payable on the issue of Bearer Notes, **provided that** either:

- (a) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (b) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Notes at the time of issue.

No stamp duty will be payable on any subsequent transfer of Bearer Notes. No stamp duty is payable on the issue of Registered Notes.

Stamp duty may be payable on any sale and purchase, or change in beneficial ownership of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any sale and purchase, or change in beneficial ownership of Registered Notes, **provided that** either:

- (a) the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (b) the Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

At present, if stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the value of the consideration. If, in the case of either the sale or purchase of such Registered Notes, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA

with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining “foreign passthru payment”. Noteholders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

The proposed financial transactions tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary’ market transactions) in certain circumstances.

Under the Commission’s proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

PRC CURRENCY CONTROLS

The following is a general description of certain currency controls in the PRC and is based on the law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal advice. It does not purport to be a complete analysis of all applicable currency controls in the PRC relating to the Notes. Prospective holders of Notes who are in any doubt as to PRC currency controls are advised to consult their own professional advisers.

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to control imposed under PRC law.

Current Account Items

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. In July 2009, the PRC commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong, Macau and countries in the Association of Southeast Asian Nations. On 17 June 2010, 27 July 2011 and 3 February 2012 respectively, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (關於擴大跨境貿易人民幣結算試點有關問題的通知), the Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement (關於擴大跨境貿易人民幣結算地區的通知) and the Notice on Matters Relevant to the Administration of Enterprises Engaged in Renminbi Settlement of Export Trade in Goods (關於出口貨物貿易人民幣結算企業管理有關問題的通知) (together as “**Circulars**”). Pursuant to these Circulars, (i) the list of designated pilot districts were expanded to cover all provinces and cities in the PRC, (ii) the restriction on designated offshore districts has been lifted and (iii) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods, but the relevant provincial government and the government of a municipality separately listed on the state plans maintain with PBOC and five other PRC authorities a list of key enterprises subject to supervision (the “**Supervision List**”).

On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures (關於簡化跨境人民幣業務流程和完善有關政策的通知) (the “**2013 PBOC Circular**”), which, in particular, simplifies the procedures for cross border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for PRC enterprises (excluding those on the Supervision List) upon the PRC enterprises presenting the payment instruction. PRC banks may also allow PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank’s verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross border remittance).

On 1 November 2014, PBOC promulgated the Circular on Matters concerning Centralized Cross-Border Renminbi Fund Operation Conducted by Multinational Enterprise Groups (關於跨國企業集團開展跨境人民幣資金集中運營業務有關事宜的通知) (the “**2014 PBOC Circular**”), as amended by the Circular on Further Facilitating Cross-border Bilateral Renminbi Capital Pooling by Multinational Enterprise Groups (關於進一步便利跨國企業集團開展跨境雙向人民幣資金池業務的通知) promulgated by PBOC on 5 September 2015 (the “**2015 PBOC Circular**”). According to the 2014 PBOC Circular, a qualified multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for the entire group (without such arrangements, the relevant payments and receipts would generally need to be processed individually and cannot be netted off against each other). The 2014 PBOC Circular also provides that enterprises in the China (Shanghai) Free Trade Pilot Zone (“**Shanghai FTZ**”) may irrevocably opt to participate in the local scheme in the Shanghai FTZ and file with the Shanghai Head Office of PBOC.

On 5 January 2018, PBOC promulgated the Circular on Further Improving Policies of Cross-Border RMB Business to Promote Trade and Investment Facilitation (關於進一步完善人民幣跨境業務政策促進貿易投資便利化的通知)

) (the “**2018 PBOC Circular**”). According to the 2018 PBOC Circular, for any cross-border transactions that may use foreign exchange for settlement in accordance with the law, enterprises may use Renminbi for settlement, and banks may, on the basis of the three principles of “knowing your customers”, “knowing your business” and “due diligence”, carry out cross-border Renminbi settlement business of other current accounts for individuals.

As new regulations, the Circulars, the 2013 PBOC Circular, the 2014 PBOC Circular, the 2015 PBOC Circular and the 2018 PBOC Circular will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these regulations and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filing with, the relevant PRC authorities.

Settlement of capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties were also generally required to make capital account payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency.

In respect of Renminbi foreign direct investments (“**RMB FDI**”), PBOC promulgated the Administrative Measures on Renminbi Settlement of Foreign Direct Investment (外商直接投資人民幣結算業務管理辦法) (the “**PBOC FDI Measures**”) on 13 October 2011 and the 2018 PBOC Circular as part of PBOC’s detailed RMB FDI accounts administration system. The system covers almost all material aspects in relation to RMB FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as RMB denominated cross-border loans. On 14 June 2012, PBOC issued a circular setting out the operational guidelines for RMB FDI. PBOC further issued the Circular on the Relevant Issues on Renminbi Settlement of Investment in Onshore Financial Institutions by Foreign Investors (關於境外投資者投資境內金融機構人民幣結算有關事項的通知) on 23 September 2013, which provides further details for using Renminbi to invest in a financial institution domiciled in the PRC. On 14 June 2012, the PBOC further issued the implementing rules for the PBOC FDI Measures. The PBOC FDI Measures and its implementing rules were further amended on 29 May 2015.

On 3 December 2013, the MOFCOM promulgated the Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment (商務部關於跨境人民幣直接投資有關問題的公告) (the “**MOFCOM Circular**”), which became effective on 1 January 2014, to further facilitate RMB FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts will specify “Renminbi Foreign Direct Investment” and the amount of RMB capital contribution in its approval for the RMB FDI. According to the MOFCOM Circular, it is no longer necessary for the foreign investors who intend to change the currency of its existing capital contribution from a foreign currency to Renminbi to obtain a separate approval from MOFCOM as to the amendment of the articles of association or joint venture contract of the foreign invested enterprise. In addition, the MOFCOM Circular also clearly prohibits the RMB FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

On 10 May 2013, the SAFE promulgated the Provisions on the Foreign Exchange Administration of Domestic Direct Investment by Foreign Investors (外國投資者境內直接投資外匯管理規定) (the “**SAFE Provisions**”), which became effective on 13 May 2013 and were amended on 10 October 2018 and 30 December 2019. The SAFE Provisions removed previous approval requirements for foreign investors and foreign invested enterprises in opening of, and capital injections into, foreign exchange accounts, although registration for foreign exchange administration is still required. Moreover, foreign investors are now permitted to use cross-border Renminbi (including Renminbi inside and outside the PRC held in the capital accounts of non-PRC residents) to make a contribution to an onshore enterprise or make a payment for the transfer of an equity interest of an onshore enterprise by a PRC resident within the total investment amount approved by the competent authorities (for example, MOFCOM and/or its local counterparts, as well as financial regulators).

According to the Circular on the Reform of the Management of the Foreign Exchange Capital Settlement of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) promulgated by SAFE on 30 March 2015 and amended on 30 December 2019 and 23 March 2023, SAFE has decided to reform the management of foreign exchange capital settlement of foreign-invested enterprises nationwide. The discretionary foreign exchange capital settlement of foreign-invested enterprises refers to the foreign exchange capital in the capital account of foreign-invested enterprises, for which confirmation of rights and interests of monetary contribution by the local bureau of SAFE (or the book-entry registration of monetary contribution by the banks) has been obtained, can be settled at banks based on the actual operational needs of enterprises. The proportion of discretionary foreign exchange capital settlement of foreign-invested enterprises is temporarily determined as 100 per cent. Concurrent with the implementation of discretionary foreign exchange capital settlement, foreign-invested enterprises may still choose to use their foreign exchange capital in accordance with the payment-based exchange settlement system.

To support the development of the Shanghai FTZ, the Shanghai Head Office of PBOC issued the Circular on Supporting the Expanded Cross-border Utilisation of Renminbi in the Shanghai FTZ (關於支持中國(上海)自由貿易試驗區擴大人民幣跨境使用的通知) (the “**PBOC Shanghai FTZ Circular**”) on 20 February 2014, which allows banks in Shanghai to settle RMB FDI based on a foreign investor’s instruction. In respect of RMB FDI in industries that are not on the “negative list” of the Shanghai FTZ, the MOFCOM approval which was previously required has been replaced by a filing. However, the application of the Shanghai FTZ Circular is limited to enterprises in the Shanghai FTZ.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知) (“**Circular 13**”), which was promulgated on 13 February 2015 and with effect from 1 June 2015 and was amended on 30 December 2019, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment are directly reviewed and handled by banks in accordance with the Circular 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

PRC entities are also allowed to borrow Renminbi loans from foreign lenders (which are referred to as “**foreign debt**”) and lend Renminbi loans to foreign borrowers (which are referred to as “**outbound loans**”), as long as such PRC entities have the necessary quota or approval, and use Renminbi to denominate, or make payments under, security/guarantee with the relevant parties being in the PRC and the other jurisdiction(s) respectively (which is referred to as “**cross-border security**”). Under current rules promulgated by SAFE, foreign debts borrowed, outbound loans extended, and the cross-border security provided by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. However, there remain potential inconsistencies between the provisions of the SAFE rules and the provisions of the 2013 PBOC Circular in terms of cross-border security, outbound loans, etc. and it is unclear how regulators will deal with such inconsistencies in practice.

According to the 2015 PBOC Circular, qualified multinational enterprise groups can extend loans in Renminbi to, or borrow loans in Renminbi from, offshore group entities within the same group by leveraging the cash pooling arrangements (which features a sponsoring enterprise and a settlement bank with international settlement capacity). The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or extend entrusted loans to enterprises outside the group.

Enterprises within the Shanghai FTZ may irrevocably opt to utilise Renminbi cash pooling arrangements to extend inter-company loans pursuant to the PBOC Shanghai FTZ Circular as discussed above. Renminbi funds obtained from financing activities may not be pooled under this arrangement. In addition, according to the PBOC Shanghai FTZ Circular, enterprises in the Shanghai FTZ can borrow Renminbi from offshore lenders within the prescribed limit, while there is no numerical limit for banks in the Shanghai FTZ to borrow offshore Renminbi, although the utilisation has geographic restriction, the interpretation of which is still unclear. The PBOC Shanghai FTZ Circular also allows, in principle, the China Foreign Exchange Trading System to offer trading facility relating to financial instrument denominated in Renminbi to offshore investors, and the Shanghai Gold Exchange to offer trading facility relating to precious metal transactions to offshore investors.

Pilot schemes relating to cross-border Renminbi loans, bonds, or equity investments have also been launched for, among others, enterprises in Shenzhen Qianhai, Jiangsu Kunshan, Jiangsu Suzhou Industrial Park.

The PBOC FDI Measures, the MOFCOM Circular, the SAFE Provisions, the 2014 PBOC Circular, the 2015 PBOC Circular, the 2018 PBOC Circular and the Shanghai PBOC FTZ Circular, which are relatively new regulations, have been promulgated to control the remittance of Renminbi for payment of transactions categorised as capital account items and such new regulations will be subject to interpretation and application by the relevant PRC authorities. Further, there is no assurance that the PRC government will continue to gradually liberalise controls over cross-border Renminbi remittance in the future or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC, and if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of the Dealers. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and subscribed by, Dealers are set out in a dealer agreement dated 4 September 2025 (as amended, restated and/or supplemented from time to time, the “**Dealer Agreement**”) and made between the Issuer, the Company and the Dealers. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer, the Company and a single Dealer for that Tranche to be issued by the Issuer and subscribed by that Dealer, the method of distribution will be described in the relevant Pricing Supplement as “Non-Syndicated” and the name of that Dealer and any other interest of that Dealer which is material to the issue of that Tranche beyond the fact of the appointment of that Dealer will be set out in the relevant Pricing Supplement. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer and more than one Dealer for that Tranche to be issued by the Issuer and subscribed by those Dealers, the method of distribution will be described in the relevant Pricing Supplement as “Syndicated” and the names and addresses of those Dealers and any other interests of any of those Dealers which is material to the issue of that Tranche beyond the fact of the appointment of those Dealers (including whether any of those Dealers has also been appointed to act as Stabilisation Manager in relation to that Tranche) will be set out in the relevant Pricing Supplement.

The Dealers and certain of their affiliates may have performed certain investment banking, commercial banking and advisory services to the Issuer, the Company, the Issuer Group, the Group and/or any of their respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for to the Issuer, the Company, the Issuer Group, the Group and/or any of their respective affiliates in the ordinary course of their business. In connection with each tranche of Notes issued under the Programme, the Dealers may offer and sell the Notes through certain of their affiliates. Additionally, the Dealers or certain of their affiliates may place order for or purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution (and such order, purchase and/or allocation may be material). Further, the Dealers and their respective affiliates may purchase Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer or the Company or securities of any of their respective subsidiaries or affiliates at the same time as the offer and sale of each tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates.

Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be subscribed by the Dealer(s) and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

Important Notice to CMI(s) (including private banks)

This notice to CMI(s) (including private banks) is a summary of certain obligations the SFC Code imposes on CMI(s), which require the attention and cooperation of other CMI(s) (including private banks). Certain CMI(s) may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Company, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Company, the CMI or the relevant group company. CMI(s) should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Company or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, corporate investors, sovereign wealth funds, pension funds, hedge funds, family offices, high net worth individuals and private banks, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer/Company. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a “principal” basis may require the relevant affiliated Dealer(s) (if any) to categorise it as a proprietary order and apply the “proprietary orders” requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any “Associations” (as used in the SFC Code);
- Whether any underlying investor order is a “Proprietary Order” (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: the Managers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Company, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

Selling Restrictions

General

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Neither the Issuer nor the Company will have any responsibility for, and each Dealer will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. None of the Dealers is authorised to make any representation or use any information in connection with the issue, subscription and sale of the Notes, other than as contained in this Offering Circular or any amendment or supplement thereto.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Dealer or any affiliate of a Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

United States

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes or the guarantee thereof, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution

compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

European Economic Area

Unless the Pricing Supplement in respect of any Notes specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
 - (ii) a customer within the meaning of the Insurance Distribution Directive where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the EU Prospectus Regulation; and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the EEA, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

- (a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 1(4) of the EU Prospectus Regulation in that Member State (a “**Non- exempt Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, **provided that** any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the EU Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;
- (c) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of Notes referred to in paragraphs (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

United Kingdom

Unless the Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
 - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
 - (iii) not a qualified investor as defined in Article 2 the UK Prospectus Regulation; and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

- (a) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a “**Public Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the Financial Conduct Authority, **provided that** any such prospectus has subsequently been completed by final terms contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Other UK regulatory restrictions

Each of the Dealers has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake that:

- (a) in relation to any Notes having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA would not apply to the Issuer or the Company; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**FIEA**”) and, accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance

with, the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, “**resident of Japan**” means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Hong Kong

Each of the Dealers has represented, warranted and undertaken and each further Dealer appointed under the Programme will be required to represent, warrant and undertake that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”)) other than (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**C(WUMP)O**”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

People’s Republic of China

The offer of the Notes is not an offer of securities within the meaning of the PRC Securities Law or other pertinent laws and regulations of the PRC and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including Hong Kong, Macau or Taiwan), except as permitted by the securities laws of the PRC.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

GENERAL INFORMATION

1. **Clearing Systems:** The Notes may be accepted for clearance through the Euroclear and Clearstream systems. The Issuer may also apply to have Notes accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. The relevant ISIN, the Common Code, the CMU Instrument number and (where applicable) the identification number for any other relevant clearing system for each series of Notes will be specified in the applicable Pricing Supplement. If the Notes are to be cleared through an additional or alternative clearing system, the appropriate information will be set out in the relevant Pricing Supplement. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium the address of Clearstream is 42 Avenue JF Kennedy, L-1855 Luxembourg and the address of the CMU is 55th Floor, Two International Financial Centre, 8 Finance Street, Central, Hong Kong. The address of any alternative clearing system will be specified in the relevant Pricing Supplement.
2. **Authorisations:** The establishment of the Programme was authorised by resolution of the shareholder of the Issuer passed on 21 August 2025, resolution of the board of directors of the Issuer passed on 26 August 2025, resolution of the shareholder of the Company passed on 5 June 2025 and resolution of the board of directors of the Company passed on 30 May 2025. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme, the issue of and the performance of its obligations under the Notes, and the entry into and the performance of its obligations under the Trust Deed, the Agency Agreement, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking. The Company has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme, the entry into of the Trust Deed, the Agency Agreement, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking. PRC counsel to the Company and PRC counsel to the Arrangers and the Dealers have advised that no approvals or consents are required from any regulatory authorities or other relevant authorities in the PRC for the Company to enter into the Trust Deed, the Agency Agreement, the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking.
3. **NDRC Examination and Registration:** Where applicable for a Tranche of Notes, pre-issuance registration (or application for pre-issuance registration) with the NDRC will be made in accordance with the NDRC Foreign Debt Measures, and after the Issue Date, the Company undertakes to file or cause to be filed with the NDRC the requisite information and documents within the prescribed time frames in accordance with the NDRC Foreign Debt Measures.
4. **No Material Adverse Change:** Except as disclosed in this Offering Circular, there has been no material adverse change since 31 December 2024 in the financial or trading position, prospects or results of operations of the Issuer, the Company, the Issuer Group or the Group.
5. **Litigation:** None of the Issuer, the Company, any member of the Issuer Group or any member of the Group is involved in any litigation or arbitration proceedings, which the Issuer, the Company, the Issuer Group or the Group (as the case may be) believes are material in the context of the Notes and the entry into of the Keepwell and Liquidity Support Deed and the Deed of Asset Purchase Undertaking and, so far as the Issuer or the Company is aware, no such litigation or arbitration proceedings are pending or threatened.
6. **Listing:** Application has been made to the Hong Kong Stock Exchange for the listing of the Programme, under which the Notes may be issued by way of debt issued to Professional Investors only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange. Separate application may be made for the listing of the Notes on the Hong Kong Stock Exchange.
7. **Available Documents:** As long as any Note is outstanding, copies of the following documents will be available for inspection upon prior written and satisfactory proof of holding during normal business hours

(being between 9:00 am (Hong Kong time) and 3:00 pm (Hong Kong time) Mondays to Fridays, excluding public holidays) at the specified office of the Issuing and Paying Agent:

- (a) the Trust Deed;
 - (b) the Agency Agreement;
 - (c) the Keepwell and Liquidity Support Deed;
 - (d) the Deed of Asset Purchase Undertaking;
 - (e) each Pricing Supplement (save that Pricing Supplements relating to an unlisted Series of Notes will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent as to its holding of Notes and identity);
 - (f) a copy of this Offering Circular together with any supplements or amendments and any other documents incorporated by reference herein; and
 - (g) each Liquidity Notice (as defined in the Deed of Asset Purchase Undertaking).
8. **Audited Financial Statements:** The Group's Audited Financial Statements have been audited by Ernst & Young Hua Ming LLP in respect of the audited consolidated financial statements for the years ended 31 December 2023 and 2024. The Issuer's Audited Financial Statements have been audited by Ernst & Young Certified Public Accountants in respect of the audited consolidated financial statements for the years ended 31 December 2023 and 2024.

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CCB FINANCIAL LEASING CORPORATION LIMITED

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

CCB FINANCIAL LEASING CORPORATION LIMITED

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Independent auditor's report

To the board of directors of CCB FINANCIAL LEASING CORPORATION LIMITED
(Established in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of CCB FINANCIAL LEASING CORPORATION LIMITED (the "Company") and its subsidiaries (the "Group") set out on page 4 to 86, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group at 31 December 2024, and the consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") issued by the International Accounting Standards Board ("IASB").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"), issued by the International Auditing and Assurance Standard Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors and those charged with governance for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent auditor's report (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

Independent auditor's report (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Hua Ming LLP

Ernst & Young Hua Ming LLP

Beijing, the People's Republic of China

26 March 2025

CCB Financial Leasing Corporation Limited
Consolidated statement of comprehensive income
For the year ended 31 December 2024
(Expressed in RMB)

	Note	2024	2023 (Restated)
Interest income	VII.1	4,705,366,848	5,959,969,256
Interest expense	VII.1	(4,122,306,870)	(4,382,611,932)
Net interest income		<u>583,059,978</u>	<u>1,577,357,324</u>
Fee and commission income	VII.2	100,080,811	52,434,285
Fee and commission expense	VII.2	(245,727,591)	(174,066,784)
Net fee and commission expense		<u>(145,646,780)</u>	<u>(121,632,499)</u>
Operating lease income	VII.3	6,184,172,735	4,914,658,124
Operating lease expense	VII.3	(3,351,697,274)	(2,537,263,773)
Net operating lease income		<u>2,832,475,461</u>	<u>2,377,394,351</u>
Net gains/(losses) arising from financial assets		(6,208,044)	7,221,396
Other operating income	VII.4	531,947,489	418,028,290
Operating income		<u>3,795,628,104</u>	<u>4,258,368,862</u>
Operating expenses	VII.5	<u>(441,483,215)</u>	<u>(461,232,024)</u>
Operating profit before impairment		<u>3,354,144,889</u>	<u>3,797,136,838</u>
Credit impairment losses	VII.6	444,630,219	(636,679,122)
Other impairment losses	VII.7	(242,892,591)	(222,522,109)
Profit before income tax		<u>3,555,882,517</u>	<u>2,937,935,607</u>
Income tax expense	VII.8	(874,293,143)	(722,580,525)
Net profit		<u>2,681,589,374</u>	<u>2,215,355,082</u>
Attributable to: Equity holders of the Company		2,681,589,374	2,215,355,082
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods: Exchange differences on translation of foreign operations		<u>110,886,191</u>	<u>59,276,778</u>
Other comprehensive income for the year, net of tax		<u>110,886,191</u>	<u>59,276,778</u>
Total comprehensive income for the year		<u>2,792,475,565</u>	<u>2,274,631,860</u>
Total comprehensive income, attributable to: Equity holders of the Company		2,792,475,565	2,274,631,860

The accompanying notes form an integral of these consolidated financial statements

CCB Financial Leasing Corporation Limited
Consolidated statement of financial position
As at 31 December 2024
(Expressed in RMB)

	Note	31 December 2024	31 December 2023 (Restated)
Assets			
Cash and deposits with banks	VII.9	27,893,078,758	20,634,154,420
Deposits with central bank	VII.10	3,390,000	3,357,352
Financial assets at fair value through profit or loss		25,349,512	419,193,564
Finance lease receivables	VII.11	87,828,542,400	92,074,342,385
Lease prepayments	VII.12	8,582,572,252	12,152,424,422
Fixed assets	VII.13	51,871,374,814	42,097,458,922
Intangible assets	VII.14	69,482,895	65,217,015
Deferred tax assets	VII.15	2,470,554,637	2,616,587,197
Debt instruments at amortised cost	VII.16	766,107,426	460,277,538
Right-of-use assets	VII.17	40,398,077	25,982,480
Other assets	VII.18	2,598,663,923	2,253,574,067
Total assets		<u>182,149,514,694</u>	<u>172,802,569,362</u>
Liabilities			
Loans and borrowings	VII.20	124,443,314,259	109,311,993,407
Accounts payable	VII.21	1,960,756,692	2,740,859,697
Employee benefits payable	VII.22	340,004,749	330,442,366
Income tax payable		142,781,538	413,886,709
Commission fee payable		106,285,023	98,969,322
Bonds payable	VII.23	20,522,345,481	27,091,584,825
Guaranteed deposits		37,000,000	32,000,000
Pledged deposits	VII.24	2,353,438,255	3,221,202,491
Provisions	VII.25	156,710,510	120,342,826
Deferred tax liabilities	VII.15	474,615,648	354,273,342
Other liabilities	VII.26	2,022,474,933	1,910,209,765
Total liabilities		<u>152,559,727,088</u>	<u>145,625,764,750</u>

CCB Financial Leasing Corporation Limited
Consolidated statement of financial position
As at 31 December 2024
(Expressed in RMB)

	Note	31 December 2024	31 December 2023 (Restated)
Equity			
Paid-in capital	VII.28	11,000,000,000	11,000,000,000
Capital reserves	VII.29	421,986	421,986
Other comprehensive income		283,436,292	172,550,101
Surplus reserve	VII.30	1,291,688,830	1,109,901,553
General reserve	VII.31	2,014,885,801	2,014,885,801
Retained earnings		14,999,354,697	12,879,045,171
Total equity		<u>29,589,787,606</u>	<u>27,176,804,612</u>
Total liabilities and equity		<u>182,149,514,694</u>	<u>172,802,569,362</u>

Approved and authorized for issue by the board of directors on 26 March 2025.

杨险峰 李卿

Authorised
Representative

Supervisor of
Finance Department

冯孝崇

Director of Finance
Department



The accompanying notes form an integral of these consolidated financial statements.

CCB Financial Leasing Corporation Limited
Consolidated statement of changes in equity
For the year ended 31 December 2024
(Expressed in RMB)

For the year ended 31 December 2024		Paid-in Capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 31 December 2023 (restated)		11,000,000,000	421,986	172,550,101	1,109,901,553	2,014,885,801	12,879,045,171	27,176,804,612
As at 1 January 2024		11,000,000,000	421,986	172,550,101	1,109,901,553	2,014,885,801	12,879,045,171	27,176,804,612
Total comprehensive income		-	-	110,886,191	-	-	2,681,589,374	2,792,475,565
Among which:								
business combination under common control		-	-	11,893,888	-	-	1,015,932,416	1,027,826,304
Dividends		-	-	-	-	-	(379,492,571)	(379,492,571)
Appropriation to surplus reserve		-	-	-	181,787,277	-	(181,787,277)	-
As at 31 December 2024		11,000,000,000	421,986	283,436,292	1,291,688,830	2,014,885,801	14,999,354,697	29,589,787,606





The accompanying notes form an integral of these consolidated financial statements.

CCB Financial Leasing Corporation Limited
Consolidated statement of changes in equity
For the year ended 31 December 2024
(Expressed in RMB)

	For the year ended 31 December 2023 (restated)					
	Paid-in Capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings
As at 31 December 2022						
Business combination under common control	11,000,000,000	-	70,561,569	1,009,931,536	2,014,885,801	9,193,417,947
	-	421,986	42,711,754	-	-	1,570,242,159
As at 1 January 2023	11,000,000,000	421,986	113,273,323	1,009,931,536	2,014,885,801	10,763,660,106
Total comprehensive income	-	-	59,276,778	-	-	2,215,355,082
Among which: business combination under common control	-	-	43,556,980	-	-	716,338,962
Appropriation to surplus reserve	-	-	-	99,970,017	-	(99,970,017)
As at 31 December 2023	11,000,000,000	421,986	172,550,101	1,109,901,553	2,014,885,801	12,879,045,171
						27,176,804,612

The accompanying notes form an integral of these consolidated financial statements.

CCB Financial Leasing Corporation Limited
Consolidated statement of cash flows
For the year ended 31 December 2024
(Expressed in RMB)

	Note	2024	2023 (Restated)
1 Cash flows from operating activities			
Profit before income tax		3,555,882,517	2,937,935,607
Adjustments for:			
Impairment losses		(201,737,628)	859,201,231
Net gains on disposal of fixed assets and other long-term assets		(242,092,769)	(125,204,189)
Depreciation and amortization		3,463,050,195	2,578,934,240
Interest expense on bonds issued		536,191,375	935,809,182
Net (gains)/losses arising from financial assets at fair value through profit or loss		6,208,044	(7,221,396)
Net decrease in finance lease receivables		4,754,666,358	7,043,614,188
Net (increase)/decrease in deposits with central bank		(32,648)	(350,000)
Net increase/(decrease) in loans and borrowings		14,236,485,688	12,034,203,952
Income tax paid		(1,226,465,968)	(1,097,462,015)
Net (increase)/decrease in other operating assets		3,561,938,882	(3,051,681,661)
Net increase in other operating liabilities		(2,475,525,669)	5,058,145,279
Net cash from operating activities		<u>25,968,568,377</u>	<u>27,165,924,418</u>

The accompanying notes form an integral of these consolidated financial statements

CCB Financial Leasing Corporation Limited
Consolidated statement of cash flows (continued)
For the year ended 31 December 2024
(Expressed in RMB)

	Note	2024	2023 (Restated)
2 Cash flows from investing activities			
Interest and dividends received		22,710,000	19,855,620
Proceeds from disposal of fixed assets, intangible assets, and other long-term assets		-	9,140
Proceeds from disposal of operating lease assets		1,434,325,578	1,256,319,054
Purchase of investment securities		(310,250,239)	-
Purchase of fixed assets, intangible assets and other long-term assets		(22,726,935)	(29,339,563)
Purchase of operating lease assets		<u>(9,414,206,237)</u>	<u>(11,911,822,753)</u>
Net cash used in investing activities		<u>(8,290,147,833)</u>	<u>(10,664,978,502)</u>
3 Cash flows from financing activities			
Proceeds from bonds issued		5,985,026,800	-
Repayment of bonds issued		(12,679,520,000)	(3,000,000,000)
Interest paid on bonds issued		(246,600,000)	(973,033,538)
Cash payments of other financing activities		<u>(3,822,345)</u>	<u>(35,622,090)</u>
Net cash used in financing activities		<u>(6,944,915,545)</u>	<u>(4,008,655,628)</u>
4 Effect of exchange rate changes on cash and cash equivalents		<u>(3,457,680,893)</u>	<u>(5,155,635,499)</u>
5 Net increase in cash and cash equivalents		7,275,824,106	7,336,654,789
Add: Cash and cash equivalents at beginning of year		<u>20,552,331,553</u>	<u>13,215,676,764</u>
6 Cash and cash equivalents at end of year	VII.27	<u>27,828,155,659</u>	<u>20,552,331,553</u>

The accompanying notes form an integral of these consolidated financial statements.

CCB Financial Leasing Corporation Limited
Notes to the consolidated financial statements
for the year ended 31 December 2024
(Expressed in RMB)

I CORPORATE INFORMATION

CCB Financial Leasing Corporation Limited (the "Company") is a limited liability company incorporated by China Construction Bank Corporation ("CCB") and Bank of America Corporation ("BOA") in Beijing, the People's Republic of China (the "PRC") on 26 December 2007 with the approval of China Banking Regulatory Commission ("CBRC") (In 2023, the regulator was renamed as the National Financial Regulatory Administration, hereinafter referred to as the "NFRA"). In 2012, CCB purchased the equity held by BOA and became the company's sole shareholder. The Company operates under the corporate legal person operating licence No. 91110000710935214B and the financial licence No. M0013H211000001. As at 31 December 2024, the Company has a registered capital of RMB 11 billion, and the information of subsidiaries is further detailed in Note VI.1.

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in finance lease business, transfer and receipt of the assets held under finance lease, borrowings from nonbank shareholders for more than 3 months (inclusive), placements with banks, loans from financial institutions, issuance of noncapital bonds, receipt of lease deposits from the lessee, leasehold selling and disposal business, fixed-income security investment business, finance lease related consulting services, establishment of domestic project companies to carry out finance lease business, granting shareholder loans to professional subsidiaries and project companies, provision of financial and performance guarantee for professional subsidiaries and project companies, asset securitization business as well as other businesses approved by NFRA.

The parent of the Group is CCB.

II BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") issued by the International Accounting Standards Board ("IASB").

These financial statements have been prepared under the historical cost convention, except for certain financial instruments. These financial statements are presented in RMB, unless otherwise stated.

III MATERIAL ACCOUNTING POLICIES (CONTINUED)

1 Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

The nature and the impact of the revised IFRS Accounting Standards are described below:

- a) The amendments in IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendment had no impact on the consolidated financial statements of the Group.

- b) The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
- What is meant by a right to defer settlement
 - That a right to defer must exist at the end of the reporting period
 - That classification is unaffected by the likelihood that an entity will exercise its deferral right
 - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

CCB Financial Leasing Corporation Limited
Notes to the consolidated financial statements
for the year ended 31 December 2024
(Expressed in RMB)

III MATERIAL ACCOUNTING POLICIES (CONTINUED)

1 Changes in accounting policies and disclosures (continued)

- c) The amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments had no impact on the Group's consolidated financial statements.

2 Issued but not yet effective International Financial Reporting Standards

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

		Effective for annual periods beginning on or after
Amendments to IAS 21	<i>Lack of exchangeability</i>	1 January 2025
Amendments to IFRS 18	<i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
Amendments to IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027

Further information about those IFRS Accounting Standards that are expected to be applicable to the Group is described below:

Lack of exchangeability - Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Group's financial statements.

III MATERIAL ACCOUNTING POLICIES (COUNTINUED)

3 Issued but not yet effective International Financial Reporting Standards (continued)

Presentation and Disclosure in Financial Statements - Amendments to IFRS 18

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

The amendments are effective for annual reporting periods beginning on or after 1 January 2027 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Subsidiaries without Public Accountability: Disclosures - Amendments to IFRS 19

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS Accounting Standards.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2027. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

III MATERIAL ACCOUNTING POLICIES (COUNTINUED)

4 Business combinations

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

The assets and liabilities (including goodwill arising from the ultimate controlling party's acquisition of the entity being absorbed) that are obtained by the absorbing entity in a business combination involving entities under common control shall be measured on the basis of their carrying amounts in the financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to capital premium under capital reserves. If the capital premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

Goodwill is initially recognised and measured at cost, being the excess of the cost of the combination over the Group's interest in the fair value of the acquiree's net identifiable assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Where the cost of the combination is lower than the Group's interest in the fair value of the acquiree's net identifiable assets, the Group reassesses the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination. If after that reassessment, the cost of the combination is still lower than the Group's interest in the fair value of the acquiree's net identifiable assets, the Group recognises the remaining difference in profit or loss.

III MATERIAL ACCOUNTING POLICIES (COUNTINUED)

5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2024 including controlled structured entities. The Group consolidates a subsidiary when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights results in control. However, in individual circumstances, the Group may still exercise control with a less than 50% shareholding, or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Group considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Group can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights
- Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests (NCIs), even if this results in the NCIs having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, NCI and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

6 Foreign currency translation

Functional and presentation currency

The functional currency of the operations in the Chinese mainland is RMB. Items included in the financial statements of each of the Group's operations are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The presentation currency of the Group is RMB.

III MATERIAL ACCOUNTING POLICIES (COUNTINUED)

6 Foreign currency translation (continued)

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

Group companies

On consolidation, the assets and liabilities in some subsidiaries are translated into RMB at the spot rate of exchange prevailing at the reporting date and their income statements are translated at spot exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI.

7 Interest income

Interest income for debt instruments measured at amortised cost is recognised in profit or loss based on effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-earning instrument and its amount at maturity calculated on an effective interest basis. The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period.

8 Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income is accrued in accordance with the terms and conditions of the service agreement. For other services, fee and commission income is recognised when the transactions are completed.

III MATERIAL ACCOUNTING POLICIES (CONTINUED)

9 Financial instruments

Recognition and de-recognition of financial instruments

The Group shall recognise a financial asset or a financial liability in its statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets (or a part of a financial asset or group of financial assets) are derecognised when the financial assets meet one of the following conditions:

- (1) the contractual rights to the cash flows from the financial asset expire; or
- (2) the contractual rights to the cash flows from the financial asset are transferred, or the Group undertake the obligation to pay the cash flows collected to a third party in full and on time under the "pass-through agreement" and the Group (a) transfers substantially all the risks and rewards of ownership of the financial assets or (b) where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

The Group recognises and de-recognises financial assets on the trading day when trading financial assets in a conventional way. Trading financial assets in a conventional way refers to collecting or delivering financial assets within the time limit prescribed by laws or common practices in accordance with contract provisions. The trading day refers to the date on which the Group undertakes to buy or sell financial assets.

Financial liabilities are de-recognised when they are extinguished – that is, when the obligation is discharged or cancelled, or expires. The difference between the carrying amount of the de-recognised financial liability and the consideration paid is recognised in the statement of profit or loss.

Classification and Subsequent measurement

Financial assets

The Group classifies financial assets as at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Only if when the Group changes the business model for managing financial assets, the Group shall reclassify the affected financial assets.

For financial assets at fair value through profit or loss, transaction costs are directly recognised in profit or loss. For other financial assets, transaction costs are recognised in the initial measurement.

III MATERIAL ACCOUNTING POLICIES (CONTINUED)

9 Financial instruments (continued)

Classification and Subsequent measurement (continued)

Financial assets (continued)

Business model

The Group's business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. If financial assets are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the business model of the financial assets is "other". The Group's assessment of the business model is performed on a financial asset portfolio basis, and determined on a reasonable expected scenario, taking into account: how cash flows were generated in the past, how the performance of the business model and the financial assets held within that business model is evaluated and reported to the Group's key management personnel; how risks are evaluated and managed; and how managers of the business are compensated.

The contractual cash flow characteristics

The assessment of contractual cash flow characteristics is to determine whether the cash flows are solely payments of principal and interest on the principal amount outstanding. Principal is the fair value of the financial asset at initial recognition. However, that principal amount may change over the life of the financial asset (for example, if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

The subsequent measurement of financial assets depends on the classification:

(1) Debt investment at amortised cost

The Group classifies financial assets as subsequently measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income is recognised using the effective interest method for such financial assets. The gains or losses from derecognition, amendments or impairment on such financial assets are recognised in profit or loss.

III MATERIAL ACCOUNTING POLICIES (CONTINUED)

9 Financial instruments (continued)

Classification and Subsequent measurement (continued)

Financial assets (continued)

(2) Financial assets at fair value through profit or loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, which includes financial assets held for trading, financial assets designated as at fair value through profit or loss and other financial assets mandatorily measured at fair value through profit or loss in accordance with IFRS 9.

Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on such financial asset is recognised in profit or loss unless it is part of a hedging relationship. Dividends, which the Group is entitled to collect, on equity investments in such measurement category are recognised in profit or loss in accordance with IFRS 9.

When, and only when, the Group changes the business model for managing financial assets, the Group shall reclassify all affected financial assets. Reclassification is applied prospectively from the first day of the first reporting period following the change in business model.

Financial liabilities

The Group classifies financial liabilities as at fair value through profit or loss and financial liabilities measured at amortised cost. For financial liabilities at fair value through profit or loss, transaction costs are directly recognised in profit or loss. For financial liabilities measured at amortised cost, transaction costs are recognised in the initial measurement.

The subsequent measurement of financial liabilities depends on the classification:

(1) Financial liabilities at amortised cost

Financial liabilities measured at amortised cost using the effective interest method.

The Group does not reclassify any financial liabilities.

III MATERIAL ACCOUNTING POLICIES (CONTINUED)

9 Financial instruments (continued)

Determination of fair value

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of quoted financial assets and financial liabilities in active markets are based on current bid prices and ask prices, as appropriate. If there is no active market, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and option pricing models, and other valuation techniques commonly used by market participants.

The Group uses the valuation techniques commonly used by market participants to price financial instruments and techniques which have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. The Group makes use of all factors that market participants would consider in setting a price, and incorporates these into its chosen valuation techniques and tests for validity using prices from any observable current market transactions in the same instruments.

Financial guarantee contracts and finance lease commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to the Group's subsidiaries to secure customer loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement less amortisation calculated and the impairment allowance determined by the expected credit loss ("ECL") model, and any increase in the liability relating to guarantees is taken to the consolidated statement of comprehensive income.

Finance lease commitments are commitments provided by the Group to the customers to grant finance lease under the established contract terms during certain period. The impairment allowance for loan commitments is measured using the ECL model.

The impairment allowances for financial guarantees and loan commitments are presented in "Provisions".

III MATERIAL ACCOUNTING POLICIES (CONTINUED)

9 Financial instruments (continued)

Impairment measurement for losses on assets

At the financial reporting date, the Group assesses and recognises the relevant impairment allowances for financial assets measured at amortised cost, cash and deposits with bank, finance lease receivables, other receivables, finance lease commitments and financial guarantee contracts on the basis of expected credit losses.

Measurement of ECL

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all cash flows expected to be received by the Group discounted at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage 1: The financial instruments without significant increases in credit risk after initial recognition are included in Stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instruments for the next 12 months;
- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;
- Stage 3: Financial assets with objective evidence of impairment at the financial reporting date are included in Stage 3, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments.

For the previous accounting period, the impairment allowance has been measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the financial reporting date, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance of the financial instruments on the financial reporting date according to the ECL in the next 12 months.

The Group measures ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

III MATERIAL ACCOUNTING POLICIES (CONTINUED)

9 Financial instruments (continued)

Impairment measurement for losses on assets (continued)

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group considers the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducted an assessment of ECL according to forward-looking information and used a number of models and assumptions in its measurement of expected credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses).

The Group uses judgements, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial assets
- Parameters for measuring ECL
- Forward-looking information
- Modification of contractual cash flows

Criteria for determining significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each financial reporting date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on an individual financial instrument or a group of financial instruments shared credit risk characteristics, the Group compares the risk of default of financial instruments at the financial reporting date with that at the date of initial recognition in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group persists in the substantive risk judgment and comprehensively considers the changes in the borrower's operating ability and solvency to assess whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition.

III MATERIAL ACCOUNTING POLICIES (CONTINUED)

9 Financial instruments (continued)

Impairment measurement for losses on assets (continued)

Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a financial asset is credit-impaired under IFRS 9 is consistent with the internal credit risk management objectives, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- It becoming probable that the borrower will enter into bankruptcy or other financial re-organisation;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;
- The debtor is more than 90 days overdue for any of the principal, advances, interest or investments in corporate bonds of the Group.

A financial asset becoming credit-impaired may be caused by the combined effect of several events, but not a single discrete event.

Parameters of ECL measurement

According to whether the credit risk has significantly increased and whether the asset is credit-impaired, the Group measures the impairment allowance for different assets with ECL of 12 months or the entire lifetime respectively. The key parameters in ECL measurement include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the current New Basel Capital Accord used in risk management and the requirements of IFRS 9, CCB takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the models for estimating PD, LGD and EAD.

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. CCB adjusts PD based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking into account the forward-looking information and removing the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;
- LGD refers to the CCB's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies;

III MATERIAL ACCOUNTING POLICIES (CONTINUED)

9 Financial instruments (continued)

Impairment measurement for losses on assets (continued)

- EAD is the amount that CCB should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information incorporated in the ECL

The assessment of Significant increase in credit risk (SICR) and the calculation of ECLs both incorporate forward-looking information. CCBFL's parent company, CCB has performed historical data analysis and identified the key economic variables related to expected credit losses and made forward-looking adjustments.

CCB constructs empirical models to determine the comparable weightings in positive, neutral and negative scenarios. Following this assessment, CCB measures ECLs as a weighted average probability of ECLs in the next 12-month under the three scenarios for Stage 1 financial instruments; and a weighted average probability of lifetime ECLs for Stage 2 and 3 financial instruments.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. CCB applied experts' judgement in this analysis, according to the result of experts' judgement, CCB predicts these economic indicators on a quarterly basis and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

CCB measures the weighted average ECL of 12 months or life time. The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

The Group adopts the general model for expected credit loss issued by CCB. In the model, PD and LGD are measured as the same way of CCB's corporate credit and non-credit business. In particular, since the value of aircrafts and vessels fluctuates frequently in the market, the LGD of the aircrafts and vessels is based on the Group's relevant measurements and external valuation reports.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Write-offs

Financial assets are written off either partially or in their entirety only when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

CCB Financial Leasing Corporation Limited
Notes to the consolidated financial statements
for the year ended 31 December 2024
(Expressed in RMB)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

10 Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, non-restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

11 Fixed assets

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow into the Group and the cost of the asset can be measured reliably. Subsequent expenditures incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditures are recognised in profit or loss as incurred.

Fixed assets are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to working condition for its intended use. Depreciation is calculated using the straight-line method. The useful lives, estimated residual value rates and annual depreciation rates of each category of the fixed assets are as follows:

Type of assets	Estimated useful life	Estimated residual value rate	Annual depreciation rate
Computer equipment	3 - 5 years	3.00%	19.40%-32.33%
Transportation equipment	6 - 8 years	3.00%	12.13%-16.17%
Office equipment and others	3 - 8 years	3.00%	12.13%-32.33%
Aircraft	20 / 25 years	5.00%	4.75% / 3.80%
Vessels	20 / 25 years	5.00%	4.75% / 3.80%
Other equipment	7 / 10 years	5.00%	13.57% / 9.50%

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each year end, and make adjustments if necessary.

III MATERIAL ACCOUNTING POLICIES (CONTINUED)

12 Lease

Identification of leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

Assessment of the lease term

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. If the Group has an option to extend the lease, that is, the Group has the right to extend the lease, and is reasonably certain to exercise that option, the lease term also includes periods covered by an option to extend the lease. If the Group has an option to terminate the lease, that is, the Group has the right to terminate the lease, but is reasonably certain not to exercise that option, the lease term includes periods covered by an option to terminate the lease. The Group reassesses whether it is reasonably certain to exercise an extension option, purchase option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in the circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term.

As lessee

The Group recognises lease liabilities and right-of-use assets, except for short-term leases and leases of low-value assets.

Right-of-use assets

The right-of-use assets of the Group mainly include bank premises and other equipment.

At the commencement date of the lease, the Group recognises a right-of-use asset. Right-of-use assets are initially measured at cost. The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred; and (iv) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

III MATERIAL ACCOUNTING POLICIES (CONTINUED)

12 Lease (continued)

As lessee (continued)

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly. When the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognises the remaining amount of the remeasurement in profit or loss.

Lease liabilities

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease.

In calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss, except those in the costs of the related asset as required. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred, except those in the costs of the related asset as required.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate if either: (i) there is a change in the in-substance fixed lease payments; (ii) there is a change in the amounts expected to be payable under a residual value guarantee; (iii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; (iv) there is a change in the assessment of an option to purchase, extend or terminate the underlying asset, assessed in the context of a purchase option.

Short-term leases and leases of low-value assets

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease; and a lease of the individual underlying asset with low value, when new, as a lease of low-value assets. The Group recognises lease payments on short-term leases and leases of low-value assets in the costs of the related asset or profit or loss on a straight-line basis over the lease term.

III MATERIAL ACCOUNTING POLICIES (CONTINUED)

12 Lease (continued)

As lessee (continued)

Lease modifications

Lease modification is a change in the scope of a lease, the consideration or the term for a lease, that was not part of the original terms and conditions of the lease, for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both:

- a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by:

- a) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope or term of the lease, and recognising the gain or loss relating to the partial or full termination of the lease in profit or loss; or
- b) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

Lessee's incremental borrowing rate

If the interest rate implicit in the lease cannot be readily determined, the Group measures the lease liability at the present value of the lease payments discounted using the lessee's incremental borrowing rate. According to the economic environment, the Group takes the observable interest rate as the reference basis for determining the incremental borrowing rate, then adjusts the observable interest rate based on its own circumstances, underlying assets, lease terms and amounts of lease liabilities to determine the applicable incremental borrowing rate.

III MATERIAL ACCOUNTING POLICIES (CONTINUED)

12 Lease (continued)

As lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date. The Group, as an intermediate lessor, classifies the sublease by reference to the right-of-use asset arising from the head lease.

As lessor of a finance lease

At the commencement date of the lease, the Group recognises finance lease payments receivable and derecognises finance lease assets. The Group presents lease payments receivable at an amount equal to the net investment in the lease for the initial measurement. The net investment in the lease is the sum of any unguaranteed residual value accruing to the lessor and at the commencement date of the lease the lease payments receivable by a lessor under a finance lease discounted at the interest rate implicit in the lease, including the initial direct costs.

The Group recognises interest income over the lease term, based on a pattern reflecting a constant periodic rate of return on its net investment in the lease. Variable lease payments received by the Group that are not included in the measurement of the net investment in the lease are recognised in profit or loss as incurred.

The Group accounts for a modification to a finance lease as a separate lease if both:

- a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a modification to a finance lease that is not accounted for as a separate lease, the Group accounts for the modification as follows:

- a) if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Group accounts for the lease modification as a new lease from the effective date of the modification, and measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification; or
- b) if the lease would have been classified as a finance lease had the modification been in effect at the inception date, the Group accounts for the lease modification.

III MATERIAL ACCOUNTING POLICIES (CONTINUED)

12 Lease (continued)

As lessor (Continued)

As lessor of an operating lease

Rent income under an operating lease is recognised on a straight-line basis over the lease term, through profit or loss. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Sale and leaseback transactions

As lessor

If the transfer of an asset satisfies the requirements to be accounted for as a sale of the asset, the Group, as a lessor, accounts for the purchase of the asset and for the lease applying the accounting requirements set forth; and if the transfer of an asset does not satisfy the requirements to be accounted for as a sale of the asset, the Group, as a lessor, does not recognise the transferred asset and recognises a financial asset equal to the transfer proceeds.

III MATERIAL ACCOUNTING POLICIES (CONTINUED)

13 Intangible assets

An intangible asset shall be recognised only when it is probable that the economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination not involving entities under common control with a fair value that can be measured reliably are recognised separately as intangible assets and initially measured at the fair value at the date of acquisition.

The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

The intangible assets of the Group are computer software. Estimated useful life of the intangible assets of the Group are 10 years. The Group amortizes on a straight-line basis the amount of intangible assets with finite useful lives over their useful lives. The estimated useful lives and the amortization method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

14 Impairment of non-financial assets

The Group determines the impairment of assets, other than the impairment of deferred tax assets and financial assets using the following methods:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs impairment testing.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis unless it is not possible to estimate the recoverable amount of the individual asset, in which case the recoverable amount is determined for the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount by the Group. The reduction in the carrying amount is treated as an impairment loss and recognised in profit or loss. Allowance for impairment loss of the asset is recognised accordingly.

Once the above impairment loss is recognised, it cannot be reversed in subsequent accounting periods.

III MATERIAL ACCOUNTING POLICIES (CONTINUED)

15 Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (iv) the entity and the Group are members of the same group;
- (v) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (vi) the entity and the Group are joint ventures of the same third party;
- (vii) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (viii) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group, (If the Group is itself such a plan) and the sponsoring employers of the post-employment benefit plan;
- (ix) the entity is controlled or jointly controlled by a person identified in (a);
- (x) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (xi) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

III MATERIAL ACCOUNTING POLICIES (CONTINUED)

17 Employee benefits

Employee benefits are all forms of consideration given and compensations incurred by the Group in exchange for services rendered by employees. Employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in cost of relevant assets or the expenses in profit or loss. Where payment or settlement is deferred and the effect of discount would be material, these amounts are stated at their present values on the statement of financial position.

Short-term benefits

Short-term benefits includes salaries, bonus, allowance, subsidies, expenses for employee benefit, medical insurance, work injury insurance, maternity insurance, housing fund, labour union and education. The Group makes housing fund and social insurance contributions to government agencies in proportion to each employee's salary and expenses monthly in the period in which the associated services are rendered by its employees, recognises short-term benefits incurred as liabilities and recognises them in profit or loss on an accrual basis.

Defined contribution retirement schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has joined defined contribution retirement schemes for the employees arranged by local government labor and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the local government organizations. The contributions are charged to the consolidated statement of comprehensive income on an accrual basis. When employees retire, the local government labor and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Annuity schemes

In addition to the statutory provision schemes, the Group's employees have joined the annuity scheme set up by the Group under "CCB Financial Leasing Corporation Limited Annuity Scheme" (the "scheme") in accordance with state enterprise annuity regulations. The Group has made annuity contributions in proportion to its employees' gross wages, which are expensed in profit or loss when the contributions are made.

III MATERIAL ACCOUNTING POLICIES (CONTINUED)

18 Provisions

An obligation related to a contingency shall be recognised by the Group as a provision when the obligation is a present obligation of the Group and it is probable that an outflow of economic benefits from the Group will be required to settle the obligation, together with a reliable estimate can be made of the amount of the obligation, except for contingent considerations and contingent liabilities assumed in a business combination not involving entities under common control:

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money as a whole. Provisions are reviewed and adjusted appropriately at each balance sheet date to reflect the current best estimate.

19 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

20 Fair value measurement

The Group measures its financial assets held for trading at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

III MATERIAL ACCOUNTING POLICIES (CONTINUED)

21 Deferred Income tax

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and the carrying amounts of the assets and liabilities for financial reporting purposes or the carrying amounts of the assets and liabilities those are not recognized under accounting policies.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (1) Taxable temporary difference is produced by the following transactions: initial recognition of goodwill or initial recognition produced by the following characteristics: the transaction is not the combination of enterprises, it influences neither accounting profit nor taxable income or deductible loss, and the initial recognition of assets and liabilities gives rise to equal taxable and deductible temporary differences.
- (2) For taxable temporary difference related to investments of subsidiaries, joint ventures or associates, the temporary difference will probably not be returned in the foreseeable future but the timing of return can be controlled.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- (1) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and gives rise to equal taxable and deductible temporary differences; and
- (2) in respect of deductible temporary differences associated with investments of subsidiaries, joint ventures or associates, it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates which are expected to apply to the period when the asset is realized or the liability is settled, according to tax law, which have been enacted or substantively enacted by the end of the reporting period.

The carrying amount of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

IV CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities at the balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

When applying the Group's accounting policies, management has made the following judgements and estimates which have significant impact on the amounts recognized in the financial statements.

1 Classification of financial assets

The Group classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. It requires management to make judgements. Management determined the classification on the basis of the Group's business model for managing the financial assets, the contractual cash flow characteristics of the financial asset and financial accounting standards and consider the effects to financial statements disclosures.

2 Classification of leases

Management is required to determine the classification of leases. When making this judgement, management considers the nature of the leases, compliance with the requirements of the ASBEs and the impact on its financial statements.

3 Income taxes

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

IV CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

4 Impairment losses on finance lease receivables and other financial assets

The measurement of the expected credit loss allowance for finance lease receivables is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit losses is further detailed in Note II.9.

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses; and
- Establishing groups of similar financial assets for the purpose of measuring expected credit losses.

5 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. Cash flow is determined based on the rent to be charged in the future as agreed in the lease contract plus the net residual value at the end of the lease term. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

6 Deferred tax asset

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

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V TAXATION

The Group's main applicable taxes, tax rates and tax base are as follows:

Taxes	Tax basis	Statutory rates
Corporate income tax	Taxable income	12.5%, 16.5%, 25%
Value-added tax	Taxable added value	6%, 13%, Leasing of tangible movable assets, which are exclusively used outside of China, could be qualified for VAT exemption
City construction and maintenance tax	Turnover tax paid	7%, 5%
Education surcharges	Turnover tax paid	3%
Local education surcharges	Turnover tax paid	2%

VI SCOPE OF CONSOLIDATION

1. Particulars of the Company's principal subsidiaries are as follows:

	Place of incorporation	Issued ordinary/ registered share capital	Percentage of equity	Principal activity
CCB Jin One Leasing (Tianjin) Co., Ltd.	Tianjin, China	5,000,000	100%	Leasing
CCB Jin Seven Leasing (Tianjin) Co., Ltd.	Tianjin, China	500,000	100%	Leasing
CCB Jin Twelve Leasing (Tianjin) Co., Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Thirteen Leasing (Tianjin) Co., Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Sixteen Leasing (Tianjin) Co., Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Eighteen Leasing (Tianjin) Co., Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Twenty One Leasing (Tianjin) Co., Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Twenty Two Leasing (Tianjin) Co., Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Twenty Four Leasing (Tianjin) Co., Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Twenty Seven Leasing (Tianjin) Co., Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Twenty Eight Leasing (Tianjin) Co., Ltd.	Tianjin, China	100,000	100%	Leasing

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VI SCOPE OF CONSOLIDATION (CONTINUED)

1. Particulars of the Company's principal subsidiaries are as follows (continued):

	Place of incorporation	Issued ordinary/ registered share capital	Percentage of equity	Principal activity
CCB Jin Thirty One Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Thirty Three Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Thirty Five Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Thirty Six Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Thirty Seven Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Thirty Eight Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Thirty Nine Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Forty Five Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Forty Six Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Forty Seven Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Forty Eight Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Forty Nine Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Fifty Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Fifty One Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Fifty Two Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Fifty Three Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Fifty Four Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Fifty Five Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Fifty Six Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Fifty Seven Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Fifty Eight Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing

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VI SCOPE OF CONSOLIDATION (CONTINUED)

1. Particulars of the Company's principal subsidiaries are as follows (continued):

	Place of incorporation	Issued ordinary/ registered share capital	Percentage of equity	Principal activity
CCB Jin Fifty Nine Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Sixty Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Sixty One Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Sixty Two Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Sixty Three Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Sixty Five Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Leasing (Xiamen) Co.,Ltd.	Xiamen, China	100,000	100%	Leasing
CCB Lu One Leasing (Xiamen) Co.,Ltd.	Xiamen, China	100,000	100%	Leasing
CCB Lu Two Leasing (Xiamen) Co.,Ltd.	Xiamen, China	100,000	100%	Leasing
CCB Lu Three Leasing (Xiamen) Co.,Ltd.	Xiamen, China	100,000	100%	Leasing
CCB Lu Four Leasing (Xiamen) Co.,Ltd.	Xiamen, China	100,000	100%	Leasing
CCB Lu Five Leasing (Xiamen) Co.,Ltd.	Xiamen, China	100,000	100%	Leasing
CCB Lu Six Leasing (Xiamen) Co.,Ltd.	Xiamen, China	100,000	100%	Leasing
CCB Lu Seven Leasing (Xiamen) Co.,Ltd.	Xiamen, China	100,000	100%	Leasing
CCB Jing Two Leasing (Beijing) Co.,Ltd.	Beijing, China	100,000	100%	Leasing
CCB Jin Sixty Six Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Sixty Seven Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Sixty Eight Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Sixty Nine Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Seventy Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Seventy One Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing

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VI SCOPE OF CONSOLIDATION (CONTINUED)

1. Particulars of the Company's principal subsidiaries are as follows (continued):

	Place of incorporation	Issued ordinary/ registered share capital	Percentage of equity	Principal activity
CCB Jin Seventy Three Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Seventy Four Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Seventy Five Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Seventy Seven Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Seventy Eight Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Seventy Nine Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Eighty Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Eighty One Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Eighty Two Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Eighty Three Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Eighty Four Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Eighty Five Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Eighty Six Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Eighty Seven Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Ninety Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Ninety One Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Ninety Two Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Ninety Three Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing

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VI SCOPE OF CONSOLIDATION (CONTINUED)

1. Particulars of the Company's principal subsidiaries are as follows (continued):

CCB Jin Ninety Four Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Ninety Five Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Ninety Six Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Ninety Seven Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Ninety Eight Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Ninety Nine Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and One Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Two Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Three Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Four Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Five Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Six Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Seven Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Eight Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Nine Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Twenty Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing

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VI SCOPE OF CONSOLIDATION (CONTINUED)

1. Particulars of the Company's principal subsidiaries are as follows (continued):

CCB Jin One Hundred and Twenty One Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Twenty Two Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Twenty Three Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Twenty Four Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Twenty Five Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Twenty Six Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Twenty Seven Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Twenty Eight Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Thirty Two Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Thirty Three Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Thirty Four Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Thirty Five Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Thirty Six Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Thirty Seven Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Thirty Eight Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Shipping and Aviation Leasing Corporation Limited	Hong Kong	3 million USD	100%	Leasing

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VI SCOPE OF CONSOLIDATION (CONTINUED)

2. Business combinations under common control:

As at 21 November 2024, CCB leasing (International) Corporation Designated Activity Company (hereinafter referred to as "CCBLI") was acquired by CCB Shipping and Aviation Leasing Corporation Limited (hereinafter referred to as "Hong Kong Professional Subsidiary"), which is the Company's subsidiary, from CCB International Innovation Investment Limited (hereinafter referred to as "CCB Innovation") for zero consideration ("the Acquisition"). The shareholder of CCB Innovation is CCB International (Holdings) Limited, whose ultimate parent company is also CCB. As both parties before and after the Acquisition are controlled by CCB and the control is not temporary, so the Acquisition is a business combination involving entities under common control. 21 November 2024 is determined as the date of transfer of control.

The carrying amounts of the assets and liabilities of the acquired entity at the acquisition date and the balance sheet date of the previous accounting period are as follows:

	<u>The acquisition date</u>	<u>31 December 2023</u>
Cash and deposits with banks	1,574,809,407	2,657,646,319
Finance lease receivables	5,050,089,957	6,765,831,247
Fixed assets	13,984,660,111	17,310,848,700
Other assets	15,065,299,226	13,203,527,121
Total assets	35,674,858,701	39,937,853,387
Loans and borrowings	15,194,704,418	14,154,480,446
Accounts payable	1,158,476,929	1,240,416,041
Bonds payable	14,242,935,813	19,909,501,916
Other liabilities	2,057,135,967	2,260,183,143
Total liabilities	32,653,253,127	37,564,581,546
Net assets	3,021,605,574	2,373,271,841
Net assets acquired	3,021,605,574	
Combination difference (recognized directly in equity)	(3,021,605,574)	
Consideration for consolidation	-	

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VI SCOPE OF CONSOLIDATION (CONTINUED)

2. Business combinations under common control (Continued)

The operating results and cash flows of the acquired entity from the beginning of the year to the acquisition date were as follows:

	January 1, 2024 To the acquisition date
Operating income	1,589,036,002
Net profit	1,015,932,416
Net cash flows	3,125,388,918

(1) Net amount of cash paid for the acquisition of the above subsidiary

	2024
Cash and cash equivalents paid for the acquisition of subsidiaries	-
Less: Cash and cash equivalents held by the acquired subsidiaries	<u>1,574,809,407</u>
Net amount of cash paid for the acquisition of the subsidiaries	<u>(1,574,809,407)</u>

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Net interest income

	2024	2023
Interest income arising from:		
- Finance lease	4,173,535,637	5,337,028,166
- Deposits with commercial banks	358,232,401	450,058,220
- Debt instruments at amortised cost	17,995,159	13,399,425
- Others	<u>155,603,651</u>	<u>159,483,445</u>
Subtotal	<u>4,705,366,848</u>	<u>5,959,969,256</u>
Interest expense arising from:		
- Borrowings from commercial banks	(3,565,590,168)	(3,437,341,538)
- Bonds issued	(536,191,375)	(935,809,182)
- Others	<u>(20,525,327)</u>	<u>(9,461,212)</u>
Subtotal	<u>(4,122,306,870)</u>	<u>(4,382,611,932)</u>
Net interest income	<u>583,059,978</u>	<u>1,577,357,324</u>

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Net fee and commission expense

	2024	2023
Fee and commission income	<u>100,080,811</u>	<u>52,434,285</u>
Fee and commission expense		
Leasing business	(200,419,059)	(130,777,460)
Financing service fees	(43,669,133)	(39,663,126)
Others	<u>(1,639,399)</u>	<u>(3,626,198)</u>
Subtotal	<u>(245,727,591)</u>	<u>(174,066,784)</u>
Net fee and commission expense	<u>(145,646,780)</u>	<u>(121,632,499)</u>

3. Net operating lease income

	2024	2023
Operating lease income	<u>6,184,172,735</u>	<u>4,914,658,124</u>
Operating lease expense		
Accumulated depreciation of operating lease assets	(3,432,135,728)	(2,535,777,702)
Aircraft modification fees	<u>80,438,454</u>	<u>(1,486,071)</u>
Subtotal	<u>(3,351,697,274)</u>	<u>(2,537,263,773)</u>
Net operating lease income	<u>2,832,475,461</u>	<u>2,377,394,351</u>

4. Other operating income

	2024	2023
Government grants	335,249,081	265,077,279
Gains on disposal of fixed assets and other long-term assets	242,092,769	125,246,397
Others	<u>(45,394,361)</u>	<u>27,704,614</u>
Total	<u>531,947,489</u>	<u>418,028,290</u>

Government grants is government subsidies received by the Group in connection with daily activities.

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Operating expenses

	2024	2023
Staff costs		
- Salaries, bonuses, allowances and subsidies	202,948,606	196,717,160
- Insurance premium and annuity	38,210,229	35,838,921
- Housing funds	9,769,195	9,021,259
- Union running costs and employee education costs	8,343,120	8,274,355
- Others	8,058,884	7,627,944
Subtotal	<u>267,330,034</u>	<u>257,479,639</u>
Depreciation of right-of-use assets	20,096,982	33,235,504
Depreciation and amortization	10,680,968	8,977,190
Office allowance	11,935,515	10,420,575
Traveling expenses	9,416,066	8,133,778
Rental expenses	20,107,614	3,104,474
Consulting fee	12,383,538	7,300,533
Others	19,994,321	20,761,902
Subtotal	<u>104,615,004</u>	<u>91,933,956</u>
Tax and surcharges	69,538,177	111,818,429
Total	<u>441,483,215</u>	<u>461,232,024</u>

6. Credit impairment losses

	2024	2023
Cash and deposits with banks	(15,214,984)	19,924,628
Finance lease receivables	(257,186,601)	713,497,939
Lease prepayments	(127,186,054)	88,535,755
Debt instruments at amortised cost	(294,489)	234,314
Other assets	(181,208,165)	(138,661,103)
Off-balance sheet business	136,460,074	(46,852,411)
Total	<u>(444,630,219)</u>	<u>636,679,122</u>

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other impairment losses

	2024	2023
Operating lease assets	<u>(242,892,591)</u>	<u>(222,522,109)</u>

8. Income tax expense

	2024	2023
Current income tax	607,918,277	1,376,306,530
Deferred tax	<u>266,374,866</u>	<u>(653,726,005)</u>
Total	<u>874,293,143</u>	<u>722,580,525</u>

Reconciliation between income tax expense and accounting profit is as follows:

	2024	2023
Profit before income tax	3,555,882,517	2,937,935,607
At statutory tax rate of 25%	888,970,629	734,483,902
Effects of different tax rates for subsidiaries	(65,403,334)	246,640
Adjustments in respect of current income tax of previous year	1,258,363	(11,704,522)
Non-taxable income	(2,196,698)	(1,078,786)
Non-deductible expenses for tax purposes	6,632,993	2,581,032
Tax losses utilized from previous periods	(1,633,455)	(19,595,554)
Unrecognized losses	45,616,397	16,813,278
Others	<u>1,048,248</u>	<u>834,535</u>
Income tax expense	<u>874,293,143</u>	<u>722,580,525</u>

The Group has adopted a temporary mandatory exemption from the recognition and disclosure of deferred income taxes arising from the Pillar Two model rules in accordance with amendments to IAS 12. Before 31 December 2024, Pillar Two legislations were enacted in certain jurisdictions where the Group has operations and became effective successively from 1 January 2024. The aggregate top-up tax amount associated with Pillar Two model rules was RMB35,311,411 to the Group's financial statements for the twelve months ended 31 December 2024.

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VI NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Cash and deposits with banks

	31 December 2024	31 December 2023
Cash at bank	27,826,365,659	20,550,574,201
Accrued interest	89,141,081	120,376,353
Less: Allowances for impairment losses – cash at bank	(22,357,380)	(36,550,829)
Less: Allowances for impairment losses – accrued interest	(70,602)	(245,305)
Total	<u>27,893,078,758</u>	<u>20,634,154,420</u>

As at December 31, 2024, the Group obtained borrowing from banks of RMB5,628.24 million (31 December: RMB8,089.06 million) with RMB7,088.82 million (31 December: RMB9,346.33 million) fixed deposits as collateral.

10. Deposits with central bank

	31 December 2024	31 December 2023
Statutory deposit reserves	1,600,000	1,600,000
Surplus deposit reserves	1,790,000	1,757,352
Total	<u>3,390,000</u>	<u>3,357,352</u>

The Group places statutory deposit reserves with the People's Bank of China ("PBOC"). As at 31 December 2024, the rate of statutory deposit reserves is 5% (31 December 2023: 5%).

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Finance lease receivables

(1) Analysed by nature:

	31 December 2024	31 December 2023
Minimum finance lease receivables	112,766,595,570	118,052,832,577
Less: unrealised finance income	<u>(17,565,391,600)</u>	<u>(18,096,962,249)</u>
Total finance lease receivables	<u>95,201,203,970</u>	<u>99,955,870,328</u>
Less: Allowance for impairment losses:		
Stage 1	(1,761,615,882)	(1,918,702,276)
Stage 2	(3,365,740,931)	(3,316,445,486)
Stage 3	<u>(2,245,304,757)</u>	<u>(2,646,380,181)</u>
Subtotal	<u>(7,372,661,570)</u>	<u>(7,881,527,943)</u>
Net book value of finance lease receivables	<u>87,828,542,400</u>	<u>92,074,342,385</u>

As at 31 December 2024, the Group obtained borrowings from banks of RMB3,225.88 million (31 December 2023: RMB3,058.47 million) with the book value of finance lease receivables of RMB4,720.05 million (31 December 2023: RMB4,166.92 million) as collateral.

(2) The future minimum finance lease receivables are summarised below:

	31 December 2024	31 December 2023
Without time limit*	2,383,180,501	2,694,142,406
Within 1 year (inclusive)	27,027,907,908	28,840,684,419
1 to 2 years (inclusive)	19,808,498,491	24,614,636,398
2 to 3 years (inclusive)	14,262,177,389	16,259,961,460
Over 3 years	<u>49,284,831,281</u>	<u>45,643,407,894</u>
Total	<u>112,766,595,570</u>	<u>118,052,832,577</u>

*Without time limit is the minimum finance lease receivables from lessees of credit impaired finance lease receivables.

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Finance lease receivables (continued)

(3) Finance lease receivables presented by overdue period:

31 December 2024	Overdue within 3 months (inclusive)	Overdue between 3 months and 1 year (inclusive)	Overdue between 1 year and 3 years (inclusive)	Overdue over 3 years	Total
Guaranteed	-	460,987,535	2,175,890,271	-	2,636,877,806
Unsecured	190,594,445	3,942,807	-	-	194,537,252
Total	190,594,445	464,930,342	2,175,890,271	-	2,831,415,058

31 December 2023	Overdue within 3 months (inclusive)	Overdue between 3 months and 1 year (inclusive)	Overdue between 1 year and 3 years (inclusive)	Overdue over 3 years	Total
Guaranteed	-	100,110,761	2,192,438,200	-	2,292,548,961
Unsecured	275,113,881	-	167,500,000	-	442,613,881
Total	275,113,881	100,110,761	2,359,938,200	-	2,735,162,842

(4) Analysed by assessment method of expected credit losses:

31 December 2024	Stage 1	Stage 2	Stage 3	Total
Total finance lease receivables	80,931,313,313	11,987,185,817	2,282,704,840	95,201,203,970
Less: allowance for impairment losses	(1,761,615,882)	(3,365,740,931)	(2,245,304,757)	(7,372,661,570)
Net book value of finance lease receivables	79,169,697,431	8,621,444,886	37,400,083	87,828,542,400

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Finance lease receivables (continued)

(4) Analysed by assessment method of expected credit losses (continued):

31 December 2023	Stage 1	Stage 2	Stage 3	Total
Total finance lease receivables	88,880,844,698	8,374,800,289	2,700,225,341	99,955,870,328
Less: allowance for impairment losses	(1,918,702,276)	(3,316,445,486)	(2,646,380,181)	(7,881,527,943)
Net book value of finance lease receivables	86,962,142,422	5,058,354,803	53,845,160	92,074,342,385

(5) Movements of allowance for impairment losses of finance lease receivable:

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2024	1,918,702,276	3,316,445,486	2,646,380,181	7,881,527,943
Transfers:				
Transfers to Stage 1	65,859	(65,859)	-	-
Transfers to Stage 2	(406,777,558)	406,777,558	-	-
Transfers to Stage 3	(567,809)	(20,253,586)	20,821,395	-
Newly originated	526,873,147	113,063,531	-	639,936,678
Remeasurements*	(269,371,677)	(450,226,199)	(177,525,403)	(897,123,279)
Transfer out/disposal	-	-	(361,435,742)	(361,435,742)
Recovery of written-off	-	-	117,064,326	117,064,326
Exchange rate changes	(7,308,356)	-	-	(7,308,356)
As at 31 December 2024	1,761,615,882	3,365,740,931	2,245,304,757	7,372,661,570

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Finance lease receivables (continued)

(5) Movements of allowance for impairment losses of finance lease receivable (continued):

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	1,992,512,318	2,703,121,329	2,039,989,107	6,735,622,754
Transfers:				
Transfers to Stage 1	44,938,211	(44,938,211)	-	-
Transfers to Stage 2	(157,968,185)	157,968,185	-	-
Transfers to Stage 3	-	(154,108,621)	154,108,621	-
Newly originated	338,149,222	1,046,533	-	339,195,755
Remeasurements*	(312,443,210)	653,356,271	33,389,123	374,302,184
Recovery of written-off	-	-	418,617,403	418,617,403
Exchange rate changes	13,513,920	-	275,927	13,789,847
As at 31 December 2023	<u>1,918,702,276</u>	<u>3,316,445,486</u>	<u>2,646,380,181</u>	<u>7,881,527,943</u>

For the year ended 31 December 2024, the Group adjusted the stage designation of finance lease receivables, and the gross carrying amount of finance lease receivables transferred from Stage 1 to Stage 2 were RMB8,054.53 million. The gross carrying amount of finance lease receivables transferred from Stage 1 to Stage 3 were RMB41.22 million. The gross carrying amount of finance lease receivables transferred from Stage 2 to Stage 1 were RMB0.17 million. The gross carrying amount of finance lease receivables transferred from Stage 2 to Stage 3 were RMB71.12 million.

For the year ended 31 December 2024, the Group disposed finance lease receivables of Stage 3 with gross carrying amount of RMB361.68 million.

*Remeasurements comprise the impact of changes in probability of default (PD), loss given default (LGD) or exposure at default (EAD); changes in model assumptions and methodology; credit loss changes due to stage-transfer and principal repayment.

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Lease prepayments

(1) Analysed by nature:

	31 December 2024	31 December 2023
Lease prepayments	8,728,768,353	12,384,768,713
Accrued pre-lease interest	43,901,169	84,069,250
Less: Allowance for impairment losses	(182,711,363)	(314,216,719)
Accrued provision for impairment of pre-lease interest	<u>(7,385,907)</u>	<u>(2,196,822)</u>
Net book value of lease prepayments	<u>8,582,572,252</u>	<u>12,152,424,422</u>

(2) Analysed by aging:

	31 December 2024	31 December 2023
Within 1 year (inclusive)	6,714,361,654	11,325,930,472
1-2 years (inclusive)	1,575,518,123	142,025,712
2-3 years (inclusive)	126,321,663	491,766,024
Over 3 years	<u>356,468,082</u>	<u>509,115,755</u>
Total	<u>8,772,669,522</u>	<u>12,468,837,963</u>

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Lease prepayments (continued)

(3) Movements of allowance for impairment losses of lease prepayments:

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2024	131,326,623	185,086,918	-	316,413,541
Stage 1 transfer to Stage 3	(11,508)	-	11,508	-
Remeasurements*	(110,325,293)	(121,540,008)	6,193,479	(225,671,822)
Newly originated	98,485,768	-	-	98,485,768
Exchange rate changes and others	869,783	-	-	869,783
As at 31 December 2024	120,345,373	63,546,910	6,204,987	190,097,270
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	72,089,522	158,555,122	-	230,644,644
Remeasurements*	(66,548,188)	(30,655,155)	-	(97,203,343)
Newly originated	128,552,147	57,186,951	-	185,739,098
Exchange rate changes and others	(2,766,858)	-	-	(2,766,858)
As at 31 December 2023	131,326,623	185,086,918	-	316,413,541

* Remeasurements comprise the impact of changes in probability of default (PD), loss given default (LGD) or exposure at default (EAD); changes in model assumptions and methodology; credit loss changes due to stage-transfer and principal repayment.

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Fixed assets

	2024				
	Operating lease assets	Computer equipment	Transportation equipment	Office equipment and others	Total
Cost					
1 January 2024	53,786,744,214	12,272,914	2,305,251	3,161,676	53,804,484,055
Addition	20,841,933,202	834,026	-	1,087,838	20,843,855,066
Deduction	(10,081,385,752)	-	-	-	(10,081,385,752)
Other change	852,075,797	(63,266)	-	68,310	852,080,841
31 December 2024	65,399,367,461	13,043,674	2,305,251	4,317,824	65,419,034,210
Accumulated depreciation					
1 January 2024	(10,628,885,239)	(7,509,701)	(1,646,066)	(2,181,484)	(10,640,222,490)
Addition	(3,432,135,728)	(1,628,161)	(89,625)	(364,170)	(3,434,217,684)
Deduction	2,226,927,310	-	-	-	2,226,927,310
Other change	(601,182,870)	-	-	(89)	(601,182,959)
31 December 2024	(12,435,276,527)	(9,137,862)	(1,735,691)	(2,545,743)	(12,448,695,823)
Allowances for impairment losses					
1 January 2024	(1,066,802,643)	-	-	-	(1,066,802,643)
Addition	(242,892,591)	-	-	-	(242,892,591)
Deduction	223,779,711	-	-	-	223,779,711
Other change	(13,048,050)	-	-	-	(13,048,050)
31 December 2024	(1,098,963,573)	-	-	-	(1,098,963,573)
Net Book Value					
1 January 2024	42,091,056,332	4,763,213	659,185	980,192	42,097,458,922
31 December 2024	51,865,127,361	3,905,812	569,560	1,772,081	51,871,374,814

As at 31 December 2024, the Group obtained borrowing from banks of RMB9,863.39 million (31 December 2023: RMB4,655.21 million) with the book value of fixed assets (operating lease assets) of RMB 17,176.62 million (31 December 2023: RMB 8,824.30 million) as collateral.

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Fixed assets (continued)

	2023				
	Operating lease assets	Computer equipment	Transportation equipment	Office equipment and others	Total
Cost					
1 January 2023	45,032,280,044	12,453,071	2,305,251	2,896,112	45,049,934,478
Addition	13,166,239,537	1,531,412	-	265,481	13,168,036,430
Deduction	(2,674,159,784)	(1,711,602)	-	-	(2,675,871,386)
Other change	(1,737,615,583)	33	-	83	(1,737,615,467)
31 December 2023	53,786,744,214	12,272,914	2,305,251	3,161,676	53,804,484,055
Accumulated depreciation					
1 January 2023	(8,909,982,276)	(7,756,565)	(1,568,889)	(1,895,602)	(8,921,203,332)
Addition	(2,535,777,702)	(1,413,390)	(77,177)	(285,786)	(2,537,554,055)
Deduction	557,198,004	1,660,254	-	-	558,858,258
Other change	259,676,735	-	-	(96)	259,676,639
31 December 2023	(10,628,885,239)	(7,509,701)	(1,646,066)	(2,181,484)	(10,640,222,490)
Allowances for impairment losses					
1 January 2023	(881,434,609)	-	-	-	(881,434,609)
Addition	(222,522,109)	-	-	-	(222,522,109)
Deduction	51,443,143	-	-	-	51,443,143
Other change	(14,289,068)	-	-	-	(14,289,068)
31 December 2023	(1,066,802,643)	-	-	-	(1,066,802,643)
Net Book Value					
1 January 2023	35,240,863,159	4,696,506	736,362	1,000,510	35,247,296,537
31 December 2023	42,091,056,332	4,763,213	659,185	980,192	42,097,458,922

The operating lease assets of the Group are aircrafts, vessel and machinery equipments.

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Intangible assets

The intangible assets of the Group are all office softwares.

15. Deferred tax assets and liabilities

Deferred tax assets	31 December 2024		31 December 2023	
	Deferred tax assets/(liabilities)	Deductible/(taxable) temporary differences	Deferred tax assets/(liabilities)	Deductible/(taxable) temporary differences
Allowances for impairment losses	2,238,410,194	8,953,640,450	2,444,001,713	9,778,020,673
Interest expense on loans and borrowings	325,694,948	1,302,779,793	368,844,985	1,475,379,938
Depreciation expenses for operating leased assets	(288,178,681)	(1,307,557,965)	(270,738,250)	(1,131,847,673)
Lease income	(23,457,170)	(93,828,681)	(92,547,602)	(370,190,409)
Employee benefits payable	73,813,104	295,252,414	72,583,735	290,334,941
Bonds interest expense	22,166,096	88,664,385	46,182,204	184,728,815
Future deductible losses	94,698,597	757,588,774	36,272,171	290,177,367
Fair value adjustments	1,487,344	5,949,375	(64,667)	(258,668)
Gain or loss on disposal of operating lease assets	12,816,604	51,266,414	-	-
Others	13,103,601	52,414,406	12,052,908	48,211,632
Total	2,470,554,637	10,106,169,365	2,616,587,197	10,564,556,616

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15. Deferred tax assets and liabilities (continued)

<u>Deferred tax liabilities</u>	<u>31 December 2024</u>		<u>31 December 2023</u>	
	Deferred tax liabilities/(assets)	Taxable/(deductible) temporary differences	Deferred tax liabilities/(assets)	Taxable/(deductible) temporary differences
Depreciation expenses for operating leased assets	(764,695,077)	(6,117,560,618)	401,104,760	3,208,838,083
Future deductible losses	290,079,429	2,320,635,432	(755,378,102)	(6,043,024,825)
Total	(474,615,648)	(3,796,925,186)	(354,273,342)	(2,834,186,742)

Changes in deferred tax assets and liabilities are all recognized in profit or loss.

16. Debt instruments at amortised cost

	<u>31 December 2024</u>	<u>31 December 2023</u>
Government and central bank	304,883,945	-
Policy bank	454,421,571	455,893,487
Accrued interest	7,016,986	4,893,616
Gross balances	766,322,502	460,787,103
Less: Allowances for impairment losses	(215,076)	(509,565)
Total	766,107,426	460,277,538

At 31 December 2024 and 31 December 2023, all of the Group's debt investments were classified into phase 1 and an impairment provision was made based on expected credit losses over the next 12 months.

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Right-of-use assets

2024	Buildings
Cost	
1 January 2024	169,698,517
Addition	36,683,029
Deduction	(161,667,252)
Other change	<u>242,537</u>
31 December 2024	<u>44,956,831</u>
Accumulated depreciation	
1 January 2024	(143,716,037)
Addition	(20,096,982)
Deduction	159,293,387
Other change	<u>(39,122)</u>
31 December 2024	<u>(4,558,754)</u>
Net book value	
1 January 2024	<u>25,982,480</u>
31 December 2024	<u>40,398,077</u>

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Right-of-use assets (continued)

2023	Buildings
Cost	
1 January 2023	161,923,301
Addition	7,711,122
Other change	<u>64,094</u>
31 December 2023	<u>169,698,517</u>
Accumulated depreciation	
1 January 2023	(110,379,720)
Addition	(33,235,504)
Other change	<u>(100,813)</u>
31 December 2023	<u>(143,716,037)</u>
Net book value	
1 January 2023	<u>51,543,581</u>
31 December 2023	<u>25,982,480</u>

The lease term of right-of use assets for the Group is from 2 to 10 years.

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Other assets

	31 December 2024	31 December 2023
Operating lease receivables	985,795,260	1,140,863,826
Input VAT to be deducted	755,439,460	963,988,287
Input VAT invoice to be collected	638,424,318	392,813,519
Income tax prepaid	347,442,519	37,169,280
Deposit receivables	107,000,000	131,293,661
Deferred agency service fees	105,319,703	135,257,438
Deferred financing fees	67,153,123	66,701,778
Notes receivable	11,931,744	-
Others	148,093,828	115,533,295
Less: Allowances for impairment losses	<u>(567,936,032)</u>	<u>(730,047,017)</u>
Total	<u>2,598,663,923</u>	<u>2,253,574,067</u>

19. Movements of allowances for impairment losses

2024

	1 January 2024	Charge/ (reversal) for the year	Write-offs and disposal	Recovery of written-off	Exchange rate changes	31 December 2024
Cash and deposits with banks	36,796,134	(15,214,984)	-	-	846,832	22,427,982
Finance lease receivables	7,881,527,943	(257,186,601)	(361,435,742)	117,064,326	(7,308,356)	7,372,661,570
Lease prepayments	316,413,541	(127,186,054)	-	-	869,783	190,097,270
Fixed assets	1,066,802,643	242,892,591	(223,779,711)	-	13,048,050	1,098,963,573
Debt instruments at amortised cost	509,565	(294,489)	-	-	-	215,076
Other assets	730,047,017	(181,208,165)	-	-	19,097,180	567,936,032
Off-balance sheet business	120,342,826	136,460,074	-	-	(100,092,390)	156,710,510
Total	<u>10,152,439,669</u>	<u>(201,737,628)</u>	<u>(585,215,453)</u>	<u>117,064,326</u>	<u>(73,538,901)</u>	<u>9,409,012,013</u>

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Movements of allowances for impairment losses (continued)

2023

	1 January 2023	Charge/ (reversal) for the year	Write-offs and disposal	Recovery of written-off	Exchange rate changes	31 December 2023
Cash and deposits with banks	18,955,066	19,924,628	-	-	(2,083,560)	36,796,134
Finance lease receivables	6,735,622,754	713,497,939	-	418,617,403	13,789,847	7,881,527,943
Lease prepayments	230,644,644	88,535,755	-	-	(2,766,858)	316,413,541
Fixed assets	881,434,609	222,522,109	(51,443,143)	-	14,289,068	1,066,802,643
Debt instruments at amortised cost	275,251	234,314	-	-	-	509,565
Other assets	854,673,073	(138,661,103)	-	-	14,035,047	730,047,017
Off-balance sheet business	166,015,770	(46,852,411)	-	-	1,179,467	120,342,826
Total	8,887,621,167	859,201,231	(51,443,143)	418,617,403	38,443,011	10,152,439,669

20. Loans and borrowings

	31 December 2024	31 December 2023
Short-term	77,321,653,841	75,180,463,151
Long-term	46,313,752,909	33,029,941,278
Subtotal	123,635,406,750	108,210,404,429
Accrued interest	807,907,509	1,101,588,978
Total	124,443,314,259	109,311,993,407

21. Accounts payable

	31 December 2024	31 December 2023
Bank acceptance bill	824,524,000	816,467,030
Bank letter of credit	-	600,000,000
Minimum lease payments	1,172,232,448	1,404,673,058
Less: Unrecognised finance charges	(35,999,756)	(80,280,391)
Total	1,960,756,692	2,740,859,697

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Accounts payable (continued)

The minimum lease payments after balance sheet date of the Group are:

	31 December 2024	31 December 2023
Within 1 year (inclusive)	684,615,801	249,680,694
1 to 2 years (inclusive)	487,616,647	674,545,752
2 to 3 years (inclusive)	-	480,446,612
Total	<u>1,172,232,448</u>	<u>1,404,673,058</u>

22. Employee benefits payable

2024

	1 January 2024	Increased	Decreased	31 December 2024
Salaries, bonuses, allowances and subsidies	290,303,398	202,948,606	(197,831,752)	295,420,252
Social insurance expenses:				
Medical insurance expenses	781,205	9,679,796	(9,636,791)	824,210
Work injury Insurance expenses	13,230	162,888	(162,158)	13,960
Housing funds	8,134	9,769,195	(9,777,329)	-
Union running costs and employee education costs	37,504,486	8,343,120	(4,343,179)	41,504,427
Others	156,956	8,058,884	(8,024,440)	191,400
Defined contribution plans:				
Defined pension benefits	1,587,543	13,030,878	(12,943,451)	1,674,970
Unemployment insurance expenses	66,148	407,226	(403,582)	69,792
Annuity schemes expenses	21,266	14,929,441	(14,644,969)	305,738
Total	<u>330,442,366</u>	<u>267,330,034</u>	<u>(257,767,651)</u>	<u>340,004,749</u>

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22. Employee benefits payable (continued)

2023

	1 January 2023	Increased	Decreased	31 December 2023
Salaries, bonuses, allowances and subsidies	279,729,233	196,717,160	(186,142,995)	290,303,398
Social insurance expenses:				
Medical insurance expenses	704,893	9,045,390	(8,969,078)	781,205
Work injury Insurance expenses	11,938	150,286	(148,994)	13,230
Housing funds	-	9,021,259	(9,013,125)	8,134
Union running costs and employee education costs	33,636,639	8,274,355	(4,406,508)	37,504,486
Others	164,644	7,627,944	(7,635,632)	156,956
Defined contribution plans:				
Defined pension benefits	1,432,418	12,022,871	(11,867,746)	1,587,543
Unemployment insurance expenses	59,684	375,720	(369,256)	66,148
Annuity schemes expenses	1,340,178	14,244,654	(15,563,566)	21,266
Total	317,079,627	257,479,639	(244,116,900)	330,442,366

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Bonds payable

	31 December 2024	31 December 2023
Bonds issued	20,335,441,998	26,787,748,346
Accrued interest	<u>186,903,483</u>	<u>303,836,479</u>
Total	<u>20,522,345,481</u>	<u>27,091,584,825</u>

Details of bonds issued:

Issuance date	Maturity date	Coupon rate	31 December 2024	31 December 2023
16 May 2019	16 May 2024	3.50%	-	3,541,350,000
16 May 2019	16 May 2029	3.88%	1,437,680,000	1,416,540,000
11 September 2019	16 May 2024	3.50%	-	2,124,810,000
21 July 2020	21 July 2025	1.99%	3,594,200,000	3,541,350,000
28 September 2020	28 September 2025	1.78%	1,437,680,000	1,416,540,000
28 September 2020	28 September 2030	2.55%	718,840,000	708,270,000
2 February 2021	4 February 2024	3.65%	-	2,500,000,000
7 April 2021	12 April 2024	3.55%	-	2,500,000,000
27 May 2021	1 June 2024	3.33%	-	2,000,000,000
22 July 2021	22 July 2026	1.80%	4,313,040,000	4,249,620,000
15 September 2021	15 September 2026	1.60%	2,875,360,000	2,833,080,000
9 April 2024	11 April 2027	2.44%	3,000,000,000	-
12 June 2024	14 June 2027	2.15%	<u>3,000,000,000</u>	<u>-</u>
Total par value			20,376,800,000	26,831,560,000
Less: unamortised issuance cost			<u>(41,358,002)</u>	<u>(43,811,654)</u>
Balance at the end of the year			<u>20,335,441,998</u>	<u>26,787,748,346</u>

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Pledged deposits

Pledged deposits is received from the lessees contract.

25. Provisions

Provisions by the Group are accrued impairment losses of finance lease commitments.

26. Other liabilities

	31 December 2024	31 December 2023
Rent received in advance	1,130,217,322	1,319,954,513
Deferred income under operating lease	624,602,483	404,542,862
Value added tax	107,263,910	93,218,989
Lease liabilities	40,042,933	13,879,141
Payments due to other agencies	37,144,110	34,296,679
Stamp duty	7,478,535	4,109,736
Individual income tax	2,616,629	2,439,600
Others	<u>73,109,011</u>	<u>37,768,245</u>
Total	<u>2,022,474,933</u>	<u>1,910,209,765</u>

27. Cash and cash equivalents

	31 December 2024	31 December 2023
Cash and deposits with banks	27,826,365,659	20,550,574,201
Surplus deposit reserves	<u>1,790,000</u>	<u>1,757,352</u>
Cash and cash equivalents at the end of year	<u>27,828,155,659</u>	<u>20,552,331,553</u>

28. Paid-in capital

	31 December 2024	31 December 2023
China Construction Bank Corporation	<u>11,000,000,000</u>	<u>11,000,000,000</u>

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29. Capital reserves

2024	1 January 2024	Increased	Decreased	31 December 2024
Capital reserves	<u>421,986</u>	<u>-</u>	<u>-</u>	<u>421,986</u>
2023	1 January 2023	Increased	Decreased	31 December 2023
Capital reserves	<u>421,986</u>	<u>-</u>	<u>-</u>	<u>421,986</u>

30. Surplus reserve

2024	1 January 2024	Increased	Decreased	31 December 2024
Statutory surplus reserve	<u>1,109,901,553</u>	<u>181,787,277</u>	<u>-</u>	<u>1,291,688,830</u>
2023	1 January 2023	Increased	Decreased	31 December 2023
Statutory surplus reserve	<u>1,009,931,536</u>	<u>99,970,017</u>	<u>-</u>	<u>1,109,901,553</u>

Pursuant to the Company Law of the People's Republic of China, the Company makes an appropriation of statutory surplus reserve at 10% of the net profit. The appropriation can cease when the accumulated amount of the surplus reserve is 50% or more of the Company's registered capital.

After appropriation of statutory surplus reserve, the Company can makes an appropriation of discretionary surplus reserve which can be used to cover the losses, expand production operations, or be converted into capital upon approval.

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. General reserve

2024

	1 January 2024	Increased	Decreased	31 December 2024
General reserve	<u>2,014,885,801</u>	<u>-</u>	<u>-</u>	<u>2,014,885,801</u>

2023

	1 January 2023	Increased	Decreased	31 December 2023
General reserve	<u>2,014,885,801</u>	<u>-</u>	<u>-</u>	<u>2,014,885,801</u>

Pursuant to the regulations issued by the Ministry of Finance of the People's Republic of China in 2012, financial enterprises' general reserve shall not be lower than 1.5% of year-end balance of risk assets. The financial enterprises are given up to 5 years to comply with this requirement.

32. Profit distributions

CCBLI, which has been acquired by the Group under common control in 2024, distributed dividend of USD53,348,221 to its original shareholder, CCB Innovation, before the acquisition date.

The shareholders approved the profit distribution for 2024 on 26 March 2025: The Company appropriated 10% of its profit after tax to the statutory surplus reserve with the carrying amount of RMB181,787,277.

33. Commitments

(a) Credit commitments

As at the balance sheet date, the credit commitments of the Group are as follows:

	31 December 2024	31 December 2023
Finance lease commitments	<u>17,310,525,513</u>	<u>5,653,432,326</u>

(b) Capital commitments

As at the balance sheet date, the capital commitments of the Group are as follows:

	31 December 2024	31 December 2023
Capital commitments	<u>5,243,670</u>	<u>498,068</u>

34. Contingent liabilities

As at 31 December 2024, the Group had no significant contingent liabilities.

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Statement of financial position of the Company

	31 December 2024	31 December 2023
Assets		
Cash and deposits with banks	16,169,585,632	4,827,122,451
Deposits with central bank	3,390,000	3,357,352
Financial assets at fair value through profit or loss	25,349,512	31,557,556
Finance lease receivables	59,392,343,213	69,219,166,779
Lease prepayments	4,566,299,737	6,056,628,282
Loans to subsidiaries	23,372,709,774	19,183,246,917
Debt instruments at amortised cost	766,107,426	460,277,538
Investments in subsidiaries	2,166,230,000	2,162,080,000
Fixed assets	2,902,015,129	2,079,420,198
Right-of-use assets	217,452	18,424,018
Intangible assets	69,482,895	65,217,015
Deferred tax assets	1,973,994,220	2,161,194,311
Other assets	2,073,088,140	1,720,615,824
Total assets	<u>113,480,813,130</u>	<u>107,988,308,241</u>
Liabilities		
Loans and borrowings	80,028,787,733	73,656,069,817
Accounts payable	824,524,000	1,416,467,030
Employee benefits payable	338,956,447	329,982,370
Income tax payable	-	78,168,063
Commission fee payable	104,766,531	98,915,951
Bonds payable	6,077,200,672	7,182,082,909
Guaranteed deposits	37,000,000	32,000,000
Pledged deposits	1,991,751,052	2,934,155,516
Provisions	76,269,324	45,444,705
Other liabilities	222,135,039	253,472,313
Total liabilities	<u>89,701,390,798</u>	<u>86,026,758,674</u>



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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Statement of financial position of the Company (continued)

	31 December 2024	31 December 2023
Equity		
Paid-in capital	11,000,000,000	11,000,000,000
Surplus reserve	1,291,688,830	1,109,901,553
General reserve	2,014,885,801	2,014,885,801
Retained earnings	<u>9,472,847,701</u>	<u>7,836,762,213</u>
Total equity	<u>23,779,422,332</u>	<u>21,961,549,567</u>
Total liabilities and equity	<u>113,480,813,130</u>	<u>107,988,308,241</u>

Approved and authorized for issue by the board of directors on 26 March 2025

杨险峰 李卿

Authorised
Representative

Supervisor of
Finance Department

冯孝崇

Director of Finance
Department



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VIII MATERIAL RELATED PARTY TRANSACTIONS

1. The Company's immediate holding company and subsidiaries

Name	Country of incorporation	Business nature	Shareholding percentage	Proportion of voting rights	Registered capital (RMB)
CCB	Beijing, PRC	Commercial bank	100%	100%	250.01 billions

The Subsidiaries of the Company please see in Note VI.1.

2. Other related party

	Relationship
China Construction Bank (Asia) Corporation Limited	Controlled by immediate holding company
CCB Life Insurance Company Limited	Controlled by immediate holding company
CCB Finance Technology Co., Ltd.	Controlled by immediate holding company
Sino-German Bausparkasse Co., Ltd.	Controlled by immediate holding company
CCB Trust Co., Ltd.	Controlled by immediate holding company
CCB International (Holdings) Limited	Controlled by immediate holding company
Huainan Mining (Group) Co., Ltd.	Significantly affected by immediate holding company
Lionbridge Financing Leasing(China)Co., Ltd.	Significantly affected by immediate holding company

3. Significant transactions between the Group and related parties

Information relating to income and expenses from related party transactions during the year and balances outstanding as at the balance sheet date are set out below.

(a) CCB

The profit or loss impacts of the material transactions with CCB during the year are as followings:

	2024	2023
Interest income	74,383,922	149,295,027
Interest expense	786,162,692	393,825,314
Fee and commission expense	90,726,718	101,427,945

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VIII MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

3. Significant transactions between the Group and related parties (continued)

(a) CCB (continued)

The corresponding material balances outstanding at the balance sheet date with CCB are as followings:

	31 December 2024	31 December 2023
Cash and deposits with banks	1,333,529,985	6,396,704,034
Other assets	124,020,459	135,283,671
Loans and borrowings	23,773,348,895	14,045,149,257
Commission payable	93,287,141	94,780,322
Bonds payable	<u>2,354,987,587</u>	<u>2,822,028,205</u>

(b) Other related parties

The profit or loss impacts of the material transactions with other related parties during the year are as followings:

	2024	2023
Interest income	13,331,091	11,513,586
Interest expense	56,196,475	3,058,946
Fee and commission expense	409,411	2,459,501
Operating expenses	<u>11,454,542</u>	<u>8,424,461</u>

The corresponding material balances outstanding at the balance sheet date with other related parties are as followings:

	31 December 2024	31 December 2023
Cash and deposits with banks	1,523,695,629	274,525,419
Other assets	21,756,761	7,843,350
Loans and borrowings	5,237,125,445	-
Pledged deposits	15,000,000	10,000,000
Other liabilities	<u>6,397,830</u>	<u>9,320,253</u>

On 16 May 2019, 11 September 2019, 21 July 2020, 28 September 2020, 22 July 2021, 15 September 2021, CCBL (Cayman) 1 Corporation Limited, a wholly-owned subsidiary of CCBLI, issued senior unsecured bonds valued at USD700 million, USD300 million, USD500 million, USD300 million, USD600 million, USD400 million respectively, which were listed at Hong Kong Stock Exchange. The Company was a keepwell provider. As at 31 December 2024, balance of par value of bonds unmatured was USD2 billion.

The Group entered into transactions with the related parties in the ordinary course of business under normal commercial terms and at market rates.

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IX RISK MANAGEMENT

The Group has exposure to the following risks:

- credit risk
- market risk
- liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

Risk management framework

The Board of Directors carry out their responsibilities according to Articles of Association and other related regulatory requirements. The Board of Directors of the Company has established the Risk Management Committee, responsible for making risk management strategies and policies, monitoring the implementation, and evaluating the overall risk profile on a regular basis.

The Board of Supervisors has oversight of the establishment of the overall risk management system and how well the Board of Directors and senior management carry out risk management responsibilities.

Senior management is responsible for carrying out the risk strategy established by the Board of Directors and the implementation of the overall risk management of the Group. Senior management appoints Chief Risk Officer who assisted the president with the corresponding risk management work.

To identify, evaluate, monitor and manage risk, the Group has designed a comprehensive governance framework, internal control policies and procedures. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training system, standardised management and process management, aims at developing a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Group Audit Committee is responsible for monitoring and evaluating internal controls, and monitoring the compliance of core business sectors and their management procedures. Internal Control and Compliance Department assists the Audit Committee to execute the above mentioned responsibilities and reports to the Audit Committee.

1. Credit risk

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

Credit risk is one of the most significant risks for the Group's business, which arise principally in finance lease receivables, cash and deposits with banks and lease prepayments.

CCB Financial Leasing Corporation Limited
Notes to the consolidated financial statements
for the year ended 31 December 2024
(Expressed in RMB)

IX RISK MANAGEMENT (CONTINUED)

1. Credit risk (continued)

The principal features of the Group's credit risk management function include:

- centralized leasing business management procedures;
- risk management rules and procedures that focus on risk control throughout the entire leasing business process, including customer investigation and credit rating, granting of credit limits, lease evaluation, lease review and approval, disbursement and post-disbursement lease monitoring.

Risk concentration

Credit risk is often greater when counterparties are concentrating on one single industry or geographical location or have comparable economic characteristics. The Group's credit risk is diversified by investing in different industry sectors and geographical locations.

Impairment assessment of finance lease receivables

The Group adopts a "three-stage" model for impairment based on changes in credit risk since initial recognition or by determining whether the financial instruments are credit-impaired, to estimate the expected credit losses.

The management conducted an objective impairment evidence test on all financial lease receivables and classified them according to the five-level classification system. The management builds the ECL model according to ASBEs NO.22 - Recognition and measurement of financial instruments (Accounting [2017] No.7) (effective on January 1, 2018), calculated and identified the expected credit loss of all lease assets on the basis of expected credit loss.

The main influencing factors of ECL model are as follows: customer industry category, lease term, overdue days, risk classification, credit rating of customer, current credit rating, lease items and type of collateral.

CCB Financial Leasing Corporation Limited
Notes to the consolidated financial statements
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IX RISK MANAGEMENT (CONTINUED)

1. Credit risk (continued)

The management calculates the loss given default rate of all the non-performing financial leasing assets one by one: the loss given default rate of the non-performing financial leasing assets is the difference between the risk exposure of all the financial leasing assets of the lessee and the estimated recoverable amount, in which the estimated recoverable amount is the present value of the expected future cash flow. Expected future recoverable amount = the net realizable value of the disposal of the leased property plus the cash expected to be obtained from the lessee or the guarantor plus the net realizable value of the seized inventory and assets. The estimated loss of the substandard financial leasing assets shall not be less than 25% of the risk exposure; the estimated loss of doubtful financial leasing assets shall not be less than 50% of the risk exposure; the estimated loss of loss financial leasing assets shall not be less than 90% of the risk exposure.

The maximum exposure to credit risk of assets on balance is the carrying amount of each type of financial assets in the statement of financial position after deducting any impairment allowance is as follows:

	31 December 2024	31 December 2023
Cash and deposits with banks	27,893,078,758	20,634,154,420
Deposits with central bank	3,390,000	3,357,352
Finance lease receivables	87,828,542,400	92,074,342,385
Lease prepayments	6,732,876,326	9,974,137,723
Debt instruments at amortised cost	766,107,426	460,277,538
Other assets	<u>570,030,984</u>	<u>620,291,981</u>
Total	<u>123,794,025,894</u>	<u>123,766,561,399</u>
Finance lease commitments	<u>17,310,525,513</u>	<u>5,653,432,326</u>

CCB Financial Leasing Corporation Limited
Notes to the consolidated financial statements
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(Expressed in RMB)

IX RISK MANAGEMENT (CONTINUED)

1. Credit risk (continued)

Concentrations of credit risk

Credit risk is often greater when counterparties are concentrated in one single industry or geographical location or have comparable economic characteristics. The Group's credit risk is diversified by investing in different industry sectors and geographical locations.

Finance lease receivables analyzed by industry:

	31 December 2024	31 December 2023
Transportation, storage and postal services	53,142,154,261	58,176,565,918
Production and supply of electric power, heat, gas and water	18,879,747,977	13,991,018,262
Manufacturing	9,214,710,240	13,147,870,552
Leasing and commercial services	3,993,523,515	3,541,042,906
Mining industry	3,433,767,974	2,782,373,309
Water, environment and public utility management	2,015,844,714	3,862,906,714
Financing industry	1,392,134,040	1,632,559,975
Scientific research and technology service	573,336,973	706,121,398
Construction	495,298,620	971,101,631
Information transmission, computer service and software industry	195,803,614	257,750,634
Wholesales and retail trade	57,328,290	-
Education	26,696,449	32,970,776
Culture, sports and entertainment	24,968,965	74,680,803
Sanitation and social work	690,613	3,523,023
Others	1,755,197,725	775,384,427
Total	95,201,203,970	99,955,870,328

2. Market risk

Market risk is the risk of loss, arising from adverse movements in market rates including interest rates and foreign exchange rates.

The Group is exposed to primarily structural interest rate risk arising from financial leasing business and position risk arising from treasury transactions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of assets and liabilities.

CCB Financial Leasing Corporation Limited
Notes to the consolidated financial statements
for the year ended 31 December 2024
(Expressed in RMB)

IX RISK MANAGEMENT (CONTINUED)

2. Market risk (continued)

Interest risk

The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue. The sensitivity of the interest income is in terms of the effect of the assumed changes in interest rates on the net interest income for one year, with consideration of the financial assets and financial liabilities held at year end subject to re-pricing within the coming year. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's interest income.

	2024	2023
+100 basis points	(171,169,993)	207,251,868
-100 basis points	<u>171,169,993</u>	<u>(207,251,868)</u>

Currency risk

The Group operates its main business in China in RMB. But there are still foreign exchange risks for the assets and liabilities denominated in dollars confirmed by the Group and the future transactions in dollars.

Assuming that the risk variables other than the exchange rate do not vary, the changes in the exchange rate of RMB against US dollar on 31 December 2024 resulted in a 1% appreciation of RMB, thus affecting profit before tax increasing of RMB155.26 million (2023: increasing of RMB89.01 million) and other comprehensive income decreasing of RMB118.49 million (2023: decreasing of RMB78.88 million) of the Group.

IX RISK MANAGEMENT (CONTINUED)

3. Liquidity risk

Liquidity risk arises when there is no sufficient fund timely to meet the requirements of funds. It is mainly caused by mismatches of proceeds of funds and capital expenditure in terms of their amounts and maturity dates. In accordance with liquidity policies, the Group monitors the future cash flows to ensure that an appropriate level of highly liquid assets is maintained.

The Group's liquidity is managed and coordinated through the Risk Management Department and the Financial Market Department. The Risk Management Department is responsible for formulation of liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Adopting a prudent strategy and ensuring sufficient funds are available at any moment to satisfy any payment request;
- Optimising the Group's asset and liability structure, diversifying and stabilizing the source of funds, and reserving an appropriate proportion of highly credit-rated and liquid asset portfolio; and
- Managing and utilizing centrally the Group's liquid funds.

A substantial portion of the Group's fund resource is funded by its share capital, loans and borrowings from banks, financial bond issue, finance lease receipts. The borrowings and placements from banks are the supplementary funds to optimise the liquidity. The Group's expenditure mainly represent purchases of lease asset, payment of operating expenses, and the repayment of borrowings or placements from banks and finance expenses, if any.

CCB Financial Leasing Corporation Limited
Notes to the consolidated financial statements
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(Expressed in RMB)

IX RISK MANAGEMENT (CONTINUED)

3. Liquidity risk (continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the financial liabilities at the balance sheet date:

As at 31 December 2024

	On demand	Within 3 months	Between 3 months to 1 year	Between 1 year to 5 years	Over 5 years	Total
Loans and borrowings						
Accounts payable	-	45,848,690,215	55,299,033,458	25,766,238,120	6,974,182,155	133,888,143,948
Bonds payable	-	-	1,509,139,803	487,616,647	-	1,996,756,450
Pledged deposits	-	-	5,266,695,284	15,080,830,580	737,170,420	21,084,696,284
Others*	81,545,794	198,737,048	536,750,356	1,286,590,496	249,814,561	2,353,438,255
	98,992,204	35,013,045	82,837,359	56,255,971	21,032,845	294,131,424
Total	180,537,998	46,082,440,308	62,694,456,260	42,677,531,814	7,982,199,981	159,617,166,361

*Others include commission fee payable, guaranteed deposits and part of accounts of other liabilities.

CCB Financial Leasing Corporation Limited
Notes to the consolidated financial statements
for the year ended 31 December 2024
(Expressed in RMB)

VIII RISK MANAGEMENT (CONTINUED)

3. Liquidity risk (continued)

As at 31 December 2023

	On demand	Within 3 months	Between 3 months to 1 year	Between 1 year to 5 years	Over 5 years	Total
Loans and borrowings	-	33,828,856,713	50,314,202,903	23,993,034,801	2,504,130,468	110,640,224,885
Accounts payable	-	22,398,919	1,643,748,805	1,154,992,364	-	2,821,140,088
Bonds payable	-	2,591,250,000	10,519,825,600	12,258,099,717	2,197,761,810	27,566,937,127
Pledged deposits	46,203,313	126,195,298	623,487,566	2,069,249,397	356,066,917	3,221,202,491
Others*	115,901,990	19,236,457	37,626,446	35,604,537	-	208,369,430
Total	162,105,303	36,587,937,387	63,138,891,320	39,510,980,816	5,057,959,195	144,457,874,021

*Others include commission fee payable, guaranteed deposits and part of accounts of other liabilities.

CCB Financial Leasing Corporation Limited
Notes to the consolidated financial statements
for the year ended 31 December 2024
(Expressed in RMB)

IX RISK MANAGEMENT (CONTINUED)

4. Fair value

Management has assessed cash and deposits with banks, deposits with central bank, lease prepayments, accounts payable and current portion of other financial assets and liabilities. Given the short term maturities, the fair values approximate to the carrying values.

Substantially all of the finance lease receivables, loans and borrowings, are on floating rate terms and bear interest at prevailing market interest rates and their carrying values are approximate to their fair values.

The carrying value and fair value of debt instruments on 31 December 2024 are RMB766,107,426 and RMB784,499,550.

The fair values of the financial liabilities such as long-term loans and borrowings, bonds payable, pledged deposit have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. There is no significant difference between the carrying values and fair value of discounted financial liabilities.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the Group to make estimates about the expected future cash flows including expected future dividends and proceeds on subsequent disposal of the shares. The Group believes that the estimated fair values resulting from the valuation technique and the related changes in fair values are reasonable, and that they were the most appropriate values at the balance sheet date.

Assets and liabilities measured at fair value are classified into the following three levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities, including equity securities listed on exchanges or debt instruments issued by certain governments and certain exchange-traded derivative contracts.
- Level 2: Valuation technique using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This level includes the majority of the over-the-counter ("OTC") derivative contracts, debt securities for which quotations are available from pricing service providers, discounted bills, etc.
- Level 3: Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The financial assets and liabilities measured at fair value of the group are mainly trading financial assets, belonging to the Level 1.

CCB Financial Leasing Corporation Limited
Notes to the consolidated financial statements
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(Expressed in RMB)

IX RISK MANAGEMENT (CONTINUED)

5. Capital management

The capital management of the Group focuses on capital adequacy ratio and return on capital so as to enable the Group to meet the requirements for regulatory compliance, credit rating, risk compensation and shareholder's expected return. It also facilitates the Group's risk management, ensures the orderly and robust expansion of the asset base and enhances its operational structure and business model.

The Group calculates and discloses its capital adequacy ratio in accordance with the "Administrative Measures for Financial Leasing Companies", with reference to the "Measures for Capital Management of Commercial Banks", in line with other related rules and regulations regarding the calculation and disclosure of capital adequacy ratios issued by NFRA, and considering the characteristic of leasing industry. The Group communicated those industry specific treatments with regulators.

The Company's regulatory capital positions calculated as at 31 December 2024 in accordance with the guidance issued by the NFRA as at the end of the reporting period are as follows:

(RMB in million)	31 December 2024	31 December 2023
Common Equity Tier 1 capital after deduction	29,663	24,616
Tier 1 capital after deduction	29,663	24,616
Tier 2 capital	<u>2,098</u>	<u>1,726</u>
Total capital after deduction	<u>31,761</u>	<u>26,342</u>
Risk-weighted assets	194,874	152,167
Core tier 1 capital adequacy ratio	15.22%	16.18%
Tier 1 capital adequacy ratio	15.22%	16.18%
Capital adequacy ratio	16.30%	17.31%

CCB Financial Leasing Corporation Limited
Notes to the consolidated financial statements
for the year ended 31 December 2024
(Expressed in RMB)

X EVENTS AFTER THE REPORTING PERIOD

The group has no significant events after the balance sheet date.

XI COMPARATIVE FIGURES

As stated in notes VI.2, due to the business combinations under common control in 2024, relevant items in the consolidated financial statements for the previous period have been adjusted. The reporting entity after the acquisition is deemed to have been existing since the ultimate parent began to exercise control. Therefore, the comparative data have been restated to meet the presentation and accounting treatment requirements of the current year.

XII APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised by the Board of Directors on 26 March 2025.

CCB FINANCIAL LEASING CORPORATION LIMITED

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

CCB FINANCIAL LEASING CORPORATION LIMITED

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Independent auditor's report

To the board of directors of CCB FINANCIAL LEASING CORPORATION LIMITED
(Established in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of CCB FINANCIAL LEASING CORPORATION LIMITED (the "Company") and its subsidiaries (the "Group") set out on page 4 to 82, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group at 31 December 2023, and the consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"), issued by the International Auditing and Assurance Standard Board. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors and those charged with governance for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

Independent auditor's report (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditor's report (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink, appearing to read "Ernst & Young Hua Ming LLP", with a stylized "UP" or similar mark to the right.

Ernst & Young Hua Ming LLP

Beijing, the People's Republic of China

29 March 2024

CCB Financial Leasing Corporation Limited
Consolidated statement of comprehensive income
For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

	Note	2023	2022 (Restated)
Interest income	1	5,314,967,672	5,650,367,393
Interest expense	1	(3,494,652,434)	(2,738,489,863)
Net interest income		<u>1,820,315,238</u>	<u>2,911,877,530</u>
Fee and commission income	2	43,394,095	60,989,488
Fee and commission expense	2	(152,009,602)	(139,029,384)
Net fee and commission expense		<u>(108,615,507)</u>	<u>(78,039,896)</u>
Operating lease income	3	2,895,298,993	2,091,885,592
Operating lease expense	3	(1,402,031,718)	(1,035,440,504)
Net operating lease income		<u>1,493,267,275</u>	<u>1,056,445,088</u>
Net gains/(losses) arising from financial assets		1,983,125	(5,776,929)
Other operating income	4	342,848,476	373,422,302
Operating income		<u>3,549,798,607</u>	<u>4,257,928,095</u>
Operating expenses	5	<u>(439,816,502)</u>	<u>(376,899,922)</u>
Operating profit before impairment		<u>3,109,982,105</u>	<u>3,881,028,173</u>
Credit impairment losses	6	(906,383,368)	(2,595,092,263)
Other impairment losses	7	(85,914,451)	(53,832,343)
Profit before income tax		<u>2,117,684,286</u>	<u>1,232,103,567</u>
Income tax expense	8	(472,135,434)	(281,028,974)
Net profit		<u>1,645,548,852</u>	<u>951,074,593</u>
Attributable to:			
Owners of the parent		1,645,548,852	951,074,593
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>9,854,748</u>	<u>149,527,108</u>
Other comprehensive income for the year, net of tax		<u>9,854,748</u>	<u>149,527,108</u>
Total comprehensive income for the year		<u>1,655,403,600</u>	<u>1,100,601,701</u>
Total comprehensive income, attributable to:			
Equity holders of the parent		1,655,403,600	1,100,601,701

The accompanying notes form an integral of these consolidated financial statements

CCB Financial Leasing Corporation Limited
Consolidated statement of financial position
As at 31 December 2023
(Expressed in Renminbi Yuan)

	Note	31 December 2023	31 December 2022 (Restated)
Assets			
Cash and deposits with banks	9	17,976,508,101	12,034,428,350
Due from central bank	10	3,357,352	3,325,927
Finance lease receivables	11	85,308,511,138	100,379,138,262
Lease prepayments	12	12,164,510,885	3,385,573,259
Financial assets at fair value through profit or loss		31,557,556	29,574,431
Fixed assets	13	24,920,264,077	15,832,851,425
Intangible assets	14	65,217,015	51,262,076
Deferred tax assets	15	2,600,121,817	1,780,650,510
Debt instruments at amortised cost	16	460,277,538	461,962,427
Right-of-use assets	17	24,342,381	48,447,658
Other assets	18	2,563,793,957	1,355,361,248
Total assets		<u>146,118,461,817</u>	<u>135,362,575,573</u>
Liabilities			
Loans and borrowings	20	100,672,949,860	92,987,181,034
Accounts payable	21	1,500,443,656	2,921,492,747
Employee benefits payable	22	330,316,953	316,914,983
Income tax payable		325,903,306	97,872,914
Commission fee payable		98,969,322	114,416,133
Bonds payable	23	7,182,082,909	10,190,023,539
Guaranteed deposits		32,000,000	25,000,000
Pledged deposits	24	3,010,580,398	4,042,243,649
Provisions	25	24,303,780	71,578,120
Deferred tax liabilities	15	8,117,349	-
Other liabilities	26	8,171,212,435	1,131,980,833
Total liabilities		<u>121,356,879,968</u>	<u>111,898,703,952</u>

CCB Financial Leasing Corporation Limited
Consolidated statement of financial position
As at 31 December 2023
(Expressed in Renminbi Yuan)

	Note	31 December 2023	31 December 2022 (Restated)
Equity			
Paid-in capital	28	11,000,000,000	11,000,000,000
Capital reserves		-	324,236
Other comprehensive income		88,259,887	78,405,139
Surplus reserve	29	1,109,901,553	1,009,931,536
General reserve	30	2,014,885,801	2,014,885,801
Retained earnings		10,548,534,608	9,360,324,909
Total equity		<u>24,761,581,849</u>	<u>23,463,871,621</u>
Total liabilities and equity		<u>146,118,461,817</u>	<u>135,362,575,573</u>

Approved and authorized for issue by the board of directors on 29 March 2024.

杨险峰

Authorised
Representative

李峰

Supervisor of
Finance Department

史敬春

Director of Finance
Department



The accompanying notes form an integral of these consolidated financial statements.

CCB Financial Leasing Corporation Limited
Consolidated statement of changes in equity
For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

for the year ended 31 December 2023		Attributable to owners of the parent				
	Paid-in Capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings
			-Exchange differences on translation of foreign operations			
As at 31 December 2022						
Business combination under common control	11,000,000,000	-	70,561,569	1,009,931,536	2,014,885,801	9,193,416,979
	-	324,236	7,843,570	-	-	166,907,930
						175,075,736
As at 1 January 2023	11,000,000,000	324,236	78,405,139	1,009,931,536	2,014,885,801	9,360,324,909
						23,463,871,621
Total comprehensive income	-	-	9,854,748	-	-	1,645,548,852
						1,655,403,600
Business combination under common control	-	(324,236)	-	-	-	(182,632,573)
Dividends	-	-	-	-	-	(175,060,799)
Appropriation to surplus reserve	-	-	-	99,970,017	-	(99,970,017)
						-
As at 31 December 2023	11,000,000,000	-	88,259,887	1,109,901,553	2,014,885,801	10,548,534,608
						24,761,581,849

The accompanying notes form an integral of these consolidated financial statements.

CCB Financial Leasing Corporation Limited
Consolidated statement of changes in equity
For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

for the year ended 31 December 2022 (restated)

	Paid-in Capital	Attributable to owners of the parent					Total equity
		Capital reserve	Other comprehensive income -Exchange differences on translation of foreign operations	Surplus reserve	General reserve	Retained earnings	
As at 13 December 2021	11,000,000,000	-	(71,780,168)	1,000,360,504	2,014,885,801	8,390,087,313	22,333,553,450
Business combination under common control	-	324,236	658,199	-	-	28,734,035	29,716,470
As at 1 January 2022	11,000,000,000	324,236	(71,121,969)	1,000,360,504	2,014,885,801	8,418,821,348	22,363,269,920
Total comprehensive income	-	-	149,527,108	-	-	951,074,593	1,100,601,701
Appropriation to surplus reserve	-	-	-	9,571,032	-	(9,571,032)	-
As at 31 December 2022	11,000,000,000	324,236	78,405,139	1,009,931,536	2,014,885,801	9,360,324,909	23,463,871,621

The accompanying notes form an integral of these consolidated financial statements.

CCB Financial Leasing Corporation Limited
Consolidated statement of cash flows
For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

	Note	2023	2022 (Restated)
1 Cash flows from operating activities			
Profit before income tax		2,117,684,286	1,232,103,567
Adjustments for:			
Impairment losses		992,297,819	2,648,924,606
Net gains on disposal of fixed assets and other long-term assets		(96,759,559)	(104,934,546)
Depreciation and amortization		1,443,673,312	1,070,751,652
Interest expense on bonds issued		349,659,370	365,577,747
Net (gains)/losses arising from financial assets at fair value through profit or loss		(1,983,125)	5,776,929
Net decrease in finance lease receivables		13,877,047,252	5,669,035,064
Net (increase)/decrease in due from central bank		(350,000)	500,000
Net increase/(decrease) in loans and borrowings		7,178,852,117	(7,338,677,171)
Income tax paid		(889,431,797)	(548,333,439)
Net (increase)/decrease in other operating assets		(9,835,238,716)	1,106,239,833
Net increase in other operating liabilities		5,523,007,405	2,461,521,159
Net cash from operating activities		<u>20,658,458,364</u>	<u>6,568,485,401</u>

The accompanying notes form an integral of these consolidated financial statements

CCB Financial Leasing Corporation Limited
Consolidated statement of cash flows (continued)
For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

	Note	2023	2022 (Restated)
2 Cash flows from investing activities			
Interest and dividends received		14,850,000	14,850,000
Proceeds from disposal of fixed assets, intangible assets, and other long-term assets		9,140	46,304
Proceeds from disposal of operating lease assets		1,256,319,054	1,125,538,259
Purchase of investment securities		-	(164,802,296)
Purchase of fixed assets, intangible assets and other long-term assets		(29,339,563)	(21,677,608)
Purchase of operating lease assets		<u>(11,768,771,051)</u>	<u>(5,005,197,585)</u>
Net cash used in investing activities		<u>(10,526,932,420)</u>	<u>(4,051,242,926)</u>
3 Cash flows from financing activities			
Repayment of bonds issued		(3,000,000,000)	-
Interest paid on bonds issued		(357,600,000)	(357,600,000)
Cash payments of other financing activities		<u>(34,099,139)</u>	<u>(28,021,807)</u>
Net cash used in financing activities		<u>(3,391,699,139)</u>	<u>(385,621,807)</u>
4 Effect of exchange rate changes on cash and cash equivalents		<u>(875,760,491)</u>	<u>132,137,907</u>
5 Net increase in cash and cash equivalents		5,864,066,314	2,263,758,575
Add: Cash and cash equivalents at beginning of year		<u>12,027,114,188</u>	<u>9,763,355,613</u>
6 Cash and cash equivalents at end of year	27	<u>17,891,180,502</u>	<u>12,027,114,188</u>

The accompanying notes form an integral of these consolidated financial statements.

I CORPORATE INFORMATION

CCB Financial Leasing Corporation Limited (the "Company") is a joint stock company incorporated by China Construction Bank Corporation ("CCB") and Bank of America Corporation ("BOA") in Beijing, the People's Republic of China (the "PRC") on 26 December 2007 with the approval of China Banking Regulatory Commission ("CBRC") (In 2018, it was renamed as China Banking and Insurance Regulatory Commission, hereinafter referred to as the "CBIRC") (In 2023, the regulator was renamed as the National Administration of Financial Regulation, hereinafter referred to as the "NAFR"). In 2012, CCB purchased the equity held by BOA and became the company's sole shareholder. The Company operates under the corporate legal person operating licence No. 91110000710935214B and the financial licence No. M0013H211000001. As at 31 December 2023, the Company has a registered capital of RMB 11 billion, and the information of subsidiaries is further detailed in Note VI.

The Company and all the subsidiaries are referred to as the "Group". The scope of business of the Group includes finance lease business, transfer and receipt of the assets held under finance lease, fixed-income security investment business, receipt of lease deposits from the lessee, placements with banks, loans from financial institutions, overseas borrowings, leasehold selling and disposal business, economic consulting, establishment of project companies in domestic bonded area to carry out lease business, provision of guarantee for external financing of holding subsidiaries and project companies as well as other businesses approved by CBRC.

The parent and the ultimate parent company of the Group is China Construction Bank Corporation.

II MATERIAL ACCOUNTING POLICIES

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value.

The consolidated financial statements are presented in RMB Yuan, except when otherwise indicated.

2 Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform—Pillar Two Model Rules</i>

The nature and the impact of the revised IFRSs are described below:

- a) The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Group's consolidated financial statements.

This amendment had no impact on the consolidated financial statements of the Group.

- b) The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

2 Changes in accounting policies and disclosures (continued)

- c) The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

- d) The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its revenue is less than EUR 750 million/year.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

3 Issued but not yet effective International Financial Reporting Standards

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

		Effective for annual periods beginning on or after
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024

Further information about those IFRSs that are expected to be applicable to the Group is described below:

Lease Liability in a Sale and Leaseback - Amendments to IFRS 16

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

3 Issued but not yet effective International Financial Reporting Standards (continued)

Classification of Liabilities as Current or Non-current - Amendments to IAS 1

In January 2020 and October 2022, the Board issued amendments to IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023 including controlled structured entities. The Group consolidates a subsidiary when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights results in control. However, in individual circumstances, the Group may still exercise control with a less than 50% shareholding, or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Group considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Group can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights
- Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests (NCIs), even if this results in the NCIs having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, NCI and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

5 Foreign currency translation

Functional and presentation currency

The functional currency of the operations in the Chinese mainland is RMB. Items included in the financial statements of each of the Group's operations are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The presentation currency of the Group is RMB.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

5 Foreign currency translation (continued)

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

Group companies

On consolidation, the assets and liabilities in some subsidiaries are translated into RMB at the spot rate of exchange prevailing at the reporting date and their income statements are translated at spot exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI.

6 Interest income and expense

The "Interest income" and "Interest expense" in the Group's statement of comprehensive income are the interest income and expense calculated by using the effective interest method on financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial liabilities at amortised cost.

The effective interest method is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is that exactly discounts estimated future cash flows through the expected life of a financial asset or financial liability to the gross carrying amount of a financial asset or the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

For those purchased or originated credit-impaired financial assets, the Group calculates the interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The credit-adjusted effective interest rate is that exactly discounts the estimated future cash flows through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset.

For those financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets, the Group calculates the interest income by applying the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

7 Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income is accrued in accordance with the terms and conditions of the service agreement. For other services, fee and commission income is recognised when the transactions are completed.

8 Financial instruments

Recognition and de-recognition of financial instruments

The Group shall recognise a financial asset or a financial liability in its statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets (or a part of a financial asset or group of financial assets) are derecognised when the financial assets meet one of the following conditions:

- (1) the contractual rights to the cash flows from the financial asset expire; or
- (2) the contractual rights to the cash flows from the financial asset are transferred, or the Group undertake the obligation to pay the cash flows collected to a third party in full and on time under the "pass-through agreement" and the Group (a) transfers substantially all the risks and rewards of ownership of the financial assets or (b) where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

The Group recognises and de-recognises financial assets on the trading day when trading financial assets in a conventional way. Trading financial assets in a conventional way refers to collecting or delivering financial assets within the time limit prescribed by laws or common practices in accordance with contract provisions. The trading day refers to the date on which the Group undertakes to buy or sell financial assets.

Financial liabilities are de-recognised when they are extinguished – that is, when the obligation is discharged or cancelled, or expires. The difference between the carrying amount of the de-recognised financial liability and the consideration paid is recognised in the statement of profit or loss.

Classification and Subsequent measurement

Financial assets

The Group classifies financial assets as at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Only if when the Group changes the business model for managing financial assets, the Group shall reclassify the affected financial assets.

For financial assets at fair value through profit or loss, transaction costs are directly recognised in profit or loss. For other financial assets, transaction costs are recognised in the initial measurement.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

8 Financial instruments (continued)

Classification and Subsequent measurement (continued)

Financial assets (continued)

Business model

The Group's business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. If financial assets are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the business model of the financial assets is "other". The Group's assessment of the business model is performed on a financial asset portfolio basis, and determined on a reasonable expected scenario, taking into account: how cash flows were generated in the past, how the performance of the business model and the financial assets held within that business model is evaluated and reported to the Group's key management personnel; how risks are evaluated and managed; and how managers of the business are compensated.

The contractual cash flow characteristics

The assessment of contractual cash flow characteristics is to determine whether the cash flows are solely payments of principal and interest on the principal amount outstanding. Principal is the fair value of the financial asset at initial recognition. However, that principal amount may change over the life of the financial asset (for example, if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

The subsequent measurement of financial assets depends on the classification:

(1) Debt investment at amortised cost

The Group classifies financial assets as subsequently measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income is recognised using the effective interest method for such financial assets. The gains or losses from derecognition, amendments or impairment on such financial assets are recognised in profit or loss.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

8 Financial instruments (continued)

Classification and Subsequent measurement (continued)

Financial assets (continued)

(2) Debt investment at fair value through other comprehensive income

The Group classifies financial assets as subsequently measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at the fair value through other comprehensive income should be recognised in "other comprehensive income", except for interests calculated using effective interest method and foreign exchange gains and losses. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss.

(3) Financial assets at fair value through profit or loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, which includes financial assets held for trading, financial assets designated as at fair value through profit or loss and other financial assets mandatorily measured at fair value through profit or loss in accordance with IFRS 9.

Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on such financial asset is recognised in profit or loss unless it is part of a hedging relationship. Dividends, which the Group is entitled to collect, on equity investments in such measurement category are recognised in profit or loss in accordance with IFRS 9.

When, and only when, the Group changes the business model for managing financial assets, the Group shall reclassify all affected financial assets. Reclassification is applied prospectively from the first day of the first reporting period following the change in business model.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

8 Financial instruments (continued)

Classification and Subsequent measurement (continued)

Financial liabilities

The Group classifies financial liabilities as at fair value through profit or loss and financial liabilities measured at amortised cost. For financial liabilities at fair value through profit or loss, transaction costs are directly recognised in profit or loss. For financial liabilities measured at amortised cost, transaction costs are recognised in the initial measurement.

The subsequent measurement of financial liabilities depends on the classification:

(1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivative financial instruments) and financial liabilities designated at fair value through profit or loss at initial recognition. Financial liabilities held for trading (including derivative financial instruments) are subsequently measured at the fair value. A gain or loss on such financial liability is recognised in profit or loss, unless it is part of hedging relationship.

(2) Financial liabilities at amortised cost

Financial liabilities measured at amortised cost using the effective interest method.

The Group does not reclassify any financial liabilities.

Determination of fair value

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of quoted financial assets and financial liabilities in active markets are based on current bid prices and ask prices, as appropriate. If there is no active market, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and option pricing models, and other valuation techniques commonly used by market participants.

The Group uses the valuation techniques commonly used by market participants to price financial instruments and techniques which have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. The Group makes use of all factors that market participants would consider in setting a price, and incorporates these into its chosen valuation techniques and tests for validity using prices from any observable current market transactions in the same instruments.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

8 Financial instruments (continued)

Financial guarantee contracts and finance lease commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to the Group's subsidiaries to secure customer loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement less amortisation calculated and the impairment allowance determined by the expected credit loss ("ECL") model, and any increase in the liability relating to guarantees is taken to the consolidated statement of comprehensive income.

Finance lease commitments are commitments provided by the Group to the customers to grant finance lease under the established contract terms during certain period. The impairment allowance for loan commitments is measured using the ECL model.

The impairment allowances for financial guarantees and loan commitments are presented in "Provisions".

Derecognition of financial instruments

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset, or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Impairment measurement for losses on assets

At the financial reporting date, the Group assesses and recognises the relevant impairment allowances for financial assets measured at amortised cost, cash and deposits with bank, finance lease receivables, other receivables, finance lease commitments and financial guarantee contracts on the basis of expected credit losses.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

8 Financial instruments (continued)

Impairment measurement for losses on assets (continued)

Measurement of ECL

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all cash flows expected to be received by the Group discounted at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage 1: The financial instruments without significant increases in credit risk after initial recognition are included in Stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instruments for the next 12 months;
- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;
- Stage 3: Financial assets with objective evidence of impairment at the financial reporting date are included in Stage 3, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments.

For the previous accounting period, the impairment allowance has been measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the financial reporting date, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance of the financial instruments on the financial reporting date according to the ECL in the next 12 months.

The Group measures ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group considers the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducted an assessment of ECL according to forward-looking information and used a number of models and assumptions in its measurement of expected credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses).

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

8 Financial instruments (continued)

Impairment measurement for losses on assets (continued)

The Group uses judgements, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial assets
- Parameters for measuring ECL
- Forward-looking information
- Modification of contractual cash flows

Criteria for determining significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each financial reporting date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on an individual financial instrument or a group of financial instruments shared credit risk characteristics, the Group compares the risk of default of financial instruments at the financial reporting date with that at the date of initial recognition in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group persists in the substantive risk judgment and comprehensively considers the changes in the borrower's operating ability and solvency to assess whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

8 Financial instruments (continued)

Impairment measurement for losses on assets (continued)

Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a financial asset is credit-impaired under IFRS 9 is consistent with the internal credit risk management objectives, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- It becoming probable that the borrower will enter into bankruptcy or other financial re-organisation;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;
- The debtor is more than 90 days overdue for any of the principal, advances, interest or investments in corporate bonds of the Group.

A financial asset becoming credit-impaired may be caused by the combined effect of several events, but not a single discrete event.

Parameters of ECL measurement

According to whether the credit risk has significantly increased and whether the asset is credit-impaired, the Group measures the impairment allowance for different assets with ECL of 12 months or the entire lifetime respectively. The key parameters in ECL measurement include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the current New Basel Capital Accord used in risk management and the requirements of IFRS 9, CCB takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the models for estimating PD, LGD and EAD.

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. CCB adjusts PD based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking into account the forward-looking information and removing the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;
- LGD refers to the CCB's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies;
- EAD is the amount that CCB should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

8 Financial instruments (continued)

Impairment measurement for losses on assets (continued)

Forward-looking information incorporated in the ECL

The assessment of Significant increase in credit risk (SICR) and the calculation of ECLs both incorporate forward-looking information. CCBFL's parent company, CCB has performed historical data analysis and identified the key economic variables related to expected credit losses and made forward-looking adjustments.

CCB constructs empirical models to determine the comparable weightings in positive, neutral and negative scenarios. Following this assessment, CCB measures ECLs as a weighted average probability of ECLs in the next 12-month under the three scenarios for Stage 1 financial instruments; and a weighted average probability of lifetime ECLs for Stage 2 and 3 financial instruments.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. CCB applied experts' judgement in this analysis, according to the result of experts' judgement, CCB predicts these economic indicators on a quarterly basis and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

CCB measures the weighted average ECL of 12 months or life time. The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

The Group adopts the general model for expected credit loss issued by CCB. In the model, PD and LGD are measured as the same way of CCB's corporate credit and non-credit business. In particular, since the value of aircrafts and vessels fluctuates frequently in the market, the LGD of the aircrafts and vessels is based on the Group's relevant measurements and external valuation reports.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Write-offs

Financial assets are written off either partially or in their entirety only when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

9 Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, non-restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

10 Fixed assets

The Group's fixed assets mainly comprise computer equipment, transportation equipment, mechanical equipment, office equipment and aircraft.

The assets purchased or constructed are initially measured at acquisition cost or deemed cost, as appropriate. Such initial cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in an asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each financial reporting date.

Property and equipment are reviewed for impairment at each financial reporting date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by the difference between proceeds and carrying amount, after deduction of relevant taxes and expenses. These are included in the consolidated statement of comprehensive income.

Buildings comprise primarily branch and office premises. The estimated useful lives, depreciation rate and estimated residual value rate of buildings, equipment and motor vehicles are as follows:

Type of assets	Estimated useful life	Estimated residual value rate	Annual depreciation rate
Computer equipment	3 - 5 years	3.00%	19.40%-32.33%
Office equipment	3 - 8 years	3.00%	12.13%-32.33%
Transportation equipment	6 - 8 years	3.00%	12.13%-16.17%
Aircraft	20 / 25 years	5.00%	4.75%、3.80%
Vessels	20 years	5.00%	4.75%
Other equipment	7 / 10 years	5.00%	13.57%、9.50%

Mechanical equipment and aircraft and vessels are used in the Group's operating leasing business.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

11 Lease

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liability

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

11 Lease (continued)

As a lessee (continued)

Lease modification

Lease modification is a change in the scope of a lease, the consideration for a lease or lease term, that was not part of the original terms and conditions of the lease. For example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

11 Lease (continued)

As a Lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

When the Group is a lessor under finance leases, the Group recognises the receivable as the sum of the minimum lease payment receivable and initial direct costs at the commencement date, and records the unguaranteed residual value. The difference between the aggregation, which is consisted of the receivable and the unguaranteed residual value, and the sum of present value is recognised as unearned finance income. The Group uses the effective interest method to recognise the current finance income. In the initial measurement of the finance lease receivable, the Group recognises the net investment of the lease as the book value. The net investment in a lease is the sum of the unguaranteed residual value and the present value of the unreceived minimum lease payment receivable at the commencement date, which is discounted by the interest rate implicit in the lease. The Group calculates and recognises the interest income in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss. Variable lease payments that are not measured as part of the net investment in the lease are recognised in profit or loss as incurred.

When the Group is a lessor under operating leases, rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

12 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

The Group's intangible assets is computer software, which estimated useful life is 10 years, amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

13 Impairment of non-financial assets

The Group assesses at the balance sheet date whether there is any indication that a non-financial asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of Cash-generating Unit ("CGU") to which the asset belongs.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. That reduction is recognised as an impairment loss and charged to the consolidated statement of comprehensive income. And impairment loss is recognised accordingly on the balance sheet. For CGU or group of CGUs, the amount of impairment loss reduces the carrying amount of assets within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset. However, the carrying amount of each asset after deduction should not be lower than the highest of the following three amounts: the asset's fair value minus disposal expense (if can be determined), present value of the asset's future cash flow (if can be determined) and zero.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

14 Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (iv) the entity and the Group are members of the same group;
- (v) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (vi) the entity and the Group are joint ventures of the same third party;
- (vii) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (viii) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group, (If the Group is itself such a plan) and the sponsoring employers of the post-employment benefit plan;
- (ix) the entity is controlled or jointly controlled by a person identified in (a);
- (x) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (xi) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

16 Employee benefits

Employee benefits are all forms of consideration given and compensations incurred by the Group in exchange for services rendered by employees. Employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in cost of relevant assets or the expenses in profit or loss. Where payment or settlement is deferred and the effect of discount would be material, these amounts are stated at their present values on the statement of financial position.

Short-term benefits

Short-term benefits includes salaries, bonus, allowance, subsidies, expenses for employee benefit, medical insurance, work injury insurance, maternity insurance, housing fund, labour union and education. The Group makes housing fund and social insurance contributions to government agencies in proportion to each employee's salary and expenses monthly in the period in which the associated services are rendered by its employees, recognises short-term benefits incurred as liabilities and recognises them in profit or loss on an accrual basis.

Defined contribution retirement schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has joined defined contribution retirement schemes for the employees arranged by local government labor and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the local government organizations. The contributions are charged to the consolidated statement of comprehensive income on an accrual basis. When employees retire, the local government labor and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Annuity schemes

In addition to the statutory provision schemes, the Group's employees have joined the annuity scheme set up by the Group under "CCB Financial Leasing Corporation Limited Annuity Scheme" (the "scheme") in accordance with state enterprise annuity regulations. The Group has made annuity contributions in proportion to its employees' gross wages, which are expensed in profit or loss when the contributions are made.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

17 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or nonoccurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability.

18 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

19 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

20 Income taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in the consolidated statement of comprehensive income except for tax related to the fair value remeasurement of debt instruments at fair value through OCI, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to OCI.

The Group only off-sets its deferred tax assets against liabilities when there is both a legal right to offset its current tax assets and liabilities and it is the Group's intention to settle on a net basis.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and judgements that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group has taken into consideration the impact of the economic environment on the industries and territories in which the Group operates when determining critical accounting estimates and judgements in applying accounting policies.

Areas susceptible to changes in critical estimates and judgements, which affect the carrying value of assets and liabilities, are set out below. It is possible that actual results may be materially different from the estimates and judgements referred below.

1 Classification of financial assets

The Group classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. It requires management to make judgements. Management determined the classification on the basis of the Group's business model for managing the financial assets, the contractual cash flow characteristics of the financial asset and financial accounting standards and consider the effects to financial statements disclosures.

2 Classification of leases

Management is required to determine the classification of leases. When making this judgement, management considers the nature of the leases, compliance with the requirements of the IFRSs and the impact on its financial statements.

Lessors shall classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

3 Income taxes

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4 Impairment losses on finance lease receivables

The measurement of the expected credit loss allowance for finance lease receivables is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit losses is further detailed in Note II.8.

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses; and
- Establishing groups of similar financial assets for the purpose of measuring expected credit losses.

5 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. Cash flow is determined based on the rent to be charged in the future as agreed in the lease contract plus the net residual value at the end of the lease term. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

6 Deferred tax asset

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

IV CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Due to the interest rate benchmarking reform program currently, the Company's finance lease receivables and loans and borrowings relating to LIBOR would be affected. The Group expects that its remaining LIBOR related exposures, will be replaced by a benchmark exposure on an economically equivalent basis, so that the effect of the transition will not be material.

V TAXATION

The Group's main applicable taxes, tax rates and tax base are as follows:

Taxes	Tax basis	Statutory rates
Corporate income tax	Taxable income	12.5%, 16.5%, 25% 6%, 13%, Leasing of tangible movable assets, which are exclusively used outside of China, could be qualified for VAT exemption
Value-added tax	Taxable added value	
City construction and maintenance tax	Turnover tax paid	7%, 5%
Education surcharges	Turnover tax paid	3%
Local education surcharges	Turnover tax paid	2%

VI SCOPE OF CONSOLIDATION

Particulars of the Company's principal subsidiaries are as follows:

	Place of incorporation	Issued ordinary/registered share capital	Percentage of equity	Principal activity
CCB Jin One Leasing (Tianjin) Co., Ltd.	Tianjin, China	5,000,000	100%	Leasing
CCB Jin Seven Leasing (Tianjin) Co., Ltd.	Tianjin, China	500,000	100%	Leasing
CCB Jin Twelve Leasing (Tianjin) Co., Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Thirteen Leasing (Tianjin) Co., Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Sixteen Leasing (Tianjin) Co., Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Eighteen Leasing (Tianjin) Co., Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Twenty One Leasing (Tianjin) Co., Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Twenty Two Leasing (Tianjin) Co., Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Twenty Four Leasing (Tianjin) Co., Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Twenty Seven Leasing (Tianjin) Co., Ltd.	Tianjin, China	100,000	100%	Leasing

VI SCOPE OF CONSOLIDATION (CONTINUED)

Particulars of the Company's principal subsidiaries are as follows (continued):

	Place of incorporation	Issued ordinary/ registered share capital	Percentage of equity	Principal activity
CCB Jin Twenty Eight Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Thirty One Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Thirty Three Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Thirty Five Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Thirty Six Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Thirty Seven Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Thirty Eight Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Thirty Nine Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Forty Five Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Forty Six Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Forty Seven Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Forty Eight Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Forty Nine Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Fifty Leasing (Tianjin) Co.,Ltd.	Tianjin, China	10,000	100%	Leasing
CCB Jin Fifty One Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Fifty Two Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Fifty Three Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Fifty Four Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Fifty Five Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Fifty Six Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Fifty Seven Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Fifty Eight Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing

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VI SCOPE OF CONSOLIDATION (CONTINUED)

Particulars of the Company's principal subsidiaries are as follows (continued):

	Place of incorporation	Issued ordinary/ registered share capital	Percentage of equity	Principal activity
CCB Jin Fifty Nine Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Sixty Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Sixty One Leasing (Tianjin) Co.,Ltd.	Tianjin, China	100,000	100%	Leasing
CCB Jin Sixty Two Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Sixty Three Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Sixty Five Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Sixty Six Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Sixty Seven Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Sixty Eight Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Sixty Nine Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Seventy Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Seventy One Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Seventy Three Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Seventy Four Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Seventy Five Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Seventy Seven Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Seventy Eight Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Seventy Nine Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Eighty Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Eighty One Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Eighty Two Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Eighty Three Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Eighty Four Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing

VI SCOPE OF CONSOLIDATION (CONTINUED)

Particulars of the Company's principal subsidiaries are as follows (continued):

	Place of incorporation	Issued ordinary/ registered share capital	Percentag e of equity	Principal activity
CCB Jin Eighty Five Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Eighty Six Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Eighty Seven Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Ninety Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Ninety One Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Ninety Two Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Ninety Three Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Ninety Four Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Ninety Five Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Ninety Six Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Ninety Seven Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Ninety Eight Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin Ninety Nine Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and One Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Two Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Three Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Four Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Five Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Six Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Seven Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Eight Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing

VI SCOPE OF CONSOLIDATION (CONTINUED)

Particulars of the Company's principal subsidiaries are as follows (continued):

	Place of incorporation	Issued ordinary/ registered share capital	Percentage of equity	Principal activity
CCB Jin One Hundred and Nine Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Twenty Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Twenty One Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Twenty Two Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Twenty Three Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Twenty Four Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Twenty Five Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Twenty Six Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Twenty Seven Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Twenty Eight Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Thirty One Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jin One Hundred and Thirty Two Leasing (Tianjin) Co.,Ltd.	Tianjin, China	20,000	100%	Leasing
CCB Jing Two Leasing (Beijing) Co.,Ltd.	Beijing, China	100,000	100%	Leasing
CCB Leasing (Xiamen) Co.,Ltd.	Xiamen, China	100,000	100%	Leasing
CCB Lu One Leasing (Xiamen) Co.,Ltd.	Xiamen, China	100,000	100%	Leasing
CCB Lu Two Leasing (Xiamen) Co.,Ltd.	Xiamen, China	100,000	100%	Leasing
CCB Lu Three Leasing (Xiamen) Co.,Ltd.	Xiamen, China	100,000	100%	Leasing
CCB Lu Four Leasing (Xiamen) Co.,Ltd.	Xiamen, China	100,000	100%	Leasing
CCB Lu Five Leasing (Xiamen) Co.,Ltd.	Xiamen, China	100,000	100%	Leasing
CCB Lu Six Leasing (Xiamen) Co.,Ltd.	Xiamen, China	100,000	100%	Leasing
CCB Lu Seven Leasing (Xiamen) Co.,Ltd.	Xiamen, China	100,000	100%	Leasing
CCB Shipping and Aviation Leasing Corporation Limited	Hong Kong	3 million USD	100%	Leasing

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Net interest income

	2023	2022
Interest income arising from:		
- Finance lease	4,723,690,739	5,434,339,315
- Deposits with commercial banks	418,394,063	196,474,179
- Debt instruments at amortised cost	13,399,425	11,145,264
- Others	159,483,445	8,408,635
Subtotal	<u>5,314,967,672</u>	<u>5,650,367,393</u>
Interest expense arising from:		
- Borrowings from commercial banks	(3,135,531,852)	(2,372,912,116)
- Bonds issued	(349,659,370)	(365,577,747)
- Others	(9,461,212)	-
Subtotal	<u>(3,494,652,434)</u>	<u>(2,738,489,863)</u>
Net interest income	<u>1,820,315,238</u>	<u>2,911,877,530</u>

2. Net fee and commission expense

	2023	2022
Fee and commission income	<u>43,394,095</u>	<u>60,989,488</u>
Fee and commission expense		
Agency service fees	(123,997,095)	(92,018,677)
Financing service fees	(24,606,113)	(43,884,355)
Others	(3,406,394)	(3,126,352)
Subtotal	<u>(152,009,602)</u>	<u>(139,029,384)</u>
Net fee and commission expense	<u>(108,615,507)</u>	<u>(78,039,896)</u>

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Net operating lease income

	2023	2022
Operating lease income	<u>2,895,298,993</u>	<u>2,091,885,592</u>
Operating lease expense		
Accumulated depreciation of operating lease assets	(1,402,031,718)	(1,031,256,064)
Aircraft modification fees	<u>-</u>	<u>(4,184,440)</u>
Subtotal	<u>(1,402,031,718)</u>	<u>(1,035,440,504)</u>
Net operating lease income	<u>1,493,267,275</u>	<u>1,056,445,088</u>

4. Other operating income

	2023	2022
Government grants	264,593,243	307,826,298
Gains on disposal of fixed assets and other long-term assets	96,801,767	104,920,031
Others	<u>(18,546,534)</u>	<u>(39,324,027)</u>
Total	<u>342,848,476</u>	<u>373,422,302</u>

Government grants is government subsidies received by the Group and the Company in connection with daily activities.

CCB Financial Leasing Corporation Limited
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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Operating expenses

	2023	2022
Staff costs		
- Salaries, bonuses, allowances and subsidies	183,874,563	178,070,624
- Defined contribution retirement schemes	25,731,471	25,133,140
- Other social insurance and welfare	14,987,240	12,869,277
- Housing funds	9,021,259	8,067,150
- Union running costs and employee education costs	8,274,355	8,013,166
Subtotal	241,888,888	232,153,357
Depreciation of right-of-use assets	31,728,986	30,349,376
Depreciation and amortization	8,977,190	7,329,172
Office allowance	8,317,439	6,394,336
Traveling expenses	7,244,648	1,103,334
SPV management fee	6,872,131	-
Rental expenses	3,104,474	2,617,836
Consulting fee	2,830,794	1,901,923
Amortization of lease liabilities	935,418	1,817,040
Publicity and entertainment expenses	378,915	199,254
Others	15,733,292	14,062,185
Subtotal	86,123,287	65,774,456
Tax and surcharges	111,804,327	78,972,109
Total	439,816,502	376,899,922

6. Credit impairment losses

	2023	2022
Cash and deposits with banks	15,750,587	6,572,570
Finance lease receivables	770,164,115	2,571,479,798
Lease prepayments	85,068,934	27,113,753
Debt instruments at amortised cost	234,314	198,325
Other assets	82,521,418	26,166,482
Off-balance sheet business	(47,356,000)	(36,438,665)
Total	906,383,368	2,595,092,263

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other impairment losses

	2023	2022
Operating lease assets	<u>85,914,451</u>	<u>53,832,343</u>

Other asset impairment losses of the Group are impairment losses on operating lease assets.

8. Income tax expense

	2023	2022
Current income tax	1,283,489,392	568,642,489
Deferred tax	<u>(811,353,958)</u>	<u>(287,613,515)</u>
Total	<u>472,135,434</u>	<u>281,028,974</u>

Reconciliation between income tax expense and accounting profit is as follows:

	2023	2022
Profit before income tax	2,117,684,286	1,232,103,567
At statutory tax rate of 25%	529,421,072	308,025,892
Effects of different tax rates for subsidiaries	(45,225,421)	(35,166,341)
Adjustments in respect of current income tax of previous year	(11,704,522)	697,738
Non-taxable income	(1,078,786)	-
Non-deductible expenses for tax purposes	2,283,558	1,669,604
Tax losses utilized from previous periods	(19,595,554)	(12,074,347)
Unrecognized losses	16,813,278	16,746,109
Others	<u>1,221,809</u>	<u>1,130,319</u>
Income tax expense	<u>472,135,434</u>	<u>281,028,974</u>

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Cash and deposits with banks

	31 December 2023	31 December 2022
Cash at bank	17,889,423,150	12,025,038,261
Accrued interest	120,376,353	26,608,119
Less: Allowances for impairment losses – cash at bank	(33,046,097)	(17,099,160)
Less: Allowances for impairment losses – accrued interest	<u>(245,305)</u>	<u>(118,870)</u>
Total	<u>17,976,508,101</u>	<u>12,034,428,350</u>

As at December 31, 2023, the Group obtained borrowing from banks of RMB 8,089.06 million with RMB 9,346.33 million fixed deposits as collateral;

As at December 31, 2023, the Group obtained borrowing from banks of RMB 189.11 million with call deposits of RMB 213 million as collateral;

As at December 31, 2023, the Group has no bank deposits as security to obtain bank acceptances bill.

10. Due from central bank

	31 December 2023	31 December 2022
Statutory deposit reserves	1,600,000	1,250,000
Surplus deposit reserves	<u>1,757,352</u>	<u>2,075,927</u>
Total	<u>3,357,352</u>	<u>3,325,927</u>

The Group places statutory deposit reserves with the People's Bank of China ("PBOC") and such statutory deposit reserves could not be used for daily operation of the Group. As at 31 December 2023, the rate of statutory deposit reserves is 5% (31 December 2022: 5%). The surplus deposit reserves could be used for daily operation of the Group.

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Finance lease receivables

(1) Analysed by nature:

	31 December 2023	31 December 2022
Minimum finance lease receivables	108,630,898,591	123,913,460,269
Less: unrealised finance income	<u>(15,508,461,327)</u>	<u>(16,913,975,753)</u>
Total finance lease receivables	<u>93,122,437,264</u>	<u>106,999,484,516</u>
Less: Allowance for impairment losses:		
Stage 1	(1,867,648,388)	(1,893,507,820)
Stage 2	(3,316,445,486)	(2,703,121,329)
Stage 3	<u>(2,629,832,252)</u>	<u>(2,023,717,105)</u>
Subtotal	<u>(7,813,926,126)</u>	<u>(6,620,346,254)</u>
Net book value of finance lease receivables	<u>85,308,511,138</u>	<u>100,379,138,262</u>

As at 31 December 2023, the Group obtained borrowings from banks of RMB 3,058.47 million (2022: RMB 3,097.38 million) with the book value of finance lease receivables of RMB 4,166.92 million (2022: RMB 3,483.27 million) as collateral.

(2) The future minimum finance lease receivables are summarised below:

	31 December 2023	31 December 2022
Without time limit*	2,954,873,905	2,995,424,227
Within 1 year (inclusive)	27,756,760,442	35,238,872,583
1 to 2 years (inclusive)	23,548,262,280	26,410,851,899
2 to 3 years (inclusive)	14,850,832,332	19,795,719,081
Over 3 years	<u>39,520,169,632</u>	<u>39,472,592,479</u>
Total	<u>108,630,898,591</u>	<u>123,913,460,269</u>

*Without time limit is the minimum finance lease receivables from lessees of credit impaired finance lease receivables.

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Finance lease receivables (continued)

(3) Finance lease receivables presented by overdue period:

31 December 2023	Within 3 months (inclusive)	Overdue between 3 months and 1 year (inclusive)	Overdue between 1 year and 3 years (inclusive)	Overdue more than 3 years	Total
Guaranteed	-	100,110,761	2,175,890,271	-	2,276,001,032
Unsecured	275,113,881	-	167,500,000	-	442,613,881
Total	275,113,881	100,110,761	2,343,390,271	-	2,718,614,913

31 December 2022	Within 3 months (inclusive)	Overdue between 3 months and 1 year (inclusive)	Overdue between 1 year and 3 years (inclusive)	Overdue more than 3 years	Total
Guaranteed	2,125,394,073	141,036,129	-	-	2,266,430,202
Unsecured	61,763,470	167,500,000	-	-	229,263,470
Pledged	20,000,000	-	-	-	20,000,000
Mortgaged	-	13,836,207	-	-	13,836,207
Total	2,207,157,543	322,372,336	-	-	2,529,529,879

(4) Analysed by assessment method of expected credit losses:

31 December 2023	Stage 1	Stage 2	Stage 3	Total
Total finance lease receivables	82,063,959,563	8,374,800,289	2,683,677,412	93,122,437,264
Less: allowance for impairment losses	(1,867,648,388)	(3,316,445,486)	(2,629,832,252)	(7,813,926,126)
Net book value of finance lease receivables	80,196,311,175	5,058,354,803	53,845,160	85,308,511,138

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Finance lease receivables (continued)

(4) Analysed by assessment method of expected credit losses (continued):

31 December 2022	Stage 1	Stage 2	Stage 3	Total
Total finance lease receivables	98,456,440,352	5,980,100,876	2,562,943,288	106,999,484,516
Less: allowance for impairment losses	(1,893,507,820)	(2,703,121,329)	(2,023,717,105)	(6,620,346,254)
Net book value of finance lease receivables	96,562,932,532	3,276,979,547	539,226,183	100,379,138,262

(5) Movements of allowance for impairment losses of finance lease receivable:

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	1,893,507,820	2,703,121,329	2,023,717,105	6,620,346,254
Transfers:				
Transfers to Stage 1	44,938,211	(44,938,211)	-	-
Transfers to Stage 2	(157,968,185)	157,968,185	-	-
Transfers to Stage 3	-	(154,108,621)	154,108,621	-
Newly originated	338,149,222	1,046,533	-	339,195,755
Remeasurements*	(255,777,034)	653,356,271	33,389,123	430,968,360
Recovery of written-off	-	-	418,617,403	418,617,403
Exchange rate changes	4,798,354	-	-	4,798,354
As at 31 December 2023	1,867,648,388	3,316,445,486	2,629,832,252	7,813,926,126

For the year ended 31 December 2023, the Group adjusted the stage designation of finance lease receivables, and the gross carrying amount of finance lease receivables transferred from Stage 1 to Stage 2 were RMB 6,303.95 million. The gross carrying amount of finance lease receivables transferred from Stage 2 to Stage 1 were RMB 76.42 million. The gross carrying amount of finance lease receivables transferred from Stage 2 to Stage 3 were RMB 285.04 million.

For the year ended 31 December 2023, the Group disposed finance lease receivables of Stage 1 with gross carrying amount of RMB 1,010.32 million.

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Finance lease receivables (continued)

(5) Movements of allowance for impairment losses of finance lease receivable (continued):

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	2,349,010,904	3,463,733,645	847,890,771	6,660,635,320
Transfers:				
Transfers to Stage 2	(89,378,885)	310,237,592	(220,858,707)	-
Transfers to Stage 3	(101,759,828)	(1,219,907,103)	1,321,666,931	-
Newly originated	621,442,118	126,979,645	-	748,421,763
Remeasurements*	(894,202,998)	22,077,550	2,695,183,483	1,823,058,035
Write-off	-	-	(2,620,165,373)	(2,620,165,373)
Exchange rate changes	8,396,509	-	-	8,396,509
As at 31 December 2022	<u>1,893,507,820</u>	<u>2,703,121,329</u>	<u>2,023,717,105</u>	<u>6,620,346,254</u>

* Remeasurements comprise the impact of changes in probability of default (PD), loss given default (LGD) or exposure at default (EAD); changes in model assumptions and methodology; credit loss changes due to stage-transfer and principal repayment.

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Lease prepayments

(1) Analysed by nature:

	31 December 2023	31 December 2022
Lease prepayments	12,396,855,176	3,600,118,605
Accrued interest	84,069,250	16,099,298
Less: Allowance for impairment losses	(314,216,719)	(228,680,389)
Accrued provision for impairment of pre-lease interest	<u>(2,196,822)</u>	<u>(1,964,255)</u>
Net book value of lease prepayments	<u>12,164,510,885</u>	<u>3,385,573,259</u>

The lease prepayments were classified as Stage 1 and Stage 2. Movements of allowance for impairment losses of lease prepayment refer to Note 19.

(2) Analysed by aging:

	31 December 2023	31 December 2022
Within 1 year (inclusive)	11,338,016,935	2,597,637,009
1-2 years (inclusive)	142,025,712	509,465,139
2-3 years (inclusive)	491,766,024	-
Over 3 years	<u>509,115,755</u>	<u>509,115,755</u>
Total	<u>12,480,924,426</u>	<u>3,616,217,903</u>

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12. Lease prepayments (continued)

(3) Movements of allowance for impairment losses of lease prepayments:

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	72,089,522	158,555,122	-	230,644,644
Remeasurements*	(65,485,482)	(30,655,155)	-	(96,140,637)
Newly originated	124,022,620	57,186,951	-	181,209,571
Exchange rate changes	699,963	-	-	699,963
As at 31 December 2023	131,326,623	185,086,918	-	316,413,541
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	46,207,310	156,891,968	-	203,099,278
Remeasurements*	(33,883,119)	1,663,154	-	(32,219,965)
Newly originated	59,333,718	-	-	59,333,718
Exchange rate changes	431,613	-	-	431,613
As at 31 December 2022	72,089,522	158,555,122	-	230,644,644

* Remeasurements comprise the impact of changes in probability of default (PD), loss given default (LGD) or exposure at default (EAD); changes in model assumptions and methodology; credit loss changes due to stage-transfer and principal repayment.

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13. Fixed assets

	Operating lease assets	Computer equipment	Transportation equipment	Office equipment	Total
Cost					
1 January 2023	21,336,181,091	12,453,071	2,305,251	2,890,335	21,353,829,748
Addition	11,873,770,525	1,531,412	-	265,481	11,875,567,418
Deduction	(1,896,800,368)	(1,711,602)	-	-	(1,898,511,970)
Effect of exchange rate change	(210,551,583)	33	-	(17)	(210,551,567)
31 December 2023	31,102,599,665	12,272,914	2,305,251	3,155,799	31,120,333,629
Accumulated depreciation					
1 January 2023	(5,324,470,995)	(7,756,565)	(1,568,889)	(1,889,998)	(5,335,686,447)
Addition	(1,402,031,718)	(1,413,390)	(77,177)	(285,786)	(1,403,808,071)
Deduction	443,074,958	1,660,254	-	-	444,735,212
Effect of exchange rate change	362,424,104	-	-	(1)	362,424,103
31 December 2023	(5,921,003,651)	(7,509,701)	(1,646,066)	(2,175,785)	(5,932,335,203)
Allowances for impairment losses					
1 January 2023	(185,291,876)	-	-	-	(185,291,876)
Addition	(85,914,451)	-	-	-	(85,914,451)
Deduction	5,381,527	-	-	-	5,381,527
Effect of exchange rate change	(1,909,549)	-	-	-	(1,909,549)
31 December 2023	(267,734,349)	-	-	-	(267,734,349)
Net Book Value					
1 January 2023	15,826,418,220	4,696,506	736,362	1,000,337	15,832,851,425
31 December 2023	24,913,861,665	4,763,213	659,185	980,014	24,920,264,077

As at 31 December 2023, the Group obtained borrowing from banks of RMB 4,655.21 million (2022: RMB 6,021.77 million) with the book value of fixed assets (operating lease assets) of RMB 8,824.30 million (2022: RMB10,534.87 million) as collateral.

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Fixed assets (continued)

	Operating lease assets	Computer equipment	Transportation equipment	Office equipment	Total
Cost					
1 January 2022	17,556,103,896	10,416,255	2,625,690	2,837,238	17,571,983,079
Addition	4,606,429,836	2,036,816	739,173	53,097	4,609,258,922
Deduction	(2,019,146,797)	-	(1,059,612)	-	(2,020,206,409)
Effect of exchange rate change	1,192,794,156	-	-	-	1,192,794,156
31 December 2022	21,336,181,091	12,453,071	2,305,251	2,890,335	21,353,829,748
Accumulated depreciation					
1 January 2022	(4,691,383,068)	(6,355,069)	(2,546,920)	(1,581,802)	(4,701,866,859)
Addition	(1,031,256,064)	(1,401,496)	(49,792)	(308,196)	(1,033,015,548)
Deduction	710,651,611	-	1,027,823	-	711,679,434
Effect of exchange rate change	(312,483,474)	-	-	-	(312,483,474)
31 December 2022	(5,324,470,995)	(7,756,565)	(1,568,889)	(1,889,998)	(5,335,686,447)
Allowances for impairment losses					
1 January 2022	(125,632,893)	-	-	-	(125,632,893)
Addition	(53,832,343)	-	-	-	(53,832,343)
Effect of exchange rate change	(5,826,640)	-	-	-	(5,826,640)
31 December 2022	(185,291,876)	-	-	-	(185,291,876)
Net Book Value					
1 January 2022	12,739,087,935	4,061,186	78,770	1,255,436	12,744,483,327
31 December 2022	15,826,418,220	4,696,506	736,362	1,000,337	15,832,851,425

The operating lease assets of the Group are aircrafts, vessel and machinery equipments.

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Fixed assets (continued)

The total future minimum lease receivables in respect of non-cancellable operating leases were as follows:

	31 December 2023	31 December 2022
Within 1 year (inclusive)	3,607,255,926	2,299,909,228
1 and 2 years (inclusive)	3,009,450,091	2,014,495,371
2 and 3 years (inclusive)	2,535,309,872	1,420,236,340
3 and 4 years (inclusive)	2,209,123,735	1,018,119,992
4 and 5 years (inclusive)	1,888,224,448	653,619,228
Over 5 years	8,079,608,872	1,343,091,355
Total	21,328,972,944	8,749,471,514

14. Intangible assets

The intangible assets of the Group are all office softwares.

15. Deferred tax assets and liabilities

<u>Deferred tax assets</u>	<u>31 December 2023</u>		<u>31 December 2022</u>	
	Deferred tax assets/(liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/(liabilities)	Deductible/ (taxable) temporary differences
Allowances for impairment losses	2,444,001,713	9,778,020,673	1,811,842,141	7,247,368,563
Interest expense on loans and borrowings	368,844,985	1,475,379,938	-	-
Depreciation expenses for operating leased assets	(262,286,012)	(1,064,229,769)	(66,096,278)	(264,385,111)
Lease income	(92,547,602)	(370,190,409)	(98,528,051)	(394,112,204)
Employee benefits payable	72,583,735	290,334,941	69,932,308	279,729,233
Bonds interest expense	46,182,204	184,728,815	50,585,994	202,343,974
Future deductible losses	11,354,554	90,836,433	582,817	4,662,534
Fair value adjustments	(64,667)	(258,668)	431,114	1,724,457
Others	12,052,907	48,211,632	11,900,465	47,601,860
Total	2,600,121,817	10,432,833,586	1,780,650,510	7,124,933,306

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15. Deferred tax assets and liabilities (continued)

<u>Deferred tax liabilities</u>	<u>31 December 2023</u>		<u>31 December 2022</u>	
	Deferred tax liabilities/(assets)	(Taxable)/deductible temporary differences	Deferred tax liabilities/(assets)	(Taxable)/deductible temporary differences
Depreciation expenses for operating leased assets	17,844,417	142,755,339	-	-
Future deductible losses	(9,727,068)	(77,816,549)	-	-
Total	8,117,349	64,938,790	-	-

Changes in deferred tax assets and liabilities all recognized in profit or loss.

16. Debt instruments at amortised cost

	<u>31 December 2023</u>	<u>31 December 2022</u>
Policy bank	455,893,487	457,344,062
Accrued interest	4,893,616	4,893,616
Gross balances	460,787,103	462,237,678
Less: Allowances for impairment losses	(509,565)	(275,251)
Total	460,277,538	461,962,427

At 31 December 2023 and 31 December 2022, all of the Group's debt investments were classified into phase 1 and an impairment provision was made based on expected credit losses over the next 12 months.

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17. Right-of-use assets

2023	Buildings
Cost	
1 January 2023	152,701,138
Addition	7,711,122
Effect of exchange rate change	<u>(92,288)</u>
31 December 2023	<u>160,319,972</u>
Accumulated depreciation	
1 January 2023	(104,253,480)
Addition	(31,728,986)
Effect of exchange rate change	<u>4,875</u>
31 December 2023	<u>(135,977,591)</u>
Net book value	
1 January 2023	<u>48,447,658</u>
31 December 2023	<u>24,342,381</u>

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Right-of-use assets (continued)

2022	Buildings
Cost	
1 January 2022	156,193,344
Addition	4,658,549
Deduction	<u>(8,150,755)</u>
31 December 2022	<u>152,701,138</u>
Accumulated depreciation	
1 January 2022	(82,054,859)
Addition	(30,349,376)
Deduction	<u>8,150,755</u>
31 December 2022	<u>(104,253,480)</u>
Net book value	
1 January 2022	<u>74,138,485</u>
31 December 2022	<u>48,447,658</u>

The lease term of right-of use assets for the Group is from 2 to 6 years.

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18. Other assets

	31 December 2023	31 December 2022
Input VAT to be deducted	963,988,287	372,181,221
Receivables from CCBLI	630,403,720	24,854,283
Input VAT invoice to be collected	392,813,519	420,159,808
Operating lease receivables	324,472,380	235,697,941
Deferred agency service fees	135,257,438	146,239,776
Deposit receivables	107,000,000	107,000,000
Income tax prepaid	37,169,280	11,614,187
Deferred financing fees	22,558,336	20,128,607
Others	109,580,973	92,086,091
Less: Allowances for impairment losses	<u>(159,449,976)</u>	<u>(74,600,666)</u>
Total	<u>2,563,793,957</u>	<u>1,355,361,248</u>

19. Movements of allowances for impairment losses

	1 January 2023	Charge/ (reversal) for the year	Transfer out	Recovery of written-off	Exchange rate changes	31 December 2023
Cash and deposits with banks	17,218,030	15,750,587	-	-	322,785	33,291,402
Finance lease receivables	6,620,346,254	770,164,115	-	418,617,403	4,798,354	7,813,926,126
Lease prepayments	230,644,644	85,068,934	-	-	699,963	316,413,541
Fixed assets	185,291,876	85,914,451	(5,381,527)	-	1,909,549	267,734,349
Debt instruments at amortised cost	275,251	234,314	-	-	-	509,565
Other assets	74,600,666	82,521,418	-	-	2,327,892	159,449,976
Off-balance sheet business	71,578,120	(47,356,000)	-	-	81,660	24,303,780
Total	<u>7,199,954,841</u>	<u>992,297,819</u>	<u>(5,381,527)</u>	<u>418,617,403</u>	<u>10,140,203</u>	<u>8,615,628,739</u>

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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Movements of allowances for impairment losses (continued)

	1 January 2022	Charge/(reversal) for the year	Transfer out	Exchange rate changes	31 December 2022
Cash and deposits with banks	10,183,690	6,572,570	-	461,770	17,218,030
Finance lease receivables	6,660,635,320	2,571,479,798	(2,620,165,373)	8,396,509	6,620,346,254
Lease prepayments	203,099,278	27,113,753	-	431,613	230,644,644
Fixed assets	125,632,893	53,832,343	-	5,826,640	185,291,876
Debt instruments at amortised cost	76,926	198,325	-	-	275,251
Other assets	44,922,500	26,166,482	(1,714,323)	5,226,007	74,600,666
Off-balance sheet business	107,594,306	(36,438,665)	-	422,479	71,578,120
Total	7,152,144,913	2,648,924,606	(2,621,879,696)	20,765,018	7,199,954,841

20. Loans and borrowings

	31 December 2023	31 December 2022
Short-term	71,261,193,312	74,316,396,093
Long-term	28,194,663,998	18,214,989,444
Subtotal	99,455,857,310	92,531,385,537
Accrued interest	1,217,092,550	455,795,497
Total	100,672,949,860	92,987,181,034

21. Accounts payable

	31 December 2023	31 December 2022
Bank acceptance bill	816,467,030	2,757,214,393
Bank letter of credit	600,000,000	-
Minimum lease payments	87,163,961	175,087,010
Less: Unrecognised finance charges	(3,187,335)	(10,808,656)
Total	1,500,443,656	2,921,492,747

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21. Accounts payable (continued)

The minimum lease payments after balance sheet date of the Group are:

	31 December 2023	31 December 2022
Within 1 year (inclusive)	87,163,961	90,044,978
1 to 3 years (inclusive)	<u>-</u>	<u>85,042,032</u>
Total	<u>87,163,961</u>	<u>175,087,010</u>

22. Employee benefits payable

	1 January 2023	Increased	Decreased	31 December 2023
Salaries, bonuses, allowances and subsidies	279,729,233	183,874,563	(173,268,855)	290,334,941
Social insurance expenses:				
Medical insurance expenses	704,893	8,971,198	(8,894,886)	781,205
Work injury Insurance expenses	11,938	150,286	(148,994)	13,230
Housing funds	-	9,021,259	(9,013,125)	8,134
Union running costs and employee education costs	33,636,639	8,274,355	(4,406,508)	37,504,486
Other short-term benefits	-	5,865,756	(5,865,756)	-
Defined contribution plans:				
Defined pension benefits	1,432,418	12,022,871	(11,867,746)	1,587,543
Unemployment insurance expenses	59,684	375,720	(369,256)	66,148
Annuity schemes expenses	<u>1,340,178</u>	<u>13,332,880</u>	<u>(14,651,792)</u>	<u>21,266</u>
Total	<u>316,914,983</u>	<u>241,888,888</u>	<u>(228,486,918)</u>	<u>330,316,953</u>

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22. Employee benefits payable (continued)

	1 January 2022	Increased	Decreased	31 December 2022
Salaries, bonuses, allowances and subsidies	273,072,718	178,070,624	(171,414,109)	279,729,233
Social insurance expenses:				
Medical insurance expenses	9,225,865	7,489,040	(16,010,012)	704,893
Work injury Insurance expenses	10,489	134,463	(133,014)	11,938
Housing funds	-	8,067,150	(8,067,150)	-
Union running costs and employee education costs	29,244,336	8,013,166	(3,620,863)	33,636,639
Other short-term benefits	-	5,245,774	(5,245,774)	-
Defined contribution plans:				
Defined pension benefits	1,258,660	10,755,644	(10,581,886)	1,432,418
Unemployment insurance expenses	52,445	336,121	(328,882)	59,684
Annuity schemes expenses	6,428,809	14,041,375	(19,130,006)	1,340,178
Total	319,293,322	232,153,357	(234,531,696)	316,914,983

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23. Bonds payable

	31 December 2023	31 December 2022
Bonds issued	6,997,354,094	9,987,679,565
Accrued interest	<u>184,728,815</u>	<u>202,343,974</u>
Total	<u>7,182,082,909</u>	<u>10,190,023,539</u>

Details of bonds issued:

Issuance date	Maturity date	Coupon rate	31 December 2023	31 December 2022
3 November 2020	5 November 2023	3.70%	-	3,000,000,000
2 February 2021	4 February 2024	3.65%	2,500,000,000	2,500,000,000
7 April 2021	12 April 2024	3.55%	2,500,000,000	2,500,000,000
27 May 2021	1 June 2024	3.33%	<u>2,000,000,000</u>	<u>2,000,000,000</u>
Total par value			7,000,000,000	10,000,000,000
Less: unamortised issuance cost			<u>(2,645,906)</u>	<u>(12,320,435)</u>
Balance at the end of the year			<u>6,997,354,094</u>	<u>9,987,679,565</u>

Upon approval from the Reply of China Banking and Insurance Regulatory Commission (CBIRC) Beijing Bureau on the Issue of Financial Bonds by CCB Financial Leasing Corporation Limited (Jing Yin Bao Jian Fu [2020] No. 448) issued by CBIRC Beijing Bureau and the Administrative Licensing of the People's Bank of China (PBOC) (Yin Xu Zhun Yu Zi [2020] No.110) issued by PBOC, CCB Financial Leasing Corporation Limited issued CCB Financial Leasing Corporation Limited 2020 financial bonds (series 1) in 3 November 2020, CCB Financial Leasing Corporation Limited 2021 financial bonds (series 1) in 2 February 2021, CCB Financial Leasing Corporation Limited 2021 financial bonds (series 2) in 7 April 2021, CCB Financial Leasing Corporation Limited 2021 financial bonds (series 3) in 27 May 2021.

The issuer of the above-mentioned bonds is not redeemable and the investors are not allowed to sell them back.

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24. Pledged deposits

Pledged deposits is received from the lessees contract.

25. Provisions

Provisions by the Group are accrued impairment losses of finance lease commitments.

26. Other liabilities

	31 December 2023	31 December 2022
Payments due to other agencies	7,179,428,312	147,450,169
Rent received in advance	524,590,268	369,169,172
Deferred income under operating lease	328,150,057	206,122,690
Value added tax	93,218,989	119,849,284
Lease liabilities	12,307,193	38,921,366
Stamp duty	4,109,734	6,108,643
Individual income tax	2,222,478	2,448,784
Others	27,185,404	241,910,725
Total	8,171,212,435	1,131,980,833

27. Cash and cash equivalents

	31 December 2023	31 December 2022
Cash and deposits with banks	17,889,423,150	12,025,038,261
Surplus deposit reserves	1,757,352	2,075,927
Cash and cash equivalents at the end of year	17,891,180,502	12,027,114,188

28. Paid-in capital

	31 December 2023	31 December 2022
China Construction Bank Corporation	11,000,000,000	11,000,000,000

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29. Surplus reserve

	1 January 2023	Increased	Decreased	31 December 2023
Statutory surplus reserve	<u>1,009,931,536</u>	<u>99,970,017</u>	<u>-</u>	<u>1,109,901,553</u>

	1 January 2022	Increased	Decreased	31 December 2022
Statutory surplus reserve	<u>1,000,360,504</u>	<u>9,571,032</u>	<u>-</u>	<u>1,009,931,536</u>

Pursuant to the Company Law of the People's Republic of China, the Company makes an appropriation of statutory surplus reserve at 10% of the net profit. The appropriation can cease when the accumulated amount of the surplus reserve is 50% or more of the Company's registered capital.

After appropriation of statutory surplus reserve, the Company can makes an appropriation of discretionary surplus reserve which can be used to cover the losses, expand production operations, or be converted into capital upon approval.

30. General reserve

	1 January 2023	Increased	Decreased	31 December 2023
General reserve	<u>2,014,885,801</u>	<u>-</u>	<u>-</u>	<u>2,014,885,801</u>

	1 January 2022	Increased	Decreased	31 December 2022
General reserve	<u>2,014,885,801</u>	<u>-</u>	<u>-</u>	<u>2,014,885,801</u>

31. Profit distributions

The consolidated overseas SPVs of the Group which acquisition under common control in 2023, has paid dividend of RMB 175.06 million to the original shareholder CCBLI before the acquisition date.

The shareholders approved the profit distribution for 2023 on 29 March 2024: The Company appropriated 10% of its profit after tax to the statutory surplus reserve with the carrying amount of RMB 99.97 million.

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32. Commitments

(a) Credit commitments

As at the balance sheet date, the credit commitments of the Group are as follows:

	31 December 2023	31 December 2022
Finance lease commitments	<u>5,653,423,326</u>	<u>6,242,348,569</u>

(b) Capital commitments

As at the balance sheet date, the capital commitments of the Group are as follows:

	31 December 2023	31 December 2022
Capital commitments	<u>498,068</u>	<u>1,563,526</u>

33. Contingent liabilities

As at 31 December 2023, the Group had no significant contingent liabilities.

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34. Statement of financial position of the Company

	31 December 2023	31 December 2022
Assets		
Cash and deposits with banks	4,827,122,451	6,580,720,797
Due from central bank	3,357,352	3,325,927
Financial assets at fair value through profit or loss	31,557,556	29,574,431
Finance lease receivables	69,219,166,779	84,339,071,641
Lease prepayments	6,056,628,282	2,411,889,503
Loans to subsidiaries	19,183,246,917	13,097,153,015
Debt instruments at amortised cost	460,277,538	461,962,427
Investments in subsidiaries	2,162,080,000	16,690,000
Fixed assets	2,079,420,198	1,470,584,278
Right-of-use assets	18,424,018	48,447,658
Intangible assets	65,217,015	51,262,076
Deferred tax assets	2,161,194,311	1,617,173,326
Other assets	1,720,615,824	1,216,256,222
Total assets	107,988,308,241	111,344,111,301
Liabilities		
Loans and borrowings	73,656,069,817	72,571,927,510
Accounts payable	1,416,467,030	2,757,214,393
Employee benefits payable	329,982,370	316,624,071
Income tax payable	78,168,063	29,056,385
Commission fee payable	98,915,951	111,626,608
Bonds payable	7,182,082,909	10,190,023,539
Guaranteed deposits	32,000,000	25,000,000
Pledged deposits	2,934,155,516	3,987,316,918
Provisions	45,444,705	80,017,812
Other liabilities	253,472,313	313,454,669
Total liabilities	86,026,758,674	90,382,261,905

CCB Financial Leasing Corporation Limited
Notes to the consolidated financial statements
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VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Statement of financial position of the Company (continued)

	31 December 2023	31 December 2022
Equity		
Paid-in capital	11,000,000,000	11,000,000,000
Surplus reserve	1,109,901,553	1,009,931,536
General reserve	2,014,885,801	2,014,885,801
Retained earnings	7,836,762,213	6,937,032,059
Total equity	<u>21,961,549,567</u>	<u>20,961,849,396</u>
Total liabilities and equity	<u>107,988,308,241</u>	<u>111,344,111,301</u>

Approved and authorized for issue by the board of directors on 29 March 2024.

杨险峰

Authorised
Representative

李仰

Supervisor of
Finance Department

史淑娟

Director of Finance
Department



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VIII MATERIAL RELATED PARTY TRANSACTIONS

1. The Company's immediate holding company and subsidiaries

Name	Country of incorporation	Business nature	Shareholding percentage	Proportion of voting rights	Registered capital (RMB)
CCB	Beijing, PRC	Commercial bank	100%	100%	250.01 billions

The Subsidiaries of the Company please see in Note VI.

2. Other related party

	Relationship
China Construction Bank (Asia) Corporation Limited	Controlled by immediate holding company
CCB Life Insurance Company Limited	Controlled by immediate holding company
CCB Finance Technology Co., Ltd.	Controlled by immediate holding company
Sino-German Bausparkasse Co., Ltd.	Controlled by immediate holding company
CCB Leasing (International) Corporation Designated Activity Company and SPVs	Controlled by immediate holding company
Huainan Mining (Group) Co., Ltd	Significantly affected by immediate holding company
Lionbridge Financing Leasing(China)Co.,Ltd.	Significantly affected by immediate holding company

3. Significant transactions between the Group and related parties

Information relating to income and expenses from related party transactions during the year and balances outstanding as at the balance sheet date are set out below.

(a) CCB

The profit or loss impacts of the material transactions with CCB during the year are as followings:

	2023	2022
Interest income	149,292,734	94,829,588
Interest expense	284,666,687	378,036,827
Fee and commission income	-	6,816,313
Fee and commission expense	101,420,007	97,325,789

CCB Financial Leasing Corporation Limited
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VIII MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

3. Significant transactions between the Group and related parties (continued)

(a) CCB (continued)

The corresponding material balances outstanding at the balance sheet date with CCB are as followings:

	31 December 2023	31 December 2022
Cash and deposits with banks	6,195,824,289	6,022,129,333
Other assets	135,283,671	146,688,699
Loans and borrowings	10,474,831,506	10,894,129,017
Commission payable	94,780,322	111,019,923
Bonds payable	627,261,492	1,029,496,151
Other liabilities	-	23,456

(b) Other related parties

The profit or loss impacts of the material transactions with other related parties during the year are as followings:

	2023	2022
Interest income	11,513,586	3,794,052
Interest expense	284,038,130	167,997,994
Fee and commission income	5,771,285	4,103,621
Fee and commission expense	2,457,564	2,401,065
Operating expenses	9,470,033	905,707

The corresponding material balances outstanding at the balance sheet date with other related parties are as followings:

	31 December 2023	31 December 2022
Cash and deposits with banks	274,525,419	2,555,735
Other assets	650,685,738	83,661,037
Loans and borrowings	5,515,437,031	6,220,521,861
Commission fee payable	-	51,129
Pledged deposits	10,000,000	1,000,000
Other liabilities	7,162,524,216	184,810,871

On 16 May 2019, 11 September 2019, 21 July 2020, 28 September 2020, 22 July 2021, 15 September 2021, CCBL (Cayman) 1 Corporation Limited, a wholly-owned subsidiary of CCBLI, issued senior unsecured bonds valued at USD 700 million, USD 300 million, USD 500 million, USD 300 million, USD 600 million, USD 400 million respectively, which were listed at Hong Kong Stock Exchange. The Company was a keepwell provider. As at 31 December 2023, balance of par value of bonds unmatured was USD 2.8 billion.

The Group entered into transactions with the related parties in the ordinary course of business under normal commercial terms and at market rates.

IX RISK MANAGEMENT

The Group has exposure to the following risks:

- credit risk
- market risk
- liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

Risk management framework

The Board of Directors carry out their responsibilities according to Articles of Association and other related regulatory requirements. The Board of Directors of the Company has established the Risk Management Committee, responsible for making risk management strategies and policies, monitoring the implementation, and evaluating the overall risk profile on a regular basis.

The Board of Supervisors has oversight of the establishment of the overall risk management system and how well the Board of Directors and senior management carry out risk management responsibilities.

Senior management is responsible for carrying out the risk strategy established by the Board of Directors and the implementation of the overall risk management of the Group. Senior management appoints Chief Risk Officer who assisted the president with the corresponding risk management work.

To identify, evaluate, monitor and manage risk, the Group has designed a comprehensive governance framework, internal control policies and procedures. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training system, standardised management and process management, aims at developing a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Group Audit Committee is responsible for monitoring and evaluating internal controls, and monitoring the compliance of core business sectors and their management procedures. Internal Control and Compliance Department assists the Audit Committee to execute the above mentioned responsibilities and reports to the Audit Committee.

1. Credit risk

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

Credit risk is one of the most significant risks for the Group's business, which arise principally in finance lease receivables.

CCB Financial Leasing Corporation Limited
Notes to the consolidated financial statements
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IX RISK MANAGEMENT (CONTINUED)

1. Credit risk (continued)

The principal features of the Group's credit risk management function include:

- centralized leasing business management procedures;
- risk management rules and procedures that focus on risk control throughout the entire leasing business process, including customer investigation and credit rating, granting of credit limits, lease evaluation, lease review and approval, disbursement and post-disbursement lease monitoring.

The management conducted an objective impairment evidence test on all financial lease receivables and classified them according to the five-level classification system. The management measure financial lease receivables through expected credit risk loss model according to NO.22-Recognition and measurement of financial instruments (finance and account NO.7, 2017).

The management calculates the loss given default rate of all the non-performing financial leasing assets one by one: the loss given default rate of the non-performing financial leasing assets is the difference between the risk exposure of all the financial leasing assets of the lessee and the estimated recoverable amount, in which the estimated recoverable amount is the present value of the expected future cash flow.

Expected future recoverable amount = the net realizable value of the disposal of the leased property add the cash expected to be obtained from the lessee or the guarantor + the net realizable value of the seized inventory and assets.

The estimated loss and provision of the secondary financial leasing assets shall not be less than 25% of the risk exposure; the estimated loss of doubtful financial leasing assets shall not be less than 50% of the risk exposure; the estimated loss provision of loss-type financial leasing assets shall not be less than 90% of the risk exposure.

The maximum exposure to credit risk at the balance sheet date without taking into consideration of any collateral held or other credit enhancement.

The maximum exposure to credit risk of assets on balance is the carrying amount of each type of financial assets in the statement of financial position after deducting any impairment allowance is as follows:

	31 December 2023	31 December 2022
Cash and deposits with banks	17,976,508,101	12,034,428,350
Due from central bank	3,357,352	3,325,927
Finance lease receivables	85,308,511,138	100,379,138,262
Lease prepayments	12,164,510,885	3,385,573,259
Debt instruments at amortised cost	460,277,538	461,962,427
Other assets	996,810,224	374,283,542
Total	116,909,975,238	116,638,711,767
Finance lease commitments	5,653,423,326	6,242,348,569

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IX RISK MANAGEMENT (CONTINUED)

1. Credit risk (continued)

Concentrations of credit risk

Credit risk is often greater when counterparties are concentrated in one single industry or geographical location or have comparable economic characteristics. The Group's credit risk is diversified by investing in different industry sectors and geographical locations.

Finance lease receivables analyzed by industry:

	31 December 2023	31 December 2022
Transportation, storage and postal services	51,343,132,854	59,648,510,154
Production and supply of electric power, heat, gas and water	13,991,018,262	12,347,209,714
Manufacturing	13,147,870,552	14,973,014,099
Water, environment and public utility management	3,862,906,714	5,653,280,035
Leasing and commercial services	3,541,042,906	5,717,418,844
Mining industry	2,782,373,309	4,721,437,839
Financing industry	1,632,559,975	702,761,627
Construction	971,101,631	1,552,313,767
Scientific research and technology service	706,121,398	543,124,461
Information transmission, computer service and software industry	257,750,634	484,198,426
Culture, sports and entertainment	74,680,803	124,106,358
Education	32,970,776	87,775,357
Sanitation and social work	3,523,023	396,795,982
Others	775,384,427	47,537,853
Total	93,122,437,264	106,999,484,516

2. Market risk

Market risk is the risk of loss, arising from adverse movements in market rates including interest rates and foreign exchange rates.

The Risk Management Department is responsible for formulating a standardized market risk management policies and rules.

The Group is exposed to primarily structural interest rate risk arising from financial leasing business and position risk arising from treasury transactions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of assets and liabilities.

CCB Financial Leasing Corporation Limited
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IX RISK MANAGEMENT (CONTINUED)

2. Market risk (continued)

(a) Net interest income sensitivity analysis

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Group regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position). The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's interest income.

	2023	2022
+100 basis points	258,225,294	307,071,199
-100 basis points	<u>(258,225,294)</u>	<u>(307,071,199)</u>

The above interest rate sensitivity is for illustration purposes only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and subject to the Group's current interest rate exposures. These estimated figures have also assumed that the interest rates on various maturities will move within similar ranges, and therefore do not have any potential effect on net interest income in the event that some interest rates may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions.

(b) Currency risk

The Group operates its main business in China in RMB. But there are still foreign exchange risks for the assets and liabilities denominated in dollars confirmed by the Group and the future transactions in dollars.

Assuming that the risk variables other than the exchange rate do not vary, the changes in the exchange rate of RMB against US dollar on 31 December 2023 resulted in a 1% appreciation of RMB, thus affecting profit before tax decreasing of RMB 56.32 million (2022: increasing of RMB 58.61 million) and other comprehensive income decreasing of RMB 48.51 million (2022: decreasing of RMB 21.64 million) of the Group.

Assuming that the risk variables other than the exchange rate do not vary, the changes in the exchange rate of RMB against EUR dollar on 31 December 2023 resulted in a 1% appreciation of RMB, thus affecting profit before tax decreasing of RMB 260 thousand (2022: increasing of RMB 170 thousand) and other comprehensive income increasing of RMB 300 thousand (2022: decreasing of RMB 110 thousand) of the Group.

Assuming that the risk variables other than the exchange rate do not vary, the changes in the exchange rate of RMB against HK dollar on 31 December 2023 resulted in a 1% appreciation of RMB, thus affecting profit before tax increasing of RMB 30 thousand (2022: none business in HKD) of the Group.

IX RISK MANAGEMENT (CONTINUED)

3. Liquidity risk

Liquidity risk arises when there is no sufficient fund timely to meet the requirements of funds. It is mainly caused by mismatches of proceeds of funds and capital expenditure in terms of their amounts and maturity dates. In accordance with liquidity policies, the Group monitors the future cash flows to ensure that an appropriate level of highly liquid assets is maintained.

The Group's liquidity is managed and coordinated through the Risk Management Department and the Financial Market Department. The Risk Management Department is responsible for formulation of liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Adopting a prudent strategy and ensuring sufficient funds are available at any moment to satisfy any payment request;
- Optimising the Group's asset and liability structure, diversifying and stabilizing the source of funds, and reserving an appropriate proportion of highly credit-rated and liquid asset portfolio; and
- Managing and utilizing centrally the Group's liquid funds.

A substantial portion of the Group's fund resource is funded by its share capital, finance lease receipts. The borrowings and placements from banks are the supplementary funds to optimise the liquidity. The Group's expenditure mainly represent purchases of lease asset, payment of operating expenses, and the repayment of borrowings or placements from banks and finance expenses, if any.

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IX RISK MANAGEMENT (CONTINUED)

3. Liquidity risk (continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the financial liabilities at the balance sheet date:

As at 31 December 2023

	On demand	Within 3 months	Between 3 months to 1 year	Between 1 year to 5 years	More than 5 years	Total
Loans and borrowings						
Accounts payable	5,220,558,105	29,398,426,443	49,115,216,674	18,031,812,918	942,513,564	102,708,527,704
Bonds payable	-	22,398,919	1,481,232,072	-	-	1,503,630,991
Pledged deposits	11,777,113	2,591,250,000	4,655,350,000	-	-	7,246,600,000
Other liabilities	115,901,990	126,195,298	623,487,566	2,069,249,397	179,871,024	3,010,580,398
		18,834,624	7,179,980,628	35,604,537	-	7,350,321,779
Total	5,348,237,208	32,157,105,284	63,055,266,940	20,136,666,852	1,122,384,588	121,819,660,872
Finance lease commitments	-	2,050,969,836	2,318,143,464	1,284,319,026	-	5,653,432,326

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Notes to the consolidated financial statements
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IX RISK MANAGEMENT (CONTINUED)

3. Liquidity risk (continued)

As at 31 December 2022

	On demand	Within 3 months	Between 3 months to 1 year	Between 1 year to 5 years	More than 5 years	Total
Loans and borrowings	6,054,097,436	28,953,059,864	52,023,045,005	7,110,912,455	275,962,542	94,417,077,302
Accounts payable	-	22,989,437	2,824,269,934	85,042,032	-	2,932,301,403
Bonds payable	-	-	3,357,600,000	7,246,600,000	-	10,604,200,000
Pledged deposits	24,506,421	220,129,132	966,935,371	2,531,015,254	299,657,471	4,042,243,649
Other liabilities	137,645,909	8,723,424	381,592,641	39,994,809	-	567,956,783
Total	6,216,249,766	29,204,901,857	59,553,442,951	17,013,564,550	575,620,013	112,563,779,137
Finance lease commitments	-	1,412,132,513	2,549,161,370	2,281,054,686	-	6,242,348,569

CCB Financial Leasing Corporation Limited
Notes to the consolidated financial statements
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IX RISK MANAGEMENT (CONTINUED)

4. Fair value

Management has assessed cash and deposits with banks, due from central bank, finance lease prepayments, accounts payable and current portion of other financial assets and liabilities. Given the short term maturities, the fair values approximate to the carrying values.

Substantially all of the finance lease receivables and loans and borrowings, are on floating rate terms and bear interest at prevailing market interest rates and their carrying values are approximate to their fair values.

The carrying value and fair value of debt instruments on 31 December 2023 are RMB 460,277,538 and RMB 462,397,800.

The fair values of the financial assets such as bonds payable, pledged deposit and financial liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the Group to make estimates about the expected future cash flows including expected future dividends and proceeds on subsequent disposal of the shares. The Group believes that the estimated fair values resulting from the valuation technique and the related changes in fair values are reasonable, and that they were the most appropriate values at the balance sheet date.

Assets and liabilities measured at fair value are classified into the following three levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities, including equity securities listed on exchanges or debt instruments issued by certain governments and certain exchange-traded derivative contracts.
- Level 2: Valuation technique using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This level includes the majority of the over-the-counter ("OTC") derivative contracts, debt securities for which quotations are available from pricing service providers, discounted bills, etc.
- Level 3: Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The financial assets and liabilities measured at fair value of the group are mainly trading financial assets, belonging to the first level.

CCB Financial Leasing Corporation Limited
Notes to the consolidated financial statements
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IX RISK MANAGEMENT (CONTINUED)

5. Capital management

The capital management of the Group focuses on capital adequacy ratio and return on capital so as to enable the Group to meet the requirements for regulatory compliance, credit rating, risk compensation and shareholder's expected return. It also facilitates the Group's risk management, ensures the orderly and robust expansion of the asset base and enhances its operational structure and business model.

The Group calculates and discloses its capital adequacy ratio in accordance with the "Administrative Measures for Financial Leasing Companies", with reference to the "Measures for Capital Management of Commercial Banks (trial)", in line with other related rules and regulations regarding the calculation and disclosure of capital adequacy ratios issued by CBRC, and considering the characteristic of leasing industry. The Group communicated those industry specific treatments with regulators. The scope for calculating capital adequacy ratio of the Group includes the company and all the subsidiaries. Risk-weighted assets include credit risk-weighted assets, market risk-weighted assets and operational risk-weighted assets.

The Group's consolidated regulatory capital positions calculated as at 31 December 2023 in accordance with the guidance issued by the CBRC as at the end of the reporting period are as follows:

(RMB in million)	31 December 2023	31 December 2022
Common Equity Tier 1 capital	24,616	23,283
Deductions for Common Equity Tier 1 capital	-	(51)
Common Equity Tier 1 capital after deduction	24,616	23,232
Tier 1 capital after deduction	24,616	23,232
Tier 2 capital	1,726	1,544
Total capital after deduction	26,342	24,776
Risk-weighted assets	152,167	134,281
Common Equity Tier 1 ratio	16.18%	17.30%
Tier 1 ratio	16.18%	17.30%
Total capital ratio	17.31%	18.45%

X EVENTS AFTER THE REPORTING PERIOD

The Group has evaluated subsequent events through 29 March 2024, the date at which these financial statements were available to be issued. There were no subsequent events that required adjustment to or disclosure in the financial statements.

CCB Financial Leasing Corporation Limited
Notes to the consolidated financial statements
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XI APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised by the Board of Directors on 29 March 2024.

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED

31 December 2024

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED

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CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2024.

Corporate information

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED (“the Company”) is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 20th Floor, China Construction Bank Tower, 3 Connaught Road Central, Hong Kong.

The immediate parent of the Company is CCB Financial Leasing Corporation Limited (“CCBFL”), which is incorporated in China. The ultimate controlling party of the Company is China Investment Corporation, which is incorporated in China.

Principal activities

The principal activities of the Company and its subsidiaries (“the Group”) comprise purchase, lease and sale of aircrafts and vessels.

Recommended dividend

The directors of the Company do not recommend the payment of any dividend in respect of the year.

Shares issued

Details of movements in the Company’s share capital during the year, together with the reasons therefor, are set out in note 27 to the financial statements.

Directors

The directors of the Company during the year were:

Mr. YANG XIANFENG

Mr. WANG TAO

Mr. ZHANG YICHUAN

There being no provision in the Company’s articles of association in connection with the retirement of directors, all existing directors continue in office for the following year.

Directors’ interests

At no time during the year was the Company, or any of its holding company or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED

REPORT OF THE DIRECTORS (continued)

Directors' interests in transactions, arrangements or contracts

No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company or any of the Company's holding companies, subsidiaries or fellow subsidiaries was a party during the year.

Events after the reporting period

Details of the Group's significant events after the reporting period are set out in note 33 to the financial statements.

Auditors

A resolution for the appointment of Ernst & Young as auditors of the Company has been approved by the directors.

ON BEHALF OF THE DIRECTORS



WANG TAO



ZHANG YICHUAN

12 May 2025



Ernst & Young
27/F, One Taikoo Place
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Independent auditor's report

To the Shareholders of CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 6 to 51, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



Independent auditor's report (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



Independent auditor's report (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


Ernst & Young
Certified Public Accountants

Hong Kong

12 May 2025

CCB Shipping and Aviation Leasing Corporation Limited
Consolidated statement of profit or loss and other comprehensive income
Year ended 31 December 2024
(Expressed in USD, unless otherwise stated)

	Notes	2024	2023 (Restated)
Interest income	7	168,533,793	166,436,124
Interest expense	8	<u>(253,705,922)</u>	<u>(173,422,311)</u>
Net interest income		<u>(85,172,129)</u>	<u>(6,986,187)</u>
Operating lease income	9	455,366,455	301,768,853
Operating lease expense	10	<u>(238,817,837)</u>	<u>(169,568,942)</u>
Net operating lease income		<u>216,548,618</u>	<u>132,199,911</u>
Other income	11	51,701,415	18,705,337
Investment income		4,432,837	6,767,083
Net gains arising from financial assets		<u>-</u>	<u>739,395</u>
Operating income		<u>187,510,741</u>	<u>151,425,539</u>
Operating expenses	13	<u>(24,298,919)</u>	<u>(9,553,818)</u>
Operating profit before impairment		<u>163,211,822</u>	<u>141,871,721</u>
Credit impairment (losses) / reversals	14	(15,723,744)	25,292,138
Other assets impairment losses	15	<u>(23,240,212)</u>	<u>(19,282,516)</u>
Profit before income tax		<u>124,247,866</u>	<u>147,881,343</u>
Income tax expense	16	<u>(16,411,135)</u>	<u>(36,418,375)</u>
Net profit		<u>107,836,731</u>	<u>111,462,968</u>
Attributable to:			
Owners of the parent		107,836,731	111,462,968
Other comprehensive income			
Exchange differences on translation of foreign operations		<u>10,615,806</u>	<u>325,385</u>
Total comprehensive income for the year		<u>118,452,537</u>	<u>111,788,353</u>
Total comprehensive income, attributable to:			
Equity holders of the parent		<u>118,452,537</u>	<u>111,788,353</u>

The accompanying notes form an integral part of these financial statements.

CCB Shipping and Aviation Leasing Corporation Limited
Consolidated statement of financial position
31 December 2024
(Expressed in USD, unless otherwise stated)

	Notes	31 December 2024	31 December 2023 (Restated)
Assets			
Cash and cash equivalents	17	442,643,352	494,621,143
Finance lease receivables	18	2,314,549,242	2,120,977,683
Financial assets at fair value through profit or loss		-	54,729,977
Property, plant and equipment	19	4,869,922,673	3,119,144,599
Lease prepayments	20	504,994,834	448,731,666
Deferred tax assets	21	7,788,576	3,533,344
Right-of-use assets		5,589,648	1,067,172
Other assets	22	62,856,631	403,833,771
Total assets		8,208,344,956	6,646,639,355
Liabilities			
Loans and borrowings	23	4,782,656,333	2,681,590,455
Bonds issued	24	2,009,507,652	2,811,004,549
Other payables	25	620,430,567	425,985,038
Deferred tax liabilities	21	66,025,213	50,019,532
Income tax payable		7,499,792	13,515,694
Lease liabilities		5,570,493	1,022,927
Provisions	26	2,161,836	14,112,406
Total liabilities		7,493,851,886	5,997,250,601
Equity			
Paid-in capital	27	300,000,000	300,000,000
Capital reserve		66,052	66,052
Other comprehensive income		10,846,732	230,926
Retained earnings		403,580,286	349,091,776
Total equity		714,493,070	649,388,754
Total equity and liabilities		8,208,344,956	6,646,639,355
			
Director		Director	

The accompanying notes form an integral part of these financial statements.

CCB Shipping and Aviation Leasing Corporation Limited
Consolidated statement of changes in equity
Year ended 31 December 2024
(Expressed in USD, unless otherwise stated)

For the year ended 31 December 2024					
	Paid-in Capital	Capital Reserve	Other comprehensive income	Retained earnings	Total equity
As at 31 December 2023 (restated)	300,000,000	66,052	230,926	349,091,776	649,388,754
As at 1 January 2024	300,000,000	66,052	230,926	349,091,776	649,388,754
Total comprehensive income	-	-	10,615,806	107,836,731	118,452,537
Among which: business combination under common control	-	-	-	160,698,985	160,698,985
Dividends paid by subsidiaries to former shareholders	-	-	-	(53,348,221)	(53,348,221)
As at 31 December 2024	300,000,000	66,052	10,846,732	403,580,286	714,493,070

The accompanying notes form an integral part of these financial statements.

CCB Shipping and Aviation Leasing Corporation Limited
Consolidated statement of changes in equity
Year ended 31 December 2024
(Expressed in USD, unless otherwise stated)

For the year ended 31 December 2023 (restated)

	Paid-in Capital	Capital reserve	Other comprehensive income	Retained earnings	Total equity
As at 31 December 2022	-	-	-	-	-
Business combination under common control	-	66,052	(94,459)	237,628,808	237,600,401
As at 1 January 2023	-	66,052	(94,459)	237,628,808	237,600,401
Issue of shares	300,000,000	-	-	-	300,000,000
Total comprehensive income	-	-	325,385	111,462,968	111,788,353
Among which: business combination under common control	-	-	-	98,987,963	98,987,963
As at 31 December 2023	300,000,000	66,052	230,926	349,091,776	649,388,754

The accompanying notes form an integral part of these financial statements.

CCB Shipping and Aviation Leasing Corporation Limited
Consolidated statement of cash flows
Year ended 31 December 2024
(Expressed in USD, unless otherwise stated)

	2024	2023 (Restated)
Cash flows from operating activities		
Profit before income tax	124,247,866	147,881,343
Adjustments for:		
Impairment losses/(reversals)	38,963,956	(6,009,622)
Net gains on disposal of fixed assets	(41,660,647)	(16,471,104)
Depreciation and amortization	256,457,277	175,917,424
Interest expense on bonds issued	53,513,104	82,736,528
Net gains arising from financial assets at fair value through profit or loss	-	(739,395)
Net increase/(decrease) in finance lease receivables	(229,437,189)	78,549,986
Net increase in loans and borrowings	1,657,842,563	1,324,817,635
Net decrease in other operating assets	308,746,652	175,543,126
Net increase/(decrease) in other operating liabilities	(201,949,015)	126,856,509
Net cash flows from operating activities	<u>1,966,724,567</u>	<u>2,089,082,430</u>
Cash flows from investing activities		
Interest and dividends received	-	696,748
Proceeds from disposal of operating lease assets	715,633,727	25,680,000
Purchase of investment securities	-	(1,659,560)
Purchase of fixed assets	(93,988)	(17,022)
Purchase of operating lease assets	(2,374,093,163)	(1,447,965,336)
Net cash flows used in investing activities	<u>(1,658,553,424)</u>	<u>(1,423,265,170)</u>
Cash flows from financing activities		
Capital injection by shareholders	-	300,000,000
Repayment of on bonds issued	(800,000,000)	(400,000,000)
Interest paid on bonds issued	(55,010,000)	(86,870,000)
Cash payments for other financing activities	(538,187)	(384,416)
Net cash flows from financing activities	<u>(855,548,187)</u>	<u>(187,254,416)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>495,012,397</u>	<u>(136,454,499)</u>
Net increase/(decrease) in cash and cash equivalents	<u>(52,364,647)</u>	<u>342,108,345</u>
Cash and cash equivalents at the beginning of the year	<u>495,248,345</u>	<u>153,140,000</u>
Cash and cash equivalents at the end of the year	<u><u>442,883,698</u></u>	<u><u>495,248,345</u></u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>442,883,698</u>	<u>495,248,345</u>

The accompanying notes form an integral part of these financial statements.

CCB Shipping and Aviation Leasing Corporation Limited
Statement of profit or loss and other comprehensive income
Year ended 31 December 2024
(Expressed in USD, unless otherwise stated)

	2024	2023
Interest income	77,848,740	9,371,853
Interest expense	<u>(67,955,178)</u>	<u>(1,432,927)</u>
Net interest income	<u>9,893,562</u>	<u>7,938,926</u>
Operating income	<u>9,893,562</u>	<u>7,938,926</u>
Operating expenses	<u>(961,893)</u>	<u>(389,172)</u>
Operating profit before impairment	<u>8,931,669</u>	<u>7,549,754</u>
Credit impairment losses	<u>(454,878)</u>	<u>(836,263)</u>
Profit before income tax	<u>8,476,791</u>	<u>6,713,491</u>
Income tax expense	<u>(1,113,195)</u>	<u>(955,413)</u>
Net profit	<u>7,363,596</u>	<u>5,758,078</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u><u>7,363,596</u></u>	<u><u>5,758,078</u></u>

The accompanying notes form an integral part of these financial statements.

CCB Shipping and Aviation Leasing Corporation Limited
Statement of financial position
Year ended 31 December 2024
(Expressed in USD, unless otherwise stated)

	31 December 2024	31 December 2023
Assets		
Cash and cash equivalents	246,290,919	86,483,235
Property, plant and equipment	23,843	19,386
Loans to subsidiaries	2,117,833,209	152,562,427
Investments in subsidiaries	442,051,751	16,981,136
Deferred tax assets	213,038	137,983
Right-of-use assets	511,308	835,608
Other assets	33,614,355	490,152,569
Total assets	<u>2,840,538,423</u>	<u>747,172,344</u>
Liabilities		
Loans and borrowings	2,084,424,969	409,718,435
Other payables	15,446,104	29,801,449
Income tax payable	2,281,646	1,093,397
Lease liabilities	493,442	800,985
Total liabilities	<u>2,102,646,161</u>	<u>441,414,266</u>
Equity		
Paid-in capital	300,000,000	300,000,000
Capital reserve	424,770,588	-
Retained earnings	13,121,674	5,758,078
Total equity	<u>737,892,262</u>	<u>305,758,078</u>
Total equity and liabilities	<u>2,840,538,423</u>	<u>747,172,344</u>



Director



Director

The accompanying notes form an integral part of these financial statements.

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED
Notes to consolidated financial statements
31 December 2024
(Expressed in USD, unless otherwise stated)

1 Corporate information

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED ("the Company") is a company incorporated in Hong Kong and has its registered office and principal place of business at 20th Floor, China Construction Bank Tower, 3 Connaught Road Central, Hong Kong.

The principal activities of the Company and its subsidiaries ("the Group") comprise purchase, lease and sale of aircrafts and vessels.

The immediate parent of the Company is CCB Financial Leasing Corporation Limited ("CCBFL"), which is incorporated in China. CCBFL is the subsidiary of China Construction Bank Corporation ("CCB"), which is incorporated in China. The ultimate controlling party of the Company is China Investment Corporation ("CIC"), which is incorporated in China.

Business combinations under common control

As at 21 November 2024, CCB leasing (International) Corporation Designated Activity Company (hereinafter referred to as "CCBLI") was acquired by the Company from CCB International Innovation Investment Limited (hereinafter referred to as "CCB Innovation") for zero consideration ("the Acquisition"). The shareholder of CCB Innovation is CCB International (Holdings) Limited, whose ultimate controlling party is also CIC. As both parties before and after the Acquisition are controlled by CIC and the control is not temporary, so the Acquisition is a business combination involving entities under common control. 21 November 2024 is determined as the date of transfer of control.

A dividend totaling USD 53,348,221 was paid by CCBLI to its former shareholders during the year.

Information about subsidiaries

Company name	Place of incorporation	Registered Share capital	Percentage of equity	Principal activity
CCB AVIATION CAPITAL DESIGNATED ACTIVITY COMPANY	Ireland	12,000,000	100%	Investments and financing
CCB LEASING (INTERNATIONAL) CORPORATION DESIGNATED ACTIVITY COMPANY	Ireland	1	100%	Investments and financing
CCB MARINE MI CORPORATION LIMITED	Republic of the Marshall Islands	50,000	100%	Ship leasing
COMPASS SHIPPING 24 CORPORATION LIMITED	Republic of the Marshall Islands	1	100%	Ship leasing
COMPASS SHIPPING 37 CORPORATION LIMITED	Republic of the Marshall Islands	1	100%	Ship leasing
COMPASS SHIPPING 90 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 91 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 92 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED
Notes to consolidated financial statements (continued)
31 December 2024
(Expressed in USD, unless otherwise stated)

1 Corporate information (continued)

Information about subsidiaries (continued)

Company name	Place of incorporation	Registered Share capital	Percentage of equity	Principal activity
COMPASS SHIPPING 93 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 94 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 95 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 96 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 97 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 98 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 99 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 100 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 105 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 106 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 107 PRIVATE LIMITED	Singapore	50,000	100%	Ship leasing
COMPASS SHIPPING 109 PRIVATE LIMITED	Singapore	50,000	100%	Ship leasing
COMPASS SHIPPING 110 PRIVATE LIMITED	Singapore	50,000	100%	Ship leasing
COMPASS SHIPPING 111 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 112 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 113 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 114 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 115 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 116 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 117 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
STAR RISING AVIATION 101 LIMITED	Hong Kong	1	100%	Aircraft leasing
STAR RISING AVIATION 102 LIMITED	Hong Kong	1	100%	Aircraft leasing
Compass Shipping 101 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 102 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 103 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 104 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 108 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 118 Private Limited	Singapore	50,000	100%	Ship leasing

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED
Notes to consolidated financial statements (continued)
31 December 2024
(Expressed in USD, unless otherwise stated)

1 Corporate information (continued)

Information about subsidiaries (continued)

Company name	Place of incorporation	Registered Share capital	Percentage of equity	Principal activity
Compass Shipping 119 Private Limited	Singapore	50,000	100%	Ship leasing
Compass Shipping 120 Private Limited	Singapore	50,000	100%	Ship leasing
Compass Shipping 121 Private Limited	Singapore	50,000	100%	Ship leasing
Compass Shipping 122 Private Limited	Singapore	50,000	100%	Ship leasing
Compass Shipping 129 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 130 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 131 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 132 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 123 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 124 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 125 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 126 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 127 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 128 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 133 Private Limited	Singapore	50,000	100%	Ship leasing
Compass Shipping 134 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 135 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 137 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 138 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 139 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 140 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 141 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 142 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 143 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 144 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 145 Corporation Limited	Hong Kong	1	100%	Ship leasing
Compass Shipping 149 Corporation Limited	Hong Kong	1	100%	Ship leasing

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED
Notes to consolidated financial statements (continued)
31 December 2024
(Expressed in USD, unless otherwise stated)

2 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, except for certain financial instruments. These financial statements are presented in US dollars (“USD”).

3 Changes in accounting policies and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non- current</i>
	<i>(the “2020 Amendments”)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the “2022
	<i>Amendments”)</i>

Amendments to HKFRS 16 *Lease Liability in a Sale and Leaseback*

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any significant impact on the financial position or performance of the Group.

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED
Notes to consolidated financial statements (continued)
31 December 2024
(Expressed in USD, unless otherwise stated)

3 Changes in accounting policies and disclosures (continued)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and
Amendments to HKAS 1 Non-current Liabilities with Covenants

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any significant impact on the financial position or performance of the Group.

4 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not early applied any of the new and revised HKFRSs that have been issued but are not yet effective for the accounting year ended 31 December 2024 in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Annual Improvements to HKFRS Accounting Standards – Volume 11	<i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7¹</i>

¹ Effective for annual periods beginning on or after 1 January 2026
² Effective for annual/reporting periods beginning on or after 1 January 2027

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED
Notes to consolidated financial statements (continued)
31 December 2024
(Expressed in USD, unless otherwise stated)

4 Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's consolidated financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRSs. Earlier application is permitted. The Group is currently considering the application of HKFRS 19 in the Group's consolidated financial statements.

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED
Notes to consolidated financial statements (continued)
31 December 2024
(Expressed in USD, unless otherwise stated)

4 Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- *HKFRS 7 Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- *HKFRS 9 Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- *HKAS 7 Statement of Cash Flows*: The amendments replace the term “cost method” with “at cost” in paragraph 37 of HKAS 7 following the prior deletion of the definition of “cost method”. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED
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5 Material Accounting Policies

Business combinations

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

The assets and liabilities (including goodwill arising from the ultimate controlling party's acquisition of the entity being absorbed) that are obtained by the absorbing entity in a business combination involving entities under common control shall be measured on the basis of their carrying amounts in the financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to capital premium under capital reserves. If the capital premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

Goodwill is initially recognised and measured at cost, being the excess of the cost of the combination over the Group's interest in the fair value of the acquiree's net identifiable assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Where the cost of the combination is lower than the Group's interest in the fair value of the acquiree's net identifiable assets, the Group reassesses the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination. If after that reassessment, the cost of the combination is still lower than the Group's interest in the fair value of the acquiree's net identifiable assets, the Group recognises the remaining difference in profit or loss.

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5 Material Accounting Policies (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2024. A subsidiary is an entity directly controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Group using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

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5 Material Accounting Policies (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1– based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2– based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3– based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group; or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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Notes to consolidated financial statements (continued)
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5 Material Accounting Policies (continued)

Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is an indication that a non-financial asset may be impaired. If such an indication exists, the Group makes an estimate of the asset's recoverable amount. Goodwill arising from a business combination, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit). In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash generating units.

For assets excluding goodwill, an impairment loss is recognised in the statement of profit or loss and other comprehensive income whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of the impairment loss is credited to the statement of profit or loss and other comprehensive income in the year in which it arises.

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5 Material Accounting Policies (continued)

Property, plant and equipment and depreciation

Items of property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

<i>Asset type</i>	<i>Estimated useful life</i>	<i>Estimated residual value rate</i>	<i>Annual depreciation rate</i>
Computer equipment	3 - 5 years	3.00%	19.40%-32.33%
Office equipment	3 - 8 years	3.00%	12.13%-32.33%
Aircraft	20 / 25 years	5.00%	4.75% / 3.80%
Vessels	20 / 25 years	5.00%	4.75% / 3.80%

The gain or loss on disposal of items of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in the statement of profit or loss and other comprehensive income.

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED
Notes to consolidated financial statements (continued)
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5 Material Accounting Policies (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease terms.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

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Notes to consolidated financial statements (continued)
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5 Material Accounting Policies (continued)

Leases (continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss and other comprehensive income so as to provide a constant periodic rate of return over the lease terms.

Financial assets

Trade receivables that do not contain a significant financial component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financial component are measured at the transaction price determined under HKFRS 15. All the other financial assets are initially recognised at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date when the Group commits to purchase or sell the assets.

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5 Material Accounting Policies (continued)

Financial assets (continued)

(a) Classification and measurement

Debt instruments are measured at amortised cost using the effective interest rate method, subject to impairment if the assets are held for the collection of contractual cash flows where those contractual cash flows represent solely payments of principal and interest.

(b) Impairment

The Group recognises an allowance for expected credit losses (“ECLs”) for all the financial assets, finance lease receivables and lease prepayments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.

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5 Material Accounting Policies (continued)

Financial assets (continued)

(b) Impairment (continued)

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

(c) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Company has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities

Financial liabilities include loans and borrowings, bonds issued, other payables, accruals and other monetary liabilities. They are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged or cancelled, or expires.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Finance lease commitments

Finance lease commitments are commitments provided by the Group to the customers to grant finance lease under the established contract terms during certain period. The impairment allowance for finance lease commitments is measured using the expected credit losses model. The impairment allowances for finance lease commitments are presented in "Provisions".

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED
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5 Material Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the statement of profit or loss and other comprehensive income.

Deferred income tax

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and the carrying amounts of the assets and liabilities for financial reporting purposes or the carrying amounts of the assets and liabilities those are not recognized under accounting policies.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- taxable temporary difference is produced by the following transactions: initial recognition of goodwill or initial recognition produced by the following characteristics: the transaction is not the combination of enterprises, it influences neither accounting profit nor taxable income or deductible loss, and the initial recognition of assets and liabilities gives rise to equal taxable and deductible temporary differences.
- for taxable temporary difference related to investments of subsidiaries, joint ventures or associates, the temporary difference will probably not be returned in the foreseeable future but the timing of return can be controlled.

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5 Material Accounting Policies (continued)

Deferred income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates which are expected to apply to the period when the asset is realized or the liability is settled, according to tax law, which have been enacted or substantively enacted by the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when the control of goods or services is transferred to the customers, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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Notes to consolidated financial statements (continued)
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5 Material Accounting Policies (continued)

Revenue recognition (continued)

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to be that which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

The Group recognises revenue from the following major sources:

- (a) Finance lease income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease;
- (b) Operating lease income is recognised on a straight-line basis over the lease term. Contingent rent is recognised as income in the period in which it is earned;
- (c) Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Borrowing costs

Borrowing costs are expensed in the period in the year in which they are incurred, except to the extent that they are capitalised as the costs directly attributable to the financing of the construction of a qualifying asset. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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5 Material Accounting Policies (continued)

Dividends (continued)

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

6 Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Classification between finance leases and operating leases

Lessors shall classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

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6 Significant accounting judgements and estimates (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Impairment of finance lease receivables and other receivables

The impairment provisions for finance lease receivables and other receivables are based on assumptions about expected credit losses. The Company uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Company's historical experience and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss.

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses; and
- Establishing groups of similar financial assets for the purpose of measuring expected credit losses.

(b) Impairment of property, plant and equipment

Items of property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value.

(c) Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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7 Interest income

	2024	2023 (Restated)
Finance lease income*	149,456,206	160,639,223
Interest income on lease prepayments	11,601,791	404,317
Interest income on deposits	<u>7,475,796</u>	<u>5,392,584</u>
Total	<u>168,533,793</u>	<u>166,436,124</u>

*Finance lease income was earned from the lease of aircrafts and vessels under finance leases.

Finance lease income was generated from customers in the following regions:

	2024	2023 (Restated)
Europe	42,794,902	34,053,457
Asia	35,796,976	29,480,302
South America	34,520,023	50,612,497
Oceania	28,689,212	38,334,171
Africa	6,800,053	8,158,796
North America	<u>855,040</u>	<u>-</u>
Total	<u>149,456,206</u>	<u>160,639,223</u>

8 Interest expense

	2024	2023 (Restated)
Interest expense on loans and borrowings	200,192,818	90,685,783
Interest expense arising from bonds issued	<u>53,513,104</u>	<u>82,736,528</u>
Total	<u>253,705,922</u>	<u>173,422,311</u>

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9 Operating lease income

	2024	2023 (Restated)
Operating lease income	<u>455,366,455</u>	<u>301,768,853</u>

Operating lease income was generated from customers in the following regions:

	2024	2023 (Restated)
Asia	177,388,182	89,955,580
Europe	128,578,434	67,564,468
Oceania	71,057,202	95,563,866
North America	37,154,816	31,588,335
Africa	29,725,810	5,020,683
South America	<u>11,462,011</u>	<u>12,075,921</u>
Total	<u>455,366,455</u>	<u>301,768,853</u>

10 Operating lease expense

	2024	2023 (Restated)
Depreciation of operating lease assets	249,985,155	169,129,604
Aircraft modification fees	<u>(11,167,318)</u>	<u>439,338</u>
Total	<u>238,817,837</u>	<u>169,568,942</u>

11 Other income

	2024	2023 (Restated)
Profit on Disposal	41,660,647	16,471,104
Commission fee income	9,497,959	1,931,553
Arrangement fee income	389,331	162,637
Others	<u>153,478</u>	<u>140,043</u>
Total	<u>51,701,415</u>	<u>18,705,337</u>

12 Directors' remuneration

There was no directors' remuneration for the year ended 31 December 2024 and 2023.

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13 Operating expenses

	2024	2023 (Restated)
Foreign exchange losses	7,290,662	278,532
Professional service fees	7,247,847	3,674,584
Financing service fees	3,228,800	1,490,435
Staff cost	3,122,717	2,199,947
Depreciation of ROU	587,601	347,783
Other expenses	<u>2,821,292</u>	<u>1,562,537</u>
Total	<u>24,298,919</u>	<u>9,553,818</u>

14 Credit impairment losses / (reversals)

	2024	2023 (Restated)
Impairment losses / (reversals) on finance lease receivables	38,804,258	(1,904,847)
Impairment losses on lease commitments	1,622,355	552,740
Impairment losses on lease prepayments	1,568,621	1,515,633
Impairment losses / (reversals) on bank deposits	(355,592)	381,398
Impairment reversals on other receivables	<u>(25,915,898)</u>	<u>(25,837,062)</u>
Total	<u>15,723,744</u>	<u>(25,292,138)</u>

15 Other assets impairment losses

	2024	2023 (Restated)
Property, plant and equipment	<u>23,240,212</u>	<u>19,282,516</u>

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16 Income tax expense

	2024	2023 (Restated)
Current tax expense	4,660,686	14,063,328
Deferred tax expense	<u>11,750,449</u>	<u>22,355,047</u>
Total	<u>16,411,135</u>	<u>36,418,375</u>

Reconciliation between income tax expense and accounting profit is as follows:

	2024	2023 (Restated)
Profit before income tax	124,247,866	147,881,343
At statutory tax rate of 16.5%	20,500,898	24,400,422
Effects of different applicable tax rates for subsidiaries	(2,006,613)	20,341,093
Non-taxable income and non-deductible expenses	(244,715)	(9,081,701)
Others	<u>(1,838,435)</u>	<u>758,561</u>
Income tax expense	<u>16,411,135</u>	<u>36,418,375</u>

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17 Cash and cash equivalents

	31 December 2024	31 December 2023 (Restated)
Cash at bank	442,883,698	495,248,345
Accrued Interest	47,807	15,021
Less: allowances for impairment losses-cash at bank	(288,130)	(642,206)
Less: allowances for impairment losses- accrued interest	(23)	(17)
Cash and cash equivalents	<u>442,643,352</u>	<u>494,621,143</u>

Changes in allowances for impairment losses of cash and cash equivalents are as follows:

	2024	2023 (Restated)
At the beginning of the year	642,223	260,246
Charged for the year	(355,592)	381,398
Effect of exchange rate change	<u>1,522</u>	<u>579</u>
At the end of the year	<u><u>288,153</u></u>	<u><u>642,223</u></u>

18 Finance lease receivables

	31 December 2024	31 December 2023 (Restated)
Finance lease receivables	3,250,910,518	3,060,936,340
Less: unearned finance income	<u>(869,452,326)</u>	<u>(908,915,337)</u>
Net finance lease receivables	2,381,458,192	2,152,021,003
Less: allowances for impairment losses	<u>(66,908,950)</u>	<u>(31,043,320)</u>
Net carrying amount	<u><u>2,314,549,242</u></u>	<u><u>2,120,977,683</u></u>

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18 Finance lease receivables (continued)

Changes in allowances for impairment losses of finance lease receivables are as follows:

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
At 1 January 2024	28,706,933	-	2,336,387	31,043,320
Newly originated	28,292,547	-	-	28,292,547
Remeasurements*	10,511,711	-	-	10,511,711
Transfer out/disposal	-	-	(2,336,387)	(2,336,387)
Effect of exchange rate change	(602,241)	-	-	(602,241)
At 31 December 2024	<u>66,908,950</u>	<u>-</u>	<u>-</u>	<u>66,908,950</u>
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
At 1 January 2023	29,047,706	-	2,336,387	31,384,093
Newly originated	9,791,836	-	-	9,791,836
Remeasurements*	(11,696,683)	-	-	(11,696,683)
Effect of exchange rate change	1,564,074	-	-	1,564,074
At 31 December 2023	<u>28,706,933</u>	<u>-</u>	<u>2,336,387</u>	<u>31,043,320</u>

* Remeasurements comprise the impact of changes in probability of default (PD), loss given default (LGD) or exposure at default (EAD); changes in model assumptions and methodology; credit loss changes due to stage-transfer and principal repayment.

As at 31 December 2024, the Group obtained borrowings from banks of USD 429.08million (31 December 2023: USD 272.05million) with the book value of finance lease receivables of USD 522.77million (31 December 2023: USD 279.73million) as collateral.

Changes in allowances for impairment losses of finance lease receivables are as follows:

The future minimum finance lease receivables are summarised below:

	31 December 2024	31 December 2023 (Restated)
Within 1 year (inclusive)	329,126,570	317,862,538
1 to 3 years (inclusive)	692,933,069	655,130,260
3 to 5 years (inclusive)	536,015,086	536,886,814
Over 5 years	1,692,835,793	1,548,720,341
Unlimited	-	2,336,387
Total	<u>3,250,910,518</u>	<u>3,060,936,340</u>

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19 Property, plant and equipment

	<i>2024</i>		
	<i>Aircrafts and Vessels</i>	<i>Computer and Office equipment</i>	<i>Total</i>
Cost			
At 1 January 2024	3,843,704,685	20,255	3,843,724,940
Additions	2,653,811,431	184,596	2,653,996,027
Disposals	(797,572,760)	-	(797,572,760)
Effect of exchange rate change	5,206,423	(43)	5,206,380
At 31 December 2024	<u>5,705,149,779</u>	<u>204,808</u>	<u>5,705,354,587</u>
Accumulated depreciation			
At 1 January 2024	(626,646,588)	(844)	(626,647,432)
Additions	(249,985,155)	(11,511)	(249,996,666)
Disposals	150,161,573	-	150,161,573
Effect of exchange rate change	(5,139,376)	-	(5,139,376)
At 31 December 2024	<u>(731,609,546)</u>	<u>(12,355)</u>	<u>(731,621,901)</u>
Impairment			
At 1 January 2024	(97,932,909)	-	(97,932,909)
Additions	(23,240,212)	-	(23,240,212)
Disposals	17,363,108	-	17,363,108
At 31 December 2024	<u>(103,810,013)</u>	<u>-</u>	<u>(103,810,013)</u>
Net carrying amount			
At 1 January 2024	<u>3,119,125,188</u>	<u>19,411</u>	<u>3,119,144,599</u>
At 31 December 2024	<u>4,869,730,220</u>	<u>192,453</u>	<u>4,869,922,673</u>

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19 Property, plant and equipment (continued)

	<i>2023(Restated)</i>		
	<i>Aircrafts and Vessels</i>	<i>Computer and Office equipment</i>	<i>Total</i>
Cost			
At 1 January 2023	3,402,363,230	830	3,402,364,060
Additions	683,903,658	19,422	683,923,080
Disposals	(242,562,203)	-	(242,562,203)
Effect of exchange rate change	-	3	3
At 31 December 2023	<u>3,843,704,685</u>	<u>20,255</u>	<u>3,843,724,940</u>
Accumulated depreciation			
At 1 January 2023	(514,819,412)	(805)	(514,820,217)
Additions	(169,129,604)	(39)	(169,129,643)
Disposals	<u>57,302,428</u>	<u>-</u>	<u>57,302,428</u>
At 31 December 2023	<u>(626,646,588)</u>	<u>(844)</u>	<u>(626,647,432)</u>
Impairment			
At 1 January 2023	(99,954,446)	-	(99,954,446)
Additions	(19,282,516)	-	(19,282,516)
Disposals	<u>21,304,053</u>	<u>-</u>	<u>21,304,053</u>
At 31 December 2023	<u>(97,932,909)</u>	<u>-</u>	<u>(97,932,909)</u>
Net carrying amount			
At 1 January 2023	<u>2,787,589,372</u>	<u>25</u>	<u>2,787,589,397</u>
At 31 December 2023	<u>3,119,125,188</u>	<u>19,411</u>	<u>3,119,144,599</u>

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20 Lease prepayments

	31 December 2024	31 December 2023 (Restated)
Lease prepayments	506,346,262	449,877,230
Accrued interest	1,731,444	370,069
Less: allowances for impairment losses	<u>(3,082,872)</u>	<u>(1,515,633)</u>
Carrying amount	<u>504,994,834</u>	<u>448,731,666</u>

At 31 December 2024 and 31 December 2023, the lease prepayments were classified in Stage 1, and their impairment losses were measured based on expected credit losses in the next 12 months (12-month ECL).

Changes in allowances for impairment losses of lease prepayments are as follows:

	2024	2023 (Restated)
At the beginning of the year	1,515,633	-
Charged for the year	1,568,621	1,515,633
Effect of exchange rate change	<u>(1,382)</u>	<u>-</u>
At the end of the year	<u>3,082,872</u>	<u>1,515,633</u>

21 Deferred tax assets and liabilities

<u>Deferred tax assets</u>	<u>31 December 2024</u>		<u>31 December 2023 (Restated)</u>	
	<i>Deferred tax assets/ (liabilities)</i>	<i>Deductible/ (taxable) temporary differences</i>	<i>Deferred tax assets/ (liabilities)</i>	<i>Deductible/ (taxable) temporary differences</i>
Allowances for impairment losses	213,038	1,291,141	137,983	836,263
Depreciation expense for operating lease assets	(14,596,519)	(116,772,072)	(1,725,849)	(13,806,789)
Future deductible losses	<u>22,172,057</u>	<u>177,376,457</u>	<u>5,121,210</u>	<u>40,969,678</u>
Total	<u>7,788,576</u>	<u>61,895,526</u>	<u>3,533,344</u>	<u>27,999,152</u>

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21 Deferred tax assets and liabilities (continued)

Deferred tax liabilities

	<u>31 December 2024</u>		<u>31 December 2023</u> (Restated)	
	<i>Deferred tax liabilities/ (assets)</i>	<i>Taxable/ (deductible) temporary differences</i>	<i>Deferred tax liabilities/ (assets)</i>	<i>Taxable/ (deductible) temporary differences</i>
Depreciation expense for operating lease assets	106,379,037	851,032,305	(56,631,618)	(453,052,945)
Future deductible losses	<u>(40,353,824)</u>	<u>(322,830,593)</u>	<u>106,651,150</u>	<u>853,209,203</u>
Total	<u>66,025,213</u>	<u>528,201,712</u>	<u>50,019,532</u>	<u>400,156,258</u>

Changes in deferred tax assets and liabilities all recognized in profit or loss.

22 Other assets

	<u>31 December 2024</u>	<u>31 December 2023</u> (Restated)
Operating lease receivables	92,714,232	119,981,754
Receivables from CCBFL and subsidiaries	10,620,023	350,864,880
Other receivables from third parties	9,365,700	10,021,726
Unamortised expenses for financing service fees	7,152,630	7,626,633
Receivables from other related party	1,196,344	-
Receivables from CCB	899,452	-
Other assets	104,433	167,667
Less: allowances for impairment losses	<u>(59,196,183)</u>	<u>(84,828,889)</u>
Total	<u>62,856,631</u>	<u>403,833,771</u>

At 31 December 2024 and 31 December 2023, all the receivables were classified in Stage 1, and their impairment losses were measured based on expected credit losses in the next 12 months (12-month ECL). Changes in allowances for impairment losses of other receivables are as follows:

	<u>2024</u>	<u>2023</u> (Restated)
At the beginning of the year	84,828,889	112,050,180
Charged for the year	(25,915,898)	(25,837,062)
Effect of exchange rate change	<u>283,192</u>	<u>(1,384,229)</u>
At the end of the year	<u>59,196,183</u>	<u>84,828,889</u>

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23 Loans and borrowings

	<i>31 December 2024</i>	<i>31 December 2023 (Restated)</i>
Borrowings from:		
CCB	1,310,859,573	710,412,800
Third parties	3,108,714,279	1,938,522,270
Other related parties	<u>336,593,832</u>	<u>-</u>
Subtotal	<u>4,756,167,684</u>	<u>2,648,935,070</u>
Accrued interest on loans and borrowings from:		
CCB	6,055,487	14,803,399
Third parties	19,063,392	17,851,986
Other related parties	<u>1,369,770</u>	<u>-</u>
Subtotal	<u>26,488,649</u>	<u>32,655,385</u>
Total	<u>4,782,656,333</u>	<u>2,681,590,455</u>

24 Bonds issued

	<i>31 December 2024</i>	<i>31 December 2023 (Restated)</i>
Bonds issued	1,995,841,315	2,794,187,845
Accrued interest	<u>13,666,337</u>	<u>16,816,704</u>
Total	<u>2,009,507,652</u>	<u>2,811,004,549</u>

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25 Other payables

	31 December 2024	31 December 2023 (Restated)
Payables to CCBFL and subsidiaries	242,044,849	59,522,916
Finance lease payables	158,060,637	175,133,218
Maintenance reserves	116,294,397	112,293,804
Security deposits	39,007,612	32,048,212
Deferred income	38,455,607	12,594,282
Rent received in advance	13,416,903	12,428,616
Payables to third parties	12,917,051	21,900,398
Payables to CCBA	98,044	15,230
Payroll payables	92,008	17,707
Other liabilities	43,459	30,655
Total	<u>620,430,567</u>	<u>425,985,038</u>

26 Provisions

	31 December 2024	31 December 2023 (Restated)
Allowances for finance lease commitments	2,161,836	552,740
Aircraft maintenance	<u>-</u>	<u>13,559,666</u>
Total	<u>2,161,836</u>	<u>14,112,406</u>

Changes in allowances for lease commitments:

	2024	2023 (Restated)
At the beginning of the year	14,112,406	13,559,666
Charged for the year	1,622,355	552,740
Transfer out/disposal for the year	<u>(13,572,925)</u>	<u>-</u>
At the end of the year	<u><u>2,161,836</u></u>	<u><u>14,112,406</u></u>

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27 Share capital

	31 December 2024	31 December 2023 (Restated)
Issued		
300,000,000 ordinary shares of 1 USD each	<u>300,000,000</u>	<u>300,000,000</u>

300,000,000 ordinary shares of 1 USD each were issued at par to the shareholder of the Company.

28 Contingent liabilities

As at 31 December 2024 and 2023, the Group had no significant contingent liabilities.

29 Commitments

(a) Credit commitments

As at the balance sheet date, the credit commitments of the Group are as follows:

	31 December 2024	31 December 2023 (Restated)
Finance lease commitments	<u>660,516,308</u>	<u>116,501,094</u>

(b) Capital commitments

As at the balance sheet date, the capital commitments of the Group are USD 0million (2023: USD 430.65million).

30 Related party transactions

(a) Transactions with related parties

During the year, the Group entered into financing transactions with related parties as followings:

China Construction Bank Corporation ("CCB")
CCB Financial Leasing Corporation Limited ("CCBFL") and subsidiaries
China Construction Bank (Asia) Corporation Limited ("CCBA")
China Construction Bank Financial Holdings Limited ("CCBFH")

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30 Related party transactions (continued)

(a) Transactions with related parties (continued)

Incomes and expenses arising from these transactions were as follows:

	Notes	2024	2023 (Restated)
Interest income with CCBA	7	1,873,633	774,278
Interest income with CCB	7	108,669	-
Interest expenses with CCBA and CCBFH	8	7,910,024	-
Interest expenses with CCB	8	75,799,553	16,244,995
Interest expenses with CCBFL and subsidiaries	8	7,965,269	294,349
Operating expenses with CCBFL and subsidiaries	13	1,408,131	1,119,192
Operating expenses with CCBA	13	490,255	134,825
Operating expenses with CCB	13	<u>166,268</u>	<u>1,684</u>

The outstanding balances arising from related party transactions at the end of the reporting period were as follows:

	Notes	2024 31 December	2023 31 December (Restated)
Cash and cash equivalents of CCB	17	45,773,240	33,480,375
Cash and cash equivalents of CCBA	17	211,964,921	38,271,866
Receivables from CCBFL and subsidiaries	22	10,620,023	350,864,880
Receivables from CCBA	22	1,196,344	-
Receivables from CCB	22	899,452	-
Loans and borrowings from CCB	23	1,316,915,060	725,216,199
Loans and borrowings from CCBA	23	337,963,602	-
Bonds payable to CCB	24	239,217,617	308,709,011
Bonds payable to CCBFH	24	-	1,137,532
Lease liability to CCBA	25	493,442	800,985
Payables to CCBFL and subsidiaries	25	242,044,849	59,522,916
Payables to CCBA	25	<u>98,044</u>	<u>15,230</u>

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31 Fair value hierarchy of financial assets and liabilities

Management has assessed that the fair values of cash and cash equivalents, lease prepayments, interest payables and current portion of other financial assets and liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

Substantially most of the finance lease receivables and loans and borrowings, are on floating rate terms and bear interest at prevailing market interest rates and their carrying values are approximate to their fair values.

The fair values of the non-current portion of financial assets included in other receivables and non-current portion of financial liabilities included in other payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The differences between the carrying amounts and the fair values of those financial assets and liabilities are not significant.

32 Financial risk management objectives and policies

The Group's exposure to market risk (including interest rate risk and foreign currency risk, credit risk and liquidity risk arises in the normal course of its business. These risks are managed under the Group's financial management policies and practices described below:

Interest rate risk

The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue. The sensitivity of the interest income is in terms of the effect of the assumed changes in interest rates on the net interest income for one year, with consideration of the financial assets and financial liabilities held at year end subject to re-pricing within the coming year. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's interest income.

	31 December 2024	31 December 2023 (Restated)
Change in basis points		
+ 100 basis points	(18,492,697)	(2,740,676)
– 100 basis points	<u>18,492,697</u>	<u>2,740,676</u>

Foreign currency risk

The Group's functional currency is USD. But there are still foreign exchange risks for the assets and liabilities denominated in USD dollars confirmed by the Group and the future transactions in dollars.

Assuming that the risk variables other than the exchange rate do not vary, the changes in the exchange rate of US dollar against EUR dollar on 31 December 2024 resulted in a 1% appreciation of US dollar, thus affecting profit before tax decreasing of USD 1,976,313 (2023: increasing of USD 113,318) and other comprehensive income decreasing of USD 75,678 (31 December 2023: increasing of USD 42,329) of the Group.

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32 Financial risk management objectives and policies (continued)

Credit risk

The Group's credit risk is primarily attributable to cash and equivalents, finance lease receivables, lease prepayments and other receivables.

The tables below show the maximum exposure to credit risk managed under the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2024 and 2023. The amounts presented are carrying amounts for financial assets and the exposure to credit risk for the non-cancellable credit commitment:

	31 December 2024	31 December 2023 (Restated)
Cash and cash equivalents	442,643,352	494,621,143
Finance lease receivables	2,314,549,242	2,120,977,683
Lease prepayments	504,994,834	448,731,666
Other assets	<u>55,704,001</u>	<u>396,207,138</u>
Total	<u>3,317,891,429</u>	<u>3,460,537,630</u>
Finance lease commitments	<u>660,516,308</u>	<u>116,501,094</u>

Liquidity risk

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and bank and other loans and borrowings.

The table below summarises the maturity profile of the Group's non-derivative financial liabilities (including non-cancellable credit commitment) at 31 December 2024 and 2023 based on contractual undiscounted payments including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period.

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED
Notes to consolidated financial statements (continued)
31 December 2024
(Expressed in USD, unless otherwise stated)

32 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

At 31 December 2024

	<i>On demand</i>	<i>Less than 1 Year</i>	<i>1 to 5 Years</i>	<i>Over 5 Years</i>	<i>Total</i>
Loans and borrowings	-	1,992,836,109	2,554,712,343	900,013,853	5,447,562,305
Others*	-	<u>3,582,001</u>	<u>2,459,033</u>	<u>2,669,598</u>	<u>8,710,632</u>
Total	-	<u>1,996,418,110</u>	<u>2,557,171,376</u>	<u>902,683,451</u>	<u>5,456,272,937</u>

At 31 December 2023

	<i>On demand</i>	<i>Less than 1 Year</i>	<i>1 to 5 Years</i>	<i>Over 5 Years</i>	<i>Total</i>
Loans and borrowings	6,503,557	1,265,173,422	1,032,771,340	1,466,474,620	3,770,922,939
Others*	-	<u>73,052,893</u>	<u>2,883,575</u>	-	<u>75,936,468</u>
Total	<u>6,503,557</u>	<u>1,338,226,315</u>	<u>1,035,654,915</u>	<u>1,466,474,620</u>	<u>3,846,859,407</u>

*Others includes partial accounts of other payables and lease liability.

Capital management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes for managing capital were made during the year ended 31 December 2024 and 2023.

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED
Notes to consolidated financial statements (continued)
31 December 2024
(Expressed in USD, unless otherwise stated)

33 Events after the reporting period

The Group has evaluated subsequent events through 12 May 2025, the date at which these financial statements were available to be issued. There were no subsequent events that required adjustment to or disclosure in the financial statements.

34 Comparative Amounts

Due to the business combinations under common control in 2024, relevant items in the consolidated financial statements for the previous year have been adjusted. The reporting entity after the acquisition is deemed to have been existing since the ultimate controlling party began to exercise control. Therefore, the comparative data have been restated to meet the presentation and accounting treatment requirements of the current year.

35 Approval of financial statements

The financial statements were approved and authorised by Directors on 12 May 2025.

**CCB SHIPPING AND AVIATION LEASING
CORPORATION LIMITED**

31 December 2023

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REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2023.

Corporate and Group information

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED ("the Company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 20th Floor, China Construction Bank Tower, 3 Connaught Road Central, Hong Kong.

The immediate parent of the Company is CCB Financial Leasing Corporation Limited ("CCBFL"), which is incorporated in China. The ultimate controlling party of the Company is China Construction Bank Corporation ("CCB"), which is incorporated in China.

Principal activities

The principal activities of the Company and its subsidiaries ("the Group") comprise purchase, lease and sale of aircrafts and vessels.

Recommended dividend

The directors of the Company do not recommend the payment of any dividend in respect of the year.

Shares issued

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 24 to the financial statements.

Directors

The directors of the Company during the year were:

Mr. YANG XIANFENG

Mr. WANG TAO

Mr. ZHANG YICHUAN

There being no provision in the Company's articles of association in connection with the retirement of directors, all existing directors continue in office for the following year.

Directors' interests

At no time during the year was the Company, or any of its holding company or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

REPORT OF THE DIRECTORS (continued)

Directors' interests in transactions, arrangements or contracts

No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company or any of the Company's holding companies, subsidiaries or fellow subsidiaries was a party during the year.

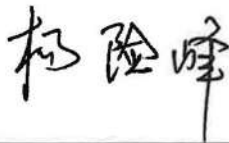
Events after the reporting period

Details of the Group's significant events after the reporting period are set out in note 32 to the financial statements.

Auditors

A resolution for the appointment of Ernst & Young as auditors of the Company has been approved by the directors.

ON BEHALF OF THE DIRECTORS



YANG XIANFENG



WANG TAO

15 April 2024



Ernst & Young
27/F, One Taikoo Place
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Quarry Bay, Hong Kong

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Independent auditor's report

To the Shareholders of CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 6 to 44, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



Independent auditor's report (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young
Certified Public Accountants

Hong Kong

15 April 2024

CCB Shipping and Aviation Leasing Corporation Limited
Consolidated statement of profit or loss and other comprehensive income
Year ended 31 December 2023
(Expressed in USD, unless otherwise stated)

	Notes	2023	2022 (Restated)
Interest income	7	76,198,900	46,500,518
Interest expense	8	(45,987,706)	(24,452,095)
Net interest income		<u>30,211,194</u>	<u>22,048,423</u>
Operating lease income	9	16,583,548	-
Operating lease expense	10	(8,881,499)	-
Net operating lease income		<u>7,702,049</u>	<u>-</u>
Other income		<u>147,909</u>	<u>822,748</u>
Operating income		<u>38,061,152</u>	<u>22,871,171</u>
Operating expenses	12	<u>(2,290,299)</u>	<u>(552,699)</u>
Operating profit before impairment		<u>35,770,853</u>	<u>22,318,472</u>
Credit impairment losses	13	(10,874,949)	(1,672,512)
Profit before income tax		<u>24,895,904</u>	<u>20,645,960</u>
Income tax expense	14	(1,067,417)	(118,169)
Net profit		<u>23,828,487</u>	<u>20,527,791</u>
Attributable to:			
Owners of the parent		23,828,487	20,527,791
Other comprehensive income			
Exchange differences on translation		<u>(160,688)</u>	<u>(50,748)</u>
Total comprehensive income for the year		<u>23,667,799</u>	<u>20,477,043</u>
Total comprehensive income, attributable to:			
Equity holders of the parent		<u>23,667,799</u>	<u>20,477,043</u>

The accompanying notes form an integral of these financial statement.

CCB Shipping and Aviation Leasing Corporation Limited
Consolidated statement of financial position
31 December 2023
(Expressed in USD, unless otherwise stated)

	Notes	2023	2022 (Restated)
Assets			
Cash and cash equivalents	15	119,390,466	7,606,544
Finance lease receivables	16	1,165,716,095	984,463,850
Property, plant and equipment	17	681,878,620	-
Lease prepayments	18	450,438,143	-
Deferred tax assets	19	1,208,612	83,682
Right-of-use assets		835,608	-
Other assets	20	361,411,412	8,173,005
Total assets		2,780,878,956	1,000,327,081
Liabilities			
Loans and borrowings	21	1,461,851,719	974,124,753
Other payables	22	1,017,021,457	1,064,389
Deferred tax liabilities	19	1,146,081	-
Income tax payable		1,093,397	-
Lease liabilities		800,985	-
Provisions	23	552,740	-
Total liabilities		2,482,466,379	975,189,142
Equity			
Share capital	24	300,000,000	-
Other reserves		(1,587,423)	25,137,939
Total equity		298,412,577	25,137,939
Total equity and liabilities		2,780,878,956	1,000,327,081



Director



Director

The accompanying notes form an integral of these financial statements.

CCB Shipping and Aviation Leasing Corporation Limited
Consolidated statement of changes in equity
Year ended 31 December 2023
(Expressed in USD, unless otherwise stated)

	Share capital	Exchange fluctuation reserve	Retained profits	Total
At 1 January 2023	-	(94,459)	25,232,398	25,137,939
Profit for the year	-	-	23,828,487	23,828,487
Exchange differences related to foreign operations	-	(160,688)	-	(160,688)
Issue of shares	300,000,000	-	-	300,000,000
Business combination under common control	-	-	(25,724,550)	(25,724,550)
Dividends paid by subsidiaries to former shareholders	-	-	(24,668,611)	(24,668,611)
At 31 December 2023	<u>300,000,000</u>	<u>(255,147)</u>	<u>(1,332,276)</u>	<u>298,412,577</u>

(Restated)	Share capital	Exchange fluctuation reserve	Retained profits	Total
At 1 January 2022	-	(43,711)	4,704,607	4,660,896
Profit for the year	-	-	20,527,791	20,527,791
Exchange differences related to foreign operations	-	(50,748)	-	(50,748)
At 31 December 2022	<u>-</u>	<u>(94,459)</u>	<u>25,232,398</u>	<u>25,137,939</u>

The accompanying notes form an integral of these financial statements.

CCB Shipping and Aviation Leasing Corporation Limited
Consolidated statement of cash flows
Year ended 31 December 2023
(Expressed in USD, unless otherwise stated)

	2023	2022 (Restated)
Cash flows from operating activities		
Profit before income tax	24,895,904	20,645,960
Adjustments for:		
Impairment losses	10,874,949	1,672,512
Net losses on disposal of fixed assets	147,657	-
Depreciation and amortization	9,016,324	-
Net increase in finance lease receivables	(187,908,828)	(237,265,358)
Net increase in loans and borrowings	487,726,966	219,716,941
Net increase in other operating assets	(805,248,149)	(257,202)
Net increase/(decrease) in other operating liabilities	944,560,581	(3,357,768)
Net cash flows from operating activities	<u>484,065,404</u>	<u>1,155,085</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	<u>(529,902,181)</u>	<u>-</u>
Net cash flows used in investing activities	<u>(529,902,181)</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from issue of shares	300,000,000	-
Cash payments for other financing activities	<u>(169,447)</u>	<u>-</u>
Net cash flows from financing activities	<u>299,830,553</u>	<u>-</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(142,088,986)</u>	<u>(323,105)</u>
Net increase in cash and cash equivalents	<u>111,904,790</u>	<u>831,980</u>
Cash and cash equivalents at the beginning of the year	<u>7,618,048</u>	<u>6,786,068</u>
Cash and cash equivalents at the end of the year	<u>119,522,838</u>	<u>7,618,048</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>119,522,838</u>	<u>7,618,048</u>

The accompanying notes form an integral of these financial statements.

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED
Notes to financial statements
31 December 2023
(Expressed in USD, unless otherwise stated)

1 Corporate and Group information

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED is a company incorporated in Hong Kong and has its registered office and principal place of business at 20th Floor, China Construction Bank Tower, 3 Connaught Road Central, Hong Kong.

The principal activities of the Company and its subsidiaries comprise purchase, lease and sale of aircrafts and vessels.

The parent of the Company is CCB Financial Leasing Corporation Limited ("CCBFL"), which is incorporated in China. The ultimate controlling party of the Company is China Construction Bank Corporation ("CCB"), which is incorporated in China.

Business combinations under common control

On 26 June 2023, the Company acquired a 100% equity interest in CCB Marine MI Corporation Limited, Compass Shipping 24 Corporation Limited, Compass Shipping 37 Corporation Limited, Compass Shipping 84 Corporation Limited, and Compass Shipping 85 Corporation Limited from CCB Leasing (International) Corporation Designated Activity Company ("CCBLI") for a cash consideration of USD 22,299,027. CCB is the ultimate controlling party of both the Company and CCBLI. This acquisition is a business combination under common control considering that in which all of the combining entities are ultimately controlled by the same party both before and after the business combination, and the control is not transitory. The acquisition date is identified as 26 June 2023 on which the Company obtains control of the acquirees.

On 1 August 2023, the subsidiary of the Company, CCB Aviation Capital Designated Activity Company, acquired a 100% equity interest in Star Rising Aviation 7 Limited from CCBLI for a cash consideration of USD 3,425,523. CCB is the ultimate controlling party of both the Company and CCBLI. This acquisition is a business combination under common control considering that in which all of the combining entities are ultimately controlled by the same party both before and after the business combination, and the control is not transitory. The acquisition date is identified as 1 August 2023 on which the Company obtains control of the acquiree.

A dividend totalling USD 24,668,611 was paid by CCB Marine MI Corporation Limited, Compass Shipping 24 Corporation Limited, and Compass Shipping 37 Corporation Limited to their former shareholders during the year.

Information about subsidiaries

Company name	Place of incorporation	Registered Share capital	Percentage of equity	Principal activity
CCB AVIATION CAPITAL DESIGNATED ACTIVITY COMPANY	Ireland	12,000,000	100%	Investments and financing
CCB MARINE MI CORPORATION LIMITED	Republic of the Marshall Islands	50,000	100%	Ship leasing
COMPASS SHIPPING 24 CORPORATION LIMITED	Republic of the Marshall Islands	1	100%	Ship leasing
COMPASS SHIPPING 37 CORPORATION LIMITED	Republic of the Marshall Islands	1	100%	Ship leasing
COMPASS SHIPPING 90 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 91 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED
Notes to financial statements(continued)
31 December 2023
(Expressed in USD, unless otherwise stated)

1 Corporate and Group information (continued)

Information about subsidiaries (continued)

Company name	Place of incorporation	Registered Share capital	Percentage of equity	Principal activity
COMPASS SHIPPING 92 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 93 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 94 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 95 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 96 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 97 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 98 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 99 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 100 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 105 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 106 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 107 PRIVATE LIMITED	Singapore	50,000	100%	Ship leasing
COMPASS SHIPPING 109 PRIVATE LIMITED	Singapore	50,000	100%	Ship leasing
COMPASS SHIPPING 110 PRIVATE LIMITED	Singapore	50,000	100%	Ship leasing
COMPASS SHIPPING 111 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 112 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 113 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 114 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 115 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 116 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
COMPASS SHIPPING 117 CORPORATION LIMITED	Hong Kong	1	100%	Ship leasing
STAR RISING AVIATION 101 LIMITED	Hong Kong	1	100%	Aircraft leasing
STAR RISING AVIATION 102 LIMITED	Hong Kong	1	100%	Aircraft leasing

2 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

2 Basis of preparation (continued)

These financial statements have been prepared under the historical cost convention, except for certain financial instruments. These financial statements are presented in US dollars ("USD").

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity directly controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3 Changes in accounting policies and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

<i>Amendments to HKAS 1 and HKFRS Practice Statement 2</i>	<i>Disclosure of Accounting Policies</i>
<i>Amendments to HKAS 8</i>	<i>Definition of Accounting Estimates</i>
<i>Amendments to HKAS 12</i>	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
<i>Amendments to HKAS 12</i>	<i>International Tax Reform – Pillar Two Model</i>

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 5 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments had no impact on the Group's financial statements.

3 Changes in accounting policies and disclosures(continued)

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below: (continued)

- (d) Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

4 Issued but not yet effective Hong Kong financial reporting standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

<i>Amendments to HKFRS 16</i>	<i>Lease Liability in a Sale and Leaseback¹</i>
<i>Amendments to HKAS 1</i>	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")^{1, 2}</i>
<i>Amendments to HKAS 1</i>	<i>Non-current Liabilities with Covenants (the "2022 Amendments")¹</i>

¹ Effective for annual periods beginning on or after 1 January 2024

² As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements. In respect of sale and leaseback transactions with variable lease payments that do not depend on an index or a rate, the Group will develop an accounting policy for such transactions.

4 Issued but not yet effective Hong Kong financial reporting standards(continued)

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

5 Material Accounting Policies

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Group using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

5 Material Accounting Policies (continued)

Fair value measurement(continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1– based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2– based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3– based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group; or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED

Notes to financial statements(continued)

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(Expressed in USD, unless otherwise stated)

5 Material Accounting Policies (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

5 Material Accounting Policies (continued)

Property, plant and equipment and depreciation

Items of property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

<i>Asset type</i>	<i>Estimated useful life</i>	<i>Estimated residual value rate</i>	<i>Annual depreciation rate</i>
Computer equipment	3 - 5 years	3.00%	19.40%-32.33%
Office equipment	3 - 8 years	3.00%	12.13%-32.33%
Aircraft	20 / 25 years	5.00%	4.75% / 3.80%
Vessels	20 years	5.00%	4.75%

The gain or loss on disposal of items of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in the statement of profit or loss and other comprehensive income.

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

5 Material Accounting Policies (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease terms.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

5 Material Accounting Policies (continued)

Leases(continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss and other comprehensive income so as to provide a constant periodic rate of return over the lease terms.

Financial assets

Trade receivables that do not contain a significant financial component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financial component are measured at the transaction price determined under HKFRS 15. All the other financial assets are initially recognised at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date when the Group commits to purchase or sell the assets.

5 Material Accounting Policies (continued)

Financial assets (continued)

(a) Classification and measurement

Debt instruments are measured at amortised cost using the effective interest rate method, subject to impairment if the assets are held for the collection of contractual cash flows where those contractual cash flows represent solely payments of principal and interest.

Debt instruments are measured at fair value through other comprehensive income if the assets' contractual cash flows represent solely payments of principal and interest and the assets are held for collection of contractual cash flows and for selling the financial assets. Such financial assets are subsequently measured at fair value with any gains or losses from changes in fair value recognised in other comprehensive income, except for impairment losses and reversal, foreign exchange gains and losses and interest calculated using the effective interest rate method which are recognised in the statement of profit or loss and other comprehensive income. The cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to the statement of profit or loss and other comprehensive income when the financial asset is derecognised.

Debt instruments that do not meet the criteria for amortised cost or as financial assets at fair value through other comprehensive income are measured at fair value through profit or loss.

Equity investments are measured at fair value through profit or loss unless, on initial recognition, the Group has irrevocably elected to designate such investments that are not held for trading as equity investments at fair value through other comprehensive income. Dividends of such investments are recognised in the statement of profit or loss when the Group's right to receive payment is established. Changes in the fair value of such investments are recognised in other comprehensive income and are never recycled to the statement of profit or loss even when the assets are sold.

(b) Impairment

The Group adopts the general model for expected credit loss issued by CCB. In the model, PD and LGD are measured as the same way of CCB's corporate credit and non-credit business. In particular, since the value of aircrafts and vessels fluctuates frequently in the market, the LGD of the aircrafts and vessels is based on the Group's relevant measurements and external valuation reports.

The Group recognises an allowance for expected credit losses ("ECLs") for all the financial assets, finance lease receivables and lease prepayments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

5 Material Accounting Policies (continued)

Financial assets (continued)

(b) Impairment (continued)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

5 Material Accounting Policies (continued)

(c) Derecognition

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Financial liabilities include bank and other borrowings, trade payables, accruals and other monetary liabilities. They are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged or cancelled, or expires.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Finance lease commitments

Finance lease commitments are commitments provided by the Group to the customers to grant finance lease under the established contract terms during certain period. The impairment allowance for finance lease commitments is measured using the expected credit losses model. The impairment allowances for finance lease commitments are presented in "Provisions".

5 Material Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the statement of profit or loss and other comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided using the liability method, on temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

5 Material Accounting Policies (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when the control of goods or services is transferred to the customers, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

5 Material Accounting Policies (continued)

Revenue recognition (continued)

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to be that which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

The Group recognises revenue from the following major sources:

- (a) Finance lease income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease;
- (b) Operating lease income is recognised on a straight-line basis over the lease term. Contingent rent is recognised as income in the period in which it is earned;
- (c) Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

6 Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Classification between finance leases and operating leases

Lessors shall classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

6 Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

(a) Impairment of finance lease receivables and other receivables

The measurement of the expected credit loss allowance for finance lease receivables and other receivables is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses; and
- Establishing groups of similar financial assets for the purpose of measuring expected credit losses.

(b) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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7 Interest income

	2023	2022
Finance lease income*	74,871,475	46,500,518
Interest income on deposits	923,108	-
Interest income on lease prepayments	404,317	-
Total	<u>76,198,900</u>	<u>46,500,518</u>

*Finance lease income was earned from the lease of aircrafts and vessels under finance leases.

Finance lease income was generated from customers in the following regions:

	2023	2022
South America	29,523,819	31,508,584
Oceania	19,998,809	-
Europe	18,473,891	12,377,847
Asia	6,874,956	2,614,087
Total	<u>74,871,475</u>	<u>46,500,518</u>

8 Interest expense

	2023	2022
Interest expense on borrowings from CCBLI	39,662,488	23,035,653
Interest expense on borrowings from third parties	5,190,108	1,416,442
Interest expense on borrowings from CCB	840,761	-
Interest expense on loans and borrowings from CCBFL and subsidiaries	294,349	-
Total	<u>45,987,706</u>	<u>24,452,095</u>

9 Operating lease income

	2023	2022
Operating lease income	<u>16,583,548</u>	<u>-</u>

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9 Operating lease income(continued)

Operating lease income was generated from customers in the following regions:

	2023	2022
Europe	7,494,946	-
Africa	5,020,683	-
North America	3,923,977	-
Oceania	117,750	-
Asia	26,192	-
	<u>16,583,548</u>	<u>-</u>
Total	<u>16,583,548</u>	<u>-</u>

10 Operating lease expense

	2023	2022
Depreciation of operating lease assets	<u>8,881,499</u>	<u>-</u>

11 Directors' remuneration

There was no directors' remuneration for the year ended 31 December 2023 and 2022.

12 Operating expenses

	2023	2022
Management fees	1,324,342	312,993
Professional service fees	595,194	78,851
Financing service fees	157,246	121,529
Depreciation of ROU	134,825	-
Foreign exchange loss / (gain)	(37,349)	35,784
Set up fees	8,994	-
Other expenses	<u>107,047</u>	<u>3,542</u>
Total	<u>2,290,299</u>	<u>552,699</u>

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13 Credit impairment losses

	2023	2022
Impairment loss on finance lease receivables	6,170,917	3,290,811
Impairment loss on other receivables	2,500,694	12,752
Impairment loss on lease prepayments	1,515,633	-
Impairment loss/(reversal) on lease commitments	552,740	(1,635,983)
Impairment loss on bank deposits	134,965	4,932
Total	10,874,949	1,672,512

14 Income tax expense

	2023	2022
Current tax expense	1,046,266	-
Deferred tax expense	21,151	118,169
Total	1,067,417	118,169

Reconciliation between income tax expense and accounting profit is as follows:

	2023	2022
Profit before income tax	24,895,904	20,645,960
At statutory tax rate of 16.5%	4,107,824	3,406,583
Effects of different applicable tax rates for subsidiaries	(3,656,674)	(3,288,414)
Non-taxable income	(152,313)	-
Non-deductible expenses	10,019	-
Others	758,561	-
Income tax expense	1,067,417	118,169

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15 Cash and cash equivalents

	31 December 2023	31 December 2022
Cash at bank	119,522,838	7,618,048
Accrued Interest	15,021	-
Less: allowances for impairment losses-cash at bank	(147,376)	(11,504)
Less: allowances for impairment losses- accrued interest	(17)	-
Cash and cash equivalents	<u>119,390,466</u>	<u>7,606,544</u>

Changes in allowances for impairment losses of cash and cash equivalents are as follows:

	31 December 2023	31 December 2022
At the beginning of the year	11,504	7,050
Charged for the year	134,965	4,932
Effect of exchange rate change	924	(478)
At the end of the year	<u>147,393</u>	<u>11,504</u>

16 Finance lease receivables

	31 December 2023	31 December 2022
Finance lease receivables	1,730,662,012	1,474,683,288
Less: unearned finance income	<u>(543,447,236)</u>	<u>(475,377,340)</u>
Net finance lease receivables	1,187,214,776	999,305,948
Less: allowances for impairment losses	<u>(21,498,681)</u>	<u>(14,842,098)</u>
Net carrying amount	<u>1,165,716,095</u>	<u>984,463,850</u>

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16 Finance lease receivables(continued)

Changes in allowances for impairment losses of finance lease receivables are as follows:

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
At 1 January 2023	14,842,098	-	-	14,842,098
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Newly originated	9,791,836	-	-	9,791,836
Remeasurements*	(3,620,919)	-	-	(3,620,919)
Effect of exchange rate change	485,666	-	-	485,666
At 31 December 2023	<u>21,498,681</u>	<u>-</u>	<u>-</u>	<u>21,498,681</u>
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
At 1 January 2022	11,856,031	-	-	11,856,031
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Newly originated	3,295,760	-	-	3,295,760
Remeasurements*	(4,949)	-	-	(4,949)
Effect of exchange rate change	(304,744)	-	-	(304,744)
At 31 December 2022	<u>14,842,098</u>	<u>-</u>	<u>-</u>	<u>14,842,098</u>

* Remeasurements comprise the impact of changes in probability of default (PD), loss given default (LGD) or exposure at default (EAD); changes in model assumptions and methodology; credit loss changes due to stage-transfer and principal repayment.

As at 31 December 2023, the Group obtained borrowings from banks of USD272.05million (2022: USD99.22million) with the book value of finance lease receivables of USD279.73million (2022: USD99.99million) as collateral.

The future minimum finance lease receivables are summarised below:

	31 December 2023	31 December 2022
Within 1 year (inclusive)	172,260,981	131,842,256
1 to 3 years (inclusive)	326,757,627	253,233,962
3 to 5 years (inclusive)	303,930,134	238,090,730
Over 5 years	<u>927,713,270</u>	<u>851,516,340</u>
Total	<u>1,730,662,012</u>	<u>1,474,683,288</u>

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17 Property, plant and equipment

	2023		
	Aircrafts and Vessels	Computer and Office equipment	Total
Cost			
At 1 January 2023	-	-	-
Additions	690,740,733	19,422	690,760,155
Disposals	-	-	-
Effect of exchange rate change	-	3	3
At 31 December 2023	690,740,733	19,425	690,760,158
Accumulated depreciation			
At 1 January 2023	-	-	-
Additions	(8,881,499)	(39)	(8,881,538)
Disposals	-	-	-
At 31 December 2023	(8,881,499)	(39)	(8,881,538)
Impairment			
At 1 January 2023	-	-	-
Additions	-	-	-
Disposals	-	-	-
At 31 December 2023	-	-	-
Net carrying amount			
At 1 January 2023	-	-	-
At 31 December 2023	681,859,234	19,386	681,878,620

At 31 December 2023, all the aircrafts and vessels were placed on operating lease. At 31 December 2023, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Within 1 year (inclusive)	72,928,456	-
1 to 2 years (inclusive)	71,976,393	-
2 to 3 years (inclusive)	71,104,467	-
3 to 4 years (inclusive)	70,232,542	-
4 to 5 years (inclusive)	65,999,797	-
More than 5 years	<u>349,529,911</u>	-
Total	<u>701,771,566</u>	-

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Notes to financial statements(continued)
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18 Lease prepayments

	31 December 2023	31 December 2022
Lease prepayments	451,583,707	-
Accrued interest	370,069	-
Less: allowances for impairment losses	<u>(1,515,633)</u>	<u>-</u>
Carrying amount	<u>450,438,143</u>	<u>-</u>

At 31 December 2023, the lease prepayments were classified in Stage 1, and their impairment losses were measured based on expected credit losses in the next 12 months (12-month ECL)(2022:Nil).

Changes in allowances for impairment losses of lease prepayments are as follows:

	31 December 2023	31 December 2022
At the beginning of the year	-	-
Charged for the year	<u>1,515,633</u>	<u>-</u>
At the end of the year	<u>1,515,633</u>	<u>-</u>

19 Deferred tax assets and liabilities

<u>Deferred tax assets</u>	<u>31 December 2023</u>		<u>31 December 2022</u>	
	<i>Deferred tax assets/ (liabilities)</i>	<i>Deductible/ (taxable) temporary differences</i>	<i>Deferred tax assets/ (liabilities)</i>	<i>Deductible/ (taxable) temporary differences</i>
Future deductible losses	1,603,114	12,824,912	83,682	669,462
Depreciation expense for operating lease assets	(532,485)	(4,259,878)	-	-
Allowances for impairment losses	<u>137,983</u>	<u>836,263</u>	<u>-</u>	<u>-</u>
Total	<u>1,208,612</u>	<u>9,401,297</u>	<u>83,682</u>	<u>669,462</u>

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19 Deferred tax assets and liabilities (continued)

<u>Deferred tax liabilities</u>	<u>31 December 2023</u>		<u>31 December 2022</u>	
	<i>Deferred tax liabilities/ (assets)</i>	<i>Taxable/ (deductible) temporary differences</i>	<i>Deferred tax liabilities/ (assets)</i>	<i>Taxable/ (deductible) temporary differences</i>
Depreciation expense for operating lease assets	2,519,437	20,155,497	-	-
Future deductible losses	(1,373,356)	(10,986,848)	-	-
Total	<u>1,146,081</u>	<u>9,168,649</u>	<u>-</u>	<u>-</u>

Changes in deferred tax assets and liabilities all recognized in profit or loss.

20 Other assets

	<u>31 December 2023</u>	<u>31 December 2022</u>
Receivables from CCBFL and subsidiaries	267,531,993	-
Receivables from CCBLI	86,124,873	7,353,753
Other receivables from third parties	7,115,503	-
Operating lease receivables	1,758,429	-
Unamortised expenses for financing service fees	1,394,060	832,004
Less: allowances for impairment losses	<u>(2,513,446)</u>	<u>(12,752)</u>
Total	<u>361,411,412</u>	<u>8,173,005</u>

At 31 December 2023 and 2022, all the receivables were classified in Stage 1, and their impairment losses were measured based on expected credit losses in the next 12 months (12-month ECL). Changes in allowances for impairment losses of other receivables are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
At the beginning of the year	12,752	-
Charged for the year	<u>2,500,694</u>	<u>12,752</u>
At the end of the year	<u>2,513,446</u>	<u>12,752</u>

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21 Loans and borrowings

	31 December 2023	31 December 2022
Borrowings from:		
CCBLI	732,422,480	869,267,070
CCB	220,412,800	-
Third parties	460,053,209	99,991,469
Subtotal	<u>1,412,888,489</u>	<u>969,258,539</u>
Accrued interest on loans and borrowings from:		
CCBLI	46,297,062	4,372,475
CCB	713,468	-
Third parties	1,952,700	493,739
Subtotal	<u>48,963,230</u>	<u>4,866,214</u>
Total	<u>1,461,851,719</u>	<u>974,124,753</u>

22 Other payables

	31 December 2023	31 December 2022
Payable to CCBLI	926,313,086	1,036,198
Payable to CCBFL and subsidiaries	54,317,387	-
Rent received in advance	26,637,245	-
Maintenance reserves	6,128,904	-
Security deposit	2,310,670	40
Payable to third parties	984,665	28,151
Deferred income	314,270	-
Payable to other related parties	15,230	-
Total	<u>1,017,021,457</u>	<u>1,064,389</u>

23 Provisions

	31 December 2023	31 December 2022
Allowances for finance lease commitments	<u>552,740</u>	<u>-</u>
Changes in allowances for lease commitments:		
	31 December 2023	31 December 2022
At the beginning of the year	-	1,635,983
Charged/(reversal) for the year	<u>552,740</u>	<u>(1,635,983)</u>
At the end of the year	<u>552,740</u>	<u>-</u>

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24 Share capital

	31 December 2023	31 December 2022
Issued		
300,000,000 ordinary shares of 1 USD each	300,000,000	-

300,000,000 ordinary shares of 1 USD each were issued at par to the shareholder of the Company.

25 Contingent liabilities

As at 31 December 2023 and 2022, the Group had no significant contingent liabilities.

26 Commitments

(a) Credit commitments

As at the balance sheet date, the credit commitments of the Group are as follows:

	31 December 2023	31 December 2022
Finance lease commitments	116,501,094	-

(b) Capital commitments

As at the balance sheet date, the capital commitments of the Group are USD430.65million (2022: Nil).

27 Related party transactions

(a) Transactions with related parties

During the year, the Group entered into financing transactions with related parties as followings:

China Construction Bank ("CCB")
CCB Financial Leasing Corporation Limited ("CCBFL") and subsidiaries
CCB Leasing (International) Corporation Designated Activity Company ("CCBLI")
China Construction Bank (Asia) Corporation Limited ("other related party")

Incomes and expenses arising from these transactions were as follows:

	Notes	2023	2022
Interest income with other related party	7	774,278	-
Interest expenses with CCBLI	8	39,662,488	23,035,653
Interest expenses with CCB	8	840,761	-
Interest expenses with CCBFL and subsidiaries	8	294,349	-
Operating expenses with CCBLI	12	968,400	312,993
Operating expenses with CCBFL	12	355,942	-
Operating expenses with CCB	12	535	-

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27 Related party transactions (continued)

(a) Transactions with related parties (continued)

The outstanding balances arising from related party transactions at the end of the reporting period were as follows:

	Notes	2023 31 December	2022 31 December
Cash and cash equivalents of CCB	15	5,118,346	-
Cash and cash equivalents of other related party	15	38,271,866	-
Receivables from CCBFL and subsidiaries	20	267,531,993	-
Receivables from CCBLI	20	86,124,873	7,353,753
Loans and borrowings from CCBLI	21	778,719,542	873,639,545
Loans and borrowings from CCB	21	221,126,268	-
Lease liability to other related party		800,985	-
Payables to CCBLI	22	926,313,086	1,036,198
Payables to CCBFL and subsidiaries	22	54,317,387	-
Payables to other related party	22	15,230	-

28 Fair value hierarchy of financial assets and liabilities

Management has assessed that the fair values of cash and cash equivalents, lease prepayments, interest payables and current portion of other financial assets and liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

Substantially most of the finance lease receivables and loans and borrowings, are on floating rate terms and bear interest at prevailing market interest rates and their carrying values are approximate to their fair values.

The fair values of the non-current portion of financial assets included in other receivables and non-current portion of financial liabilities included in other payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The differences between the carrying amounts and the fair values of those financial assets and liabilities are not significant.

29 Financial risk management objectives and policies

The Group's exposure to market risk (including interest rate risk and foreign currency risk, credit risk and liquidity risk arises in the normal course of its business. These risks are managed under the Group's financial management policies and practices described below:

Interest rate risk

The Group's exposure to interest rate risk relates principally to the Group's cash and cash equivalents, finance lease receivables, lease prepayments, short term and long term loans and borrowings. The Group mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facilities regularly. The Group has not used any interest rate swap to hedge its exposure to interest rate risk.

The table below demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in interest rates, with all other variables held constant.

The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on profit before tax, based on the financial assets and financial liabilities held at the end of each reporting period subject to repricing within the coming year.

	31 December 2023	31 December 2022
Change in basis points		
+ 100 basis points	2,923,800	661,731
– 100 basis points	(2,923,800)	(661,731)

Foreign currency risk

The Group's functional currency is USD. But there are still foreign exchange risks for the assets and liabilities denominated in dollars confirmed by the Group and the future transactions in dollars.

Assuming that the risk variables other than the exchange rate do not vary, the changes in the exchange rate of US dollar against EUR dollar on 31 December 2023 resulted in a 1% appreciation of US dollar, thus affecting profit before tax decreasing of USD 30,900 (2022: increasing of USD 73) and other comprehensive income decreasing of USD 42,157 (2022: decreasing of USD 15,663) of the Group.

Assuming that the risk variables other than the exchange rate do not vary, the changes in the exchange rate of US dollar against HK dollar on 31 December 2023 resulted in a 1% appreciation of USD, thus affecting profit before tax decreasing of USD 4,518 (2022: none profit before tax in HKD) of the Group.

Assuming that the risk variables other than the exchange rate do not vary, the changes in the exchange rate of US dollar against Chinese yuan on 31 December 2023 resulted in a 1% appreciation of US dollar, thus affecting profit before tax increasing of USD 1,411 (2022: increasing of USD 135) of the Group.

Credit risk

The Group's credit risk is primarily attributable to cash and equivalents, finance lease receivables, lease prepayments and other receivables.

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29 Financial risk management objectives and policies(continued)

Credit risk(continued)

The tables below show the maximum exposure to credit risk managed under the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2023 and 2022. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the non-cancellable credit commitment:

	31 December 2023	31 December 2022
Cash and cash equivalents	119,390,466	7,606,544
Finance lease receivables	1,165,716,095	984,463,850
Lease prepayments	450,438,143	-
Other assets	360,017,352	7,341,001
Total	2,095,562,056	999,411,395
Finance lease commitments	116,501,094	-

Liquidity risk

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and bank and other loans and borrowings.

The table below summarises the maturity profile of the Group's non-derivative financial liabilities (including non-cancellable credit commitment) at 31 December 2023 and 2022 based on contractual undiscounted payments including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period.

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29 Financial risk management objectives and policies(continued)

Liquidity risk (continued)

At 31 December 2023

	<i>On demand</i>	<i>Less than 1 Year</i>	<i>1 to 5 Years</i>	<i>More than 5 Years</i>	<i>Total</i>
Loans and borrowings	778,719,542	470,361,203	191,111,820	89,187,926	1,529,380,491
Others*	<u>986,759,377</u>	<u>767,676</u>	<u>1,458,921</u>	<u>1,360,670</u>	<u>990,346,644</u>
Total	<u>1,765,478,919</u>	<u>471,128,879</u>	<u>192,570,741</u>	<u>90,548,596</u>	<u>2,519,727,135</u>
Non-cancellable credit commitment	-	115,020,000	1,481,094	-	116,501,094

At 31 December 2022

	<i>On demand</i>	<i>Less than 1 Year</i>	<i>1 to 5 Years</i>	<i>More than 5 Years</i>	<i>Total</i>
Loans and borrowings	873,639,545	14,611,393	55,347,237	33,145,106	976,743,281
Others*	<u>1,036,198</u>	<u>28,151</u>	<u>-</u>	<u>-</u>	<u>1,064,349</u>
Total	<u>874,675,743</u>	<u>14,639,544</u>	<u>55,347,237</u>	<u>33,145,106</u>	<u>977,807,630</u>
Non-cancellable credit commitment	-	-	-	-	-

*Others includes partial accounts of other payables and lease liability.

Capital management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes for managing capital were made during the year ended 31 December 2023 and 2022.

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30 Statement of financial position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023
Assets	
Cash and cash equivalents	86,483,235
Property, plant and equipment	19,386
Loans to subsidiaries	152,562,427
Investments in subsidiaries	16,981,136
Deferred tax assets	137,983
Right-of-use assets	835,608
Other assets	490,152,569
Total assets	747,172,344
Liabilities	
Loans and borrowings	409,718,435
Other payables	29,801,449
Income tax payable	1,093,397
Lease liabilities	800,985
Total liabilities	441,414,266
Equity	
Share capital	300,000,000
Other reserves	5,758,078
Total equity	305,758,078
Total equity and liabilities	747,172,344



Director



Director

CCB SHIPPING AND AVIATION LEASING CORPORATION LIMITED
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31 Statement of profit or loss and other comprehensive income of the Company

Information about statement of profit or loss and other comprehensive income of the Company in the reporting period is as follows:

2023

Interest income	9,371,853
Interest expense	<u>(1,432,927)</u>
Net interest income	<u>7,938,926</u>
Operating income	<u>7,938,926</u>
Operating expenses	<u>(389,172)</u>
Operating profit before impairment	<u>7,549,754</u>
Credit impairment losses	<u>(836,263)</u>
Profit before income tax	<u>6,713,491</u>
Income tax expense	<u>(955,413)</u>
Net profit	<u>5,758,078</u>
Other comprehensive income	<u>-</u>
Total comprehensive income for the year	<u>5,758,078</u>

32 Events after the reporting period

The Group has evaluated subsequent events through 15 April 2024, the date at which these financial statements were available to be issued. There were no subsequent events that required adjustment to or disclosure in the financial statements.

33 Comparative Amounts

The comparative amounts in the consolidated financial statements is restated for periods prior to the business combination under common control, to reflect the combination as if it had occurred from the beginning of the earliest period presented, regardless of the actual date of the combination.

34 Approval of financial statements

The financial statements were approved and authorised by Directors on 15 April 2024.

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TRUSTEE

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