

IMPORTANT NOTICE

NOT FOR DISTRIBUTION INTO THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering circular (the “Offering Circular”) following this page, 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 the Issuer (as defined in the Offering Circular) 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 DESCRIBED IN THE OFFERING CIRCULAR 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 THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES 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. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED 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 FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS OFFERING CIRCULAR 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 IN THE OFFERING CIRCULAR.

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 purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to the Managers (as defined in the Offering Circular) and the Issuer (as defined in the Offering Circular) (1) that you and any customers you represent are not, and that the electronic mail address that you gave the Issuer and to which this e-mail has been delivered is not, located in the United States and (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto 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 jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person.

The materials relating to any offering of securities described in the Offering Circular do not constitute, and may not be used in connection with, an offer or solicitation by or on behalf of any of the Issuer or the Managers in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Managers or any affiliate of the Managers are licenced brokers or dealers in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Issuer 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 neither the Managers or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them 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 Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The Offering Circular is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the Offering Circular.

Actions that you may not take: If you receive this notice by e-mail, you should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.



AVIC INTERNATIONAL LEASING CO., LTD.

(中航國際融資租賃有限公司)

(Incorporated with limited liability in the People's Republic of China)

CNY1,100,000,000 3.75 per cent. Green Bonds due 2026

Issue Price: 100.00 per cent.

The CNY1,100,000,000 3.75 per cent. green bonds due 2026 (the "Bonds") will be issued by AVIC International Leasing Co., Ltd. (中航國際融資租賃有限公司) (the "Issuer"), a company incorporated with limited liability in the People's Republic of China (the "PRC").

The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) (*Negative Pledge*) of the terms and conditions of the Bonds (the "Terms and Conditions")) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) (*Negative Pledge*) of the Terms and Conditions, at all times rank at least equally with all other present and future unsecured and unsubordinated indebtedness and monetary obligations of the Issuer.

The Bonds will be constituted by and have the benefit of, a deed of covenant (as amended and/or supplemented from time to time, the "Deed of Covenant") dated 31 March 2023 executed by the Issuer relating to the Bonds. The Bonds will bear interest on their outstanding principal amount from and including 31 March 2023 (the "Issue Date") at the rate of 3.75 per cent. per annum, payable in arrear on 31 March in each year (each an "Interest Payment Date") commencing on 31 March 2024.

The PRC government (including the State-owned Assets Supervision and Administration Commission of the State Council of the PRC ("SASAC") and other PRC governmental entities) and other entities owned or controlled by the PRC government (such as Aviation Industry Corporation of China, Ltd. (中國航空工業集團有限公司) ("AVIC")) shall under no circumstances have any payment or other obligations arising out of or in connection with the Bonds, the Deed of Covenant or the Agency Agreement (as defined in the Terms and Conditions) and will not provide guarantee of any kind for the Bonds. Bondholders (as defined in the Terms and Conditions) shall have no recourse against the PRC government (including SASAC and other PRC governmental entities) or any other entities owned or controlled by the PRC government (such as AVIC) in respect of any obligation arising out of or in connection with the Bonds, the Deed of Covenant or the Agency Agreement. The Bonds are solely to be repaid by the Issuer and all of the payment and other obligations arising out of or in connection with the Bonds, the Deed of Covenant and the Agency Agreement shall be solely fulfilled by the Issuer as an independent legal person. See "Risk Factors – Risks relating to the Group – Neither the PRC government (including SASAC and other PRC governmental entities) nor any other entities owned or controlled by the PRC government (such as AVIC) is an obligor. The PRC government (including SASAC and other PRC governmental entities) and other entities owned or controlled by the PRC government (such as AVIC) shall under no circumstances have any payment or other obligations arising out of or in connection with the Bonds, the Deed of Covenant or the Agency Agreement and will not provide guarantee of any kind for the Bonds".

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (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(發改外資[2015]2044號)) (the "NDRC Circular") issued by the National Development and Reform Commission of the PRC ("NDRC") on 14 September 2015 and came into effect on the same day, the Issuer has registered the issuance of the Bonds with NDRC and obtained the Enterprise Foreign Debt Registration Certificate dated 1 April 2022 as amended, varied and/or supplemented by the letter from NDRC dated 23 February 2023 (the "NDRC Certificate") in respect of the issuance of the Bonds. The Issuer intends to, within the prescribed time periods (as applicable), file or cause to be filed with NDRC the requisite information and documents pursuant to the applicable PRC laws, rules and regulations. See "Terms and Conditions of the Bonds – Notification to NDRC".

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 31 March 2026 (the "Maturity Date"). At any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 13 (*Notices*) (which shall be irrevocable) and in writing to the Principal Paying Agent, the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, at their principal amount (together with any unpaid interest accrued up to (but excluding) the date fixed for redemption) if (i) the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of the PRC (including the China (Shanghai) Pilot Free Trade Zone (the "Shanghai FTZ")) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 28 March 2023, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it. Following the occurrence of a Change of Control Event (as defined in the Terms and Conditions), the Holder (as defined in the Terms and Conditions) of any Bond will have the right, at such Holder's option, to require the Issuer to redeem all, but not some only, of such Holder's Bonds on the Change of Control Put Date (as defined in the Terms and Conditions) at 101 per cent. of their principal amount, together with accrued and unpaid interest up to (but excluding) the Change of Control Put Date. See "Terms and Conditions of the Bonds – Redemption and Purchase".

As there are currently no specific regulations or guidelines relating to the issuance of cross-border debt securities in the Shanghai FTZ, there are some uncertainties regarding the interpretation and application of the PRC taxation and foreign exchange related laws and regulations relating to the Bonds. See "PRC Currency Controls", "Taxation", "Risk Factors – Risks relating to the Bonds – Gains on the transfer of the Bonds between PRC Bondholders shall be subject to income tax and value-added tax under PRC tax laws, and gains on the transfer of the Bonds between overseas Bondholders and interest payable by the Issuer to overseas Bondholders may be subject to income tax and value-added tax under PRC tax laws" and "Risk Factors – Risks relating to the Bonds – Stamp duties may also be imposed during the issuance and transfer of the Bonds". Investors should consult their own legal and tax advisers as needed before making any investment decision.

For a more detailed description of the Bonds, see "Terms and Conditions of the Bonds" beginning on page 69 of this Offering Circular.

The Bonds will be issued in registered form and in the specified denomination of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof.

The Bonds are being issued as "Green Bonds" under the Issuer's sustainable financing framework (the "Sustainable Financing Framework"). See "Sustainable Financing Framework Overview" beginning on page 93 of this Offering Circular.

The Bonds are offered to professional investors only and are not suitable for retail investors. Investors should not purchase the Bonds in the primary or secondary markets unless they are professional investors. The Bonds are complex financial instruments and are not a suitable or appropriate investment for all investors. Investing in the Bonds involves risks. Prospective investors should read this Offering Circular in its entirety, in particular the section entitled "Risk Factors" beginning on page 16 of this Offering Circular for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N15: Notice on Recommendations on Investment Products).

Approval in-principle has been received for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission of any Bonds to the Official List of, and the quotation of any Bonds on, the SGX-ST are not to be taken as indications of the merits of the Issuer and the Group or such Bonds. Approval in-principle has been received for the Bonds to be recognised under the SGX Sustainable Fixed Income initiative on the SGX-ST. Recognition under the SGX Sustainable Fixed Income initiative does not guarantee that the Bonds will satisfy any investor's expectations or requirements on its sustainability-related performance or impact. The SGX-ST may remove the recognition from the Bonds at its discretion. The latest list of fixed income securities that have been granted recognition under the SGX Sustainable Fixed Income initiative is available at the SGX website. For so long as any Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, such Bonds if traded, will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies).

The Bonds 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 the Bonds may not be offered or sold within the United States 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. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "Subscription and Sale" beginning on page 165 of this Offering Circular.

The Bonds will initially be issued in registered uncertificated book-entry form entered in China Central Depository & Clearing Co., Ltd. (中央國債登記結算有限責任公司) ("CCDC") on or about the Issue Date, with CCDC entered in the Register (as defined in the Terms and Conditions) as the sole registered holder on behalf of the persons notionally entitled thereto. Beneficial interests in the Bonds will be shown on, and transfers thereof will be effected only through, records maintained by CCDC. No certificate or other evidence of title, other than the Deed of Covenant, will be issued by, or on behalf of, the Issuer to evidence title to a Bond unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Bank of Communications

DBS Bank Ltd.

Haitong Bank

Hua Xia Bank Co., Limited
Hong Kong Branch

ICBC

Industrial Bank Co., Ltd.
Hong Kong Branch

Luso Bank Ltd.

OCBC Bank

ABC International

BOSC International

CEB International

China Securities International

Guosen Securities (HK)

Guotai Junan International

Haitong International

Shenwan Hongyuan (H.K.)

Joint Lead Manager and Joint Bookrunner

Shanghai Pudong Development Bank Hong Kong Branch

Joint Green Finance Structuring Advisers

Haitong International

DBS Bank Ltd.

Offering Circular dated 28 March 2023

NOTICE TO INVESTORS

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR ANY OF ITS SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS AT ANY DATE SUBSEQUENT TO THE DATE HEREOF.

Listing of the Bonds on the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Group (as defined below) or the Bonds. In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering of the Bonds, 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 Bonds.

The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirm, 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. Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult their advisers.

The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Issuer and its subsidiaries (collectively, the “**Group**”) and the Bonds which is material in the context of the issue and offering of the Bonds (including the information which is required by applicable laws of Hong Kong or the PRC and according to the particular nature of the Issuer and the Bonds is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and the Group); (ii) the statements relating to the Issuer and the Group contained in this Offering Circular, are in every material particular true and accurate and not misleading; (iii) the opinions and intentions relating to the Issuer and the Group expressed in this Offering Circular are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Group or the Bonds, the omission of which would, in the context of the issue and offering of the Bonds make any statement in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular.

The Issuer has prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of Bank of Communications Co., Ltd. Hong Kong Branch, DBS Bank Ltd., Haitong Bank, Macau Branch, Hua Xia Bank Co., Limited Hong Kong Branch, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China Limited, Singapore Branch, Industrial and Commercial Bank of China (Macau) Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Luso International Banking Limited, Oversea-Chinese Banking Corporation Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, ABCI Capital Limited, BOSCO International Company Limited, CEB International Capital Corporation Limited, China Securities (International) Corporate Finance Company Limited, Guosen Securities (HK) Capital Company Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited and Shenwan Hongyuan Securities (H.K.) Limited (together, the “**Managers**”) or the Issuer to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes

are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Hong Kong, the PRC, Singapore, Macau and Japan and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see “*Subscription and Sale*”. By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Bonds. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group or the Bonds 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 Group, the Managers or the Agents (as defined in the Terms and Conditions) or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds 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 or the Group 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 Group, the Managers or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them to subscribe for or purchase the Bonds 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.

None of the Managers or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them has independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Managers or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them, as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Bonds. Nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Managers or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them. 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 any of the Issuer, the Group, the Managers or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them that any recipient of this Offering Circular should purchase the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the merits and risks involved in investing in the Bonds. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Managers or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them accepts any responsibility for the contents of this Offering Circular and assume no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Managers or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them or on their behalf in connection with the Issuer or the issue and offering of the Bonds. Each of the Managers and the Agents and any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them 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 Managers or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them undertakes to review the results of operations, financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or prospective investor in the Bonds of any information coming to the attention of the Managers or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them.

***Singapore SFA Product Classification** – In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a “**distributor**”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

IN CONNECTION WITH THIS OFFERING, ANY OF THE MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (THE “STABILISATION MANAGER”) OR ANY PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER MAY, SUBJECT TO ALL APPLICABLE LAWS, OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE(S) OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL, PROVIDED THAT HAITONG BANK, MACAU BRANCH AND INDUSTRIAL BANK CO., LTD. HONG KONG BRANCH SHALL NOT BE APPOINTED AND ACTING IN SUCH CAPACITY. HOWEVER, THERE CAN BE NO ASSURANCE THAT THE STABILISATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER) WILL UNDERTAKE ANY STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME AND MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS.

Any of the Managers and their respective affiliates may purchase the Bonds 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 Bonds and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of the Bonds 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 Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Furthermore, investors in the Bonds may include entities affiliated with the Group.

Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT – IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

Prospective investors should be aware that certain intermediaries in the context of the offering of the Bonds, including certain Managers, are “capital market intermediaries” (together, the “**CMI**s”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “**Code**”). This notice to prospective investors is a summary of certain obligations the Code imposes on such CMI^s, which require the attention and cooperation of prospective investors. Certain CMI^s may also be acting as “overall coordinators” (together, the “**OC**s”) for this offering and are subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the Code as having an association (an “**Association**”) with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this 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 this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this 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 CMI^s). If a prospective investor is an asset management arm affiliated with any Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Manager 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 CMI^s in accordance with the Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a “proprietary order”. If a prospective investor is otherwise affiliated with any Manager, such that its order may be considered to be a “proprietary order” (pursuant to the Code), such prospective investor should indicate to the relevant Manager 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 such 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 this offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMI (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 Managers and/or any other third parties as may be required by the Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the Code, it being understood and agreed that such information shall only be used for the purpose of complying with the Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

WARNING

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

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts used throughout this Offering Circular have been obtained based on, among other sources, internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable and accurate but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Group, the Managers or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them makes any representation as to the correctness, accuracy or completeness of such information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains audited consolidated financial information of the Issuer as at 1 January 2020 and 2021 and 31 December 2021 and for the years ended 31 December 2019, 2020 and 2021. The audited consolidated financial information of the Issuer as at 1 January 2020 and for the year ended 31 December 2019 has been extracted from, should be read in conjunction with and is qualified in its entirety by reference to the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2020 included elsewhere in this Offering Circular (the “**2020 Audited Consolidated Financial Statements**”), including the notes thereto and the audit report in respect of the 2020 Audited Consolidated Financial Statements included elsewhere in this Offering Circular, and the audited consolidated financial information of the Issuer as at 1 January 2021 and 31 December 2021 and for the years ended 31 December 2020 and 2021 has been extracted from, should be read in conjunction with and is qualified in its entirety by reference to the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2021 included elsewhere in this Offering Circular (the “**2021 Audited Consolidated Financial Statements**”), and together with the 2020 Audited Consolidated Financial Statements, the “**Audited Consolidated Financial Statements**”), including the notes thereto and the audit report in respect of the 2021 Audited Consolidated Financial Statements included elsewhere in this Offering Circular. The 2020 Audited Consolidated Financial Statements have been audited by Zhongshenzhonghuan Certified Public Accountants (Special General Partnership) (formerly known as Mazars Certified Public Accountants (Special General Partnership)) (“**ZSZH**”) and the 2021 Audited Consolidated Financial Statements have been audited by Da Hua Certified Public Accountants (Special General Partnership) (“**DH**”).

This Offering Circular also contains unaudited but reviewed consolidated financial information of the Issuer as at and for the six months ended 30 June 2021 and 2022, which has been extracted from, should be read in conjunction with and is qualified in its entirety by reference to the unaudited but reviewed consolidated financial statements of the Issuer as at and for the six months ended 30 June 2022 included elsewhere in this Offering Circular (the “**Reviewed Consolidated Interim Financial Statements**”, and together with the Audited Consolidated Financial Statements, the “**Historical Financial Statements**”), including the notes thereto and the review report in respect of the Reviewed Consolidated Interim Financial Statements included elsewhere in this Offering Circular. The Reviewed Consolidated Interim Financial Statements have been reviewed by DH. The Reviewed Consolidated Interim Financial Statements have not been audited by ZSZH, DH or any other independent auditors. Consequently, the Reviewed Consolidated Interim Financial Statements should not be relied upon by prospective investors to provide the same quality of information associated with information that has been subject to an audit. None of the Managers or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them makes any representation or warranty, express or implied, regarding the accuracy, completeness or sufficiency of the Reviewed Consolidated Interim Financial Statements for an assessment of, and prospective investors must exercise caution when using such data to evaluate, the Issuer’s or the Group’s financial condition and results of operations. In addition, the Reviewed Consolidated Interim Financial Statements should not be taken as an indication of the Issuer’s or the Group’s expected financial condition or results of operations for the full financial year ending 31 December 2022.

The Historical Financial Statements are in the Chinese language and have been translated into English (the “**Financial Statements Translation**”) for inclusion in this Offering Circular for reference purposes only. Should there be any inconsistency between the Historical Financial Statements and the Financial Statements Translation, the Historical Financial Statements shall prevail. The Financial Statements Translation does not itself constitute audited or reviewed financial statements, and is qualified in its entirety by, and is subject to, the financial information set out or referred to in, the Historical Financial Statements. Although the accuracy of the Historical Financial Statements and the Financial Statements Translation has been independently verified by ZSZH and DH (as the case may be), none of the Managers or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them has independently verified or checked the accuracy of the Historical Financial Statements and the Financial Statements Translation and there can be no assurance that the information contained in the Historical Financial Statements or the Financial Statements Translation is accurate, truthful or complete.

The Historical Financial Statements are English translations of the Chinese versions of the same. The Historical Financial Statements were prepared and presented in accordance with Accounting Standards for Business Enterprises in the PRC (“**PRC GAAP**”) as promulgated by MOF from time to time. The Issuer has not prepared the Historical Financial Statements in accordance with International Financial Reporting Standards (“**IFRS**”) and has not prepared any reconciliation of its consolidated financial information and its consolidated financial statements and related footnotes between PRC GAAP and other generally accepted accounting principles. PRC GAAP differs in certain material respects from IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see “*Summary of Certain Differences Between PRC GAAP and IFRS*”. Prospective investors must exercise caution and should seek advice from their own professional advisers if they have doubts about the differences.

The scope of consolidation of the Issuer’s consolidated financial statements changes from time to time. See “Notes to the Financial Statements – VII Business Combination and Financial Statement Consolidation” of the 2020 Audited Consolidated Financial Statements, “Notes to Financial Statements in 2021 – VII Business Combination and Financial Statement Consolidation” of the 2021 Audited Consolidated Financial Statements and “Notes to Financial Statements from January to June in Year 2022 – VII Business Combination and Financial Statement Consolidation” of the Reviewed Consolidated Interim Financial Statements. In addition, MOF had promulgated certain new accounting standards and requirements in relation to financial statements (the “**New Accounting Standards and Requirements**”) and certain financial figures in the Audited Consolidated Financial Statements were reassessed and/or adjusted as a result of the promulgation of the New Accounting Standards and Requirements. See “Notes to the Financial Statements – V Significant changes in accounting policies, accounting estimates and correction of errors in prior periods – 1. Changes in accounting policies” of the 2020 Audited Consolidated Financial Statements and “Notes to Financial Statements in 2021 – V Significant changes in accounting policies, accounting estimates and correction of errors in prior periods” of the 2021 Audited Consolidated Financial Statements. As a result, the presentation of certain accounting items in the Historical Financial Statements may not be comparable to the financial information in the consolidated financial statements of the Issuer for the previous periods. As the scope of consolidation of the Issuer’s consolidated financial statements may change from time to time and MOF may promulgate new accounting standards and requirements in relation to financial statements from time to time, there can be no assurance that such changes in scope of consolidation or new accounting standards and requirements would not materially and adversely affect the Issuer’s or the Group’s accounting policies or the presentation of the Issuer’s consolidated financial statements. Accordingly, prospective investors must exercise caution and should seek advice from their own professional advisers if necessary when using the Issuer’s consolidated financial information to evaluate the Issuer’s or the Group’s financial performance.

This Offering Circular includes figures relating to EBITDA. EBITDA is not a standard measure under PRC GAAP or IFRS, should not be taken as an indication of the Issuer’s or the Group’s financial condition or results of operations and should not be considered in isolation of or be construed as a substitute or alternative to operating revenue, net profit, cash flows or any other measure of performance or as an indicator of the operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities of the Issuer or the Group. EBITDA does not provide a sufficient basis for an assessment of the Issuer’s or the Group’s financial condition or results of operations and prospective investors should not use EBITDA in isolation of or as a substitute or alternative to the Historical Financial Statements. Other companies, including those in the industries in which the Group operates, may calculate EBITDA in a different manner. Prospective investors should not compare the Group’s EBITDA to other similarly titled measures presented by other companies as not all companies calculate EBITDA in the same manner. Prospective investors must exercise caution and should seek advice from their own professional advisers if they have doubts about EBITDA.

ROUNDING

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 or totals of numbers in charts or diagrams 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.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to the “**PRC**” or “**China**” are to the People’s Republic of China and, for the purposes of this Offering Circular only, excludes Hong Kong, Macau and Taiwan; 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 “**United States**” or “**U.S.**” are to the United States of America; references to “**Renminbi**” or “**CNY**” are to the lawful currency of the PRC; and references to “**U.S.\$**”, “**U.S. dollars**” or “**the U.S. dollar**” are to the lawful currency of the United States.

Historical amounts translated into Renminbi have been translated at historical rates of exchange. Such translations should not be construed as representations that the amounts referred to in this Offering Circular could have been or could be converted into Renminbi at those rates, at any other rate, or at all. In addition, no representation is made that the Renminbi amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars, or *vice versa*, at any particular rate, or at all.

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 in this Offering Circular for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to:

- “**AVIC**” are to Aviation Industry Corporation of China, Ltd. (中國航空工業集團有限公司);
- “**AVIC Industry-Finance**” are to AVIC Industry-Finance Holdings Co., Ltd. (中航工業產融控股股份有限公司);
- “**CBIRC**” are to the China Banking and Insurance Regulatory Commission of the PRC and its local counterparts;
- “**CCDC**” are to China Central Depository & Clearing Co., Ltd. (中央國債登記結算有限責任公司);
- “**Leased asset scale**” include long-term receivables, long-term receivables due within one year, book value of fixed assets and prepayment for purchase of financial and operating leasing assets;
- “**MOF**” are to the Ministry of Finance of the PRC and its local counterparts;
- “**MOFCOM**” are to the Ministry of Commerce of the PRC and its local counterparts;
- “**NDRC**” are to the National Development and Reform Commission of the PRC and its local counterparts;
- “**PBOC**” are to the People’s Bank of China, the central bank of the PRC;
- the “**PRC government**” are to the central government of the PRC and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them;
- “**SAFE**” are to the State Administration of Foreign Exchange of the PRC and its local counterparts;
- “**SASAC**” are to the State-owned Assets Supervision and Administration Commission of the State Council of the PRC or its successor;
- “**SAT**” are to the State Administration of Taxation of the PRC and its local counterparts; and
- the “**State Council**” are to the State Council of the PRC.

FORWARD-LOOKING STATEMENTS

The Issuer has made certain forward-looking statements in this Offering Circular. All statements other than statements of historical facts contained in this Offering Circular constitute “forward-looking statements”. Some of these statements can be identified by forward-looking terms, such as “anticipate”, “target”, “believe”, “can”, “would”, “could”, “estimate”, “expect”, “aim”, “intend”, “may”, “plan”, “will” or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements relating to the business strategy, operating revenue, income, profitability, planned projects and other matters of the Issuer and/or the Group as discussed in this Offering Circular and/or any other matters that are not historical facts. These forward-looking statements and any other projections contained in this Offering Circular (whether made by the Issuer or by any third party) involve known and unknown risks, including but not limited to those discussed in “*Risk Factors*”, uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer or the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or projections.

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

The factors that could cause the actual results, performances and achievements of the Issuer, the Group or any other member of the Group to be materially different include, among others:

- the Group’s ability to successfully implement its business plans and strategies;
- various business opportunities that the Group may pursue;
- the financial condition, performance and business prospects of the Group;
- the Group’s capital expenditure plans and its ability to carry out those plans;
- the Group’s ability to control costs;
- the Group’s access to and cost of capital and other forms of financing;
- changes in the competition landscape in the industries and markets in which the Group operates and the actions and developments of the Group’s competitors;
- changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions in which the Group operates and the rules, regulations and policies of SASAC and other relevant governmental authorities relating to all aspects of the Group’s business;
- the general economic, political and business conditions and competitive environment, including those related to the PRC and globally;

- changes or volatility in interest rates, foreign exchange rates, taxes and duties, equity prices or other rates or prices, including those pertaining to the PRC and the industries and markets in which the Group operates;
- fluctuations in prices of and demand for products and services that the Group provides;
- macroeconomic measures taken by the PRC government to manage economic growth;
- natural disasters, industrial actions, terrorist attacks, outbreak, epidemic and/or pandemic of (or the escalation and/or intensification of any outbreak, epidemic and/or pandemic of) infectious or contagious diseases and/or other adverse public health developments and other events beyond the Group's control;
- other risks associated with the industries and markets in which the Group operates; and
- other factors, including but not limited to those discussed in “*Risk Factors*” and elsewhere in this Offering Circular.

The Issuer does not undertake any obligation to update or revise (or release any updates or revisions thereof) any of the opinions or forward-looking statements in this Offering Circular, whether as a result of any new information, future events or otherwise. The Issuer cautions investors not to place undue reliance on these forward-looking statements which reflect its managements' view only as at the date of this Offering Circular and do not guarantee any of the Issuer's or the Group's future performance. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur in the way the Issuer expected, or at all, and the actual results of the Issuer or the Group could differ materially from those anticipated in these forward-looking statements. All forward-looking statements contained in this Offering Circular are qualified by reference to the cautionary statements set out in this “*Forward-looking Statements*” section.

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SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. This summary does not contain all of the information that may be important to prospective investors. Words and expressions defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should read this Offering Circular in its entirety, including but not limited to the “Risk Factors” section and the Historical Financial Statements (including the notes thereto and the audit and review reports in respect of the Historical Financial Statements included elsewhere in this Offering Circular), before making an investment decision.

DESCRIPTION OF THE GROUP

The Group is principally engaged in the leasing business in the PRC and provides a diverse array of financial leasing and operating leasing services, primarily focusing on the aircraft, shipping, urban infrastructure and equipment sectors. It has also been actively expanding into the green leasing and ESG leasing markets in recent years. The Issuer was one of the first PRC leasing companies approved by MOFCOM and SAT. As at 30 June 2022, the Issuer was one of the leading leasing companies in the PRC and was one of the largest domestic leasing companies which provide both general aircraft and regional aircraft leasing services to its customers. In addition, the Issuer believes that the Group had one of the largest networks of airline customers in the PRC as at 30 June 2022.

As at 30 June 2022, AVIC indirectly held approximately 43.77 per cent. of the issued share capital of the Issuer. AVIC is one of the central state-owned enterprises directly supervised by SASAC, focusing on aerospace and defence. Through its subsidiaries and affiliates in the PRC and overseas, AVIC’s businesses principally cover defence, transport aircraft, engines, helicopters, avionics and systems, general aviation, aviation research, flight test, trade and logistics, asset management, finance services, engineering planning and construction and automobile. As at 30 June 2022, AVIC’s group consisted of a number of listed companies. AVIC had been named in the “Global 500” published by Fortune magazine for 14 consecutive years and ranked 144th on the list in 2022. As at the date of this Offering Circular, AVIC ranks the fourth among the industrial manufacturing enterprises owned by SASAC in the PRC. With its extensive customer base and supplier network, established relationship with local governments and other state-owned enterprises, in-depth industry knowledge, strong brand recognition and experienced management, AVIC provides the Group with valuable support for the development of its business. As at 30 June 2022, the Issuer was the only leasing platform operating under the financial services business segment of AVIC.

As at 30 June 2022, the Group’s leased asset scale reached approximately CNY164.71 billion. As at 30 June 2022, the leased asset scale of the Group’s operating leasing business and the Group’s financial leasing business amounted to approximately CNY20.37 billion and CNY144.34 billion, respectively. In terms of leased asset scale, the Issuer ranked first and eighth among the domestic leasing companies (excluding Bohai Leasing Co., Ltd.) and all domestic and foreign leasing companies (excluding Bohai Leasing Co., Ltd.), respectively, in the PRC as at 30 June 2022.

For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, the Group reported total consolidated revenue from operations of approximately CNY10,076.85 million, CNY10,125.86 million, CNY10,303.45 million, CNY4,678.59 million and CNY4,693.84 million, respectively, and consolidated net profit of approximately CNY1,711.21

million, CNY1,974.09 million, CNY1,990.59 million, CNY995.66 million and CNY1,013.92 million, respectively. As at 1 January 2020, 1 January 2021, 31 December 2021 and 30 June 2022, the total consolidated assets of the Group amounted to approximately CNY148,755.70 million, CNY158,759.96 million, CNY167,583.66 million and CNY176,831.88 million, respectively.

COMPETITIVE STRENGTHS

The Issuer believes that the Group has the following competitive strengths:

- significant growth potential in the PRC financial leasing industry;
- strong shareholder support from AVIC and AVIC Industry-Finance;
- leading position in the PRC financial leasing industry with an extensive and diverse customer base;
- diversified business portfolio;
- diverse aircraft leasing services;
- able to provide customised and integrated financial services to its customers;
- access to multiple financing channels, strong balance sheet and prudent financial management;
- comprehensive and robust risk management systems; and
- experienced management team.

BUSINESS STRATEGIES

The Issuer intends to implement the following principal strategies to support the further development of the Group's business:

- to further strengthen the Group's leading market position in the aircraft leasing industry by acquiring aircraft in strong demand at competitive prices and by expanding its client base;
- to strive to be cost competitive and prudently promote its business in the ship leasing sub-sector;
- to continue to strengthen the Group's market position in the equipment leasing sub-sector;
- to explore business opportunities in other industries in the PRC;
- to continue to diversify financing channels and optimise capital structure;
- to further leverage the Group's relationship with AVIC and the Issuer's subsidiaries and affiliates and the strong support from AVIC; and
- to continue to strengthen risk management and corporate governance capabilities.

RECENT DEVELOPMENTS

The COVID-19 Pandemic.

The COVID-19 pandemic has caused substantial disruptions in the PRC and international economies and markets as well as additional uncertainties in the Group's operating environment. Since late 2022, the PRC government has begun to relax its COVID-19 related restrictive measures in the PRC, including cancellation of lockdown and quarantine measures. Following the change of policy, there has been a spike in the number of COVID-19 cases across the PRC. The Group has been closely monitoring the impact of the COVID-19 pandemic on the Group's businesses and will keep its contingency measures and risk management under review as the situation evolves. See "*Risk Factors – Risks relating to the Group – The Group's business, financial condition, results of operations and prospects have been and may continue to be adversely affected by the COVID-19 pandemic*" and "*Risk Factors – Risks relating to the Group – The Group's operations are subject to force majeure events, political unrest or civil disobedience movements, natural disasters and outbreaks or pandemic of contagious diseases and other disasters*" for further information.

The Group has incurred a substantial amount of indebtedness since 30 June 2022.

The Group has incurred a substantial amount of indebtedness (including short-term indebtedness and long-term indebtedness) since 30 June 2022. For example, the Group recorded increases in, among others, short-term borrowings and long-term borrowings as at 31 December 2022 and the Issuer has issued onshore debt securities (excluding perpetual securities) in an aggregate principal amount of approximately CNY3.9 billion and perpetual securities in an aggregate principal amount of approximately CNY1.26 billion since 30 June 2022.

THE OFFERING

The following is a brief summary of the offering 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 “Terms and Conditions of the Bonds” and “Summary of Provisions relating to the Bonds Held in CCDC” shall have the same meanings when used in this summary. For a more complete description of the terms and conditions of the Bonds, see “Terms and Conditions of the Bonds”.

| | |
|------------------------------------|--|
| Issuer | AVIC International Leasing Co., Ltd. (中航國際融資租賃有限公司). |
| The Bonds | CNY1,100,000,000 3.75 per cent. green bonds due 2026. |
| CCDC Code | G238078. |
| Issue Price | The Bonds will be issued at 100.00 per cent. of their principal amount. |
| Form and Denomination | The Bonds will be issued in registered form and in the specified denomination of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof. No certificate or other evidence of title, other than the Deed of Covenant, will be issued by, or on behalf of, the Issuer to evidence title to a Bond unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation. |
| Issue Date | 31 March 2023. |
| Interest | The Bonds will bear interest on their outstanding principal amount from and including 31 March 2023 at the rate of 3.75 per cent. per annum, payable in arrear on 31 March in each year commencing on 31 March 2024. |
| Maturity Date | 31 March 2026. |
| Status of the Bonds | The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) (<i>Negative Pledge</i>) of the Terms and Conditions) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) (<i>Negative Pledge</i>) of the Terms and Conditions, at all times rank at least equally with all other present and future unsecured and unsubordinated indebtedness and monetary obligations of the Issuer. |

The PRC government (including SASAC) and other PRC governmental entities) and other entities owned or controlled by the PRC government (such as AVIC) shall under no circumstances have any payment or other obligations arising out of or in connection with the Bonds, the Deed of Covenant or the Agency Agreement and will not provide guarantee of any kind for the Bonds. Bondholders shall have no recourse against the PRC government (including SASAC and other PRC governmental entities) or any other entities owned or controlled by the PRC government (such as AVIC) in respect of any obligation arising out of or in connection with the Bonds, the Deed of Covenant or the Agency Agreement. The Bonds are solely to be repaid by the Issuer and all of the payment and other obligations arising out of or in connection with the Bonds, the Deed of Covenant and the Agency Agreement shall be solely fulfilled by the Issuer as an independent legal person.

Negative Pledge The Bonds will contain a negative pledge provision as further described in Condition 4(a) (*Negative Pledge*) of the Terms and Conditions.

Green Bonds. The Bonds are being issued as “Green Bonds” under the Sustainable Financing Framework. See “*Sustainable Financing Framework Overview*”.

Events of Default The Bonds will contain certain events of default provisions as further described in Condition 9 (*Events of Default*) of the Terms and Conditions.

Taxation All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC (including the China (Shanghai) Pilot Free Trade Zone) or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

If the Issuer is required to make a deduction or withholding by or within the PRC (including the China (Shanghai) Pilot Free Trade Zone) or any political subdivision or any authority therein or thereof having power to tax, the Issuer shall pay such additional amounts (“**Additional Tax Amounts**”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond (i) to a Holder (as defined in the Terms and Conditions) (or to a third party on behalf of a Holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his PRC tax residency status or his having some connection with the PRC (including the China (Shanghai) Pilot Free Trade Zone) other than the mere holding of the Bond; or (ii) to a Holder (or to a third party on behalf of a Holder) who would not be otherwise liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been duly requested to make such a declaration or claim, such Holder fails to do so within any applicable period prescribed by such relevant tax authority.

Final Redemption Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.

Redemption for Change of Control Event Following the occurrence of a Change of Control Event, the Holder of any Bond will have the right, at such Holder’s option, to require the Issuer to redeem all, but not some only, of such Holder’s Bonds on the Change of Control Put Date (as defined in the Terms and Conditions) at 101 per cent. of their principal amount, together with accrued and unpaid interest up to (but excluding) the Change of Control Put Date, as further described in Condition 6(c) (*Redemption for Change of Control Event*) of the Terms and Conditions.

Redemption for Taxation Reasons The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”) to the Bondholders in accordance with Condition 13 (*Notices*) (which shall be irrevocable) and in writing to the Principal Paying Agent, at their principal amount (together with any unpaid interest accrued up to (but excluding) the date fixed for redemption) if:

- (i) the Issuer has or will become obliged to pay Additional Tax Amounts as a result of any change in, or amendment to, the laws or regulations of the PRC (including the China (Shanghai) Pilot Free Trade Zone) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 28 March 2023; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due, as further described in Condition 6(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions.

Further Issues The Issuer may from time to time without the consent of the Bondholders create and issue further bonds constituted by a deed supplemental to the Deed of Covenant and having the same terms and conditions as the Bonds in all respects (or in all respects save for the date of issue, the first payment of interest on them and if applicable, the timing for making of the NDRC Post-issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds, as further described in Condition 12 (*Further Issues*) of the Terms and Conditions.

Clearing and Settlement The Bonds will initially be issued in registered uncertificated book-entry form entered in CCDC on or about the Issue Date, with CCDC entered in the Register as the sole registered holder on behalf of the persons notionally entitled thereto. Beneficial interests in the Bonds will be shown on, and transfers thereof will be effected only through, records maintained by CCDC. No certificate or other evidence of title, other than the Deed of Covenant, will be issued by, or on behalf of, the Issuer to evidence title to a Bond unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

So long as the Bonds are entered in CCDC, notices to the Bondholders shall be validly given by the delivery of the relevant notice to CCDC for communication by it to the persons who have an interest in the Bonds (as shown in the books and records of CCDC) in substitution for notification as required by the Terms and Conditions and shall be deemed to have been given on the date of delivery to CCDC.

**Principal Paying Agent,
Registrar and Transfer
Agent**

China Central Depository & Clearing Co., Ltd. (中央國債登記
結算有限責任公司).

Governing Law

English law.

Jurisdiction

Exclusive jurisdiction of the Hong Kong courts.

Listing

Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. For so long as any Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, such Bonds, if traded, will be traded on the SGX-ST in a board lot size of at least S\$200,000 (or its equivalent in other currencies).

Selling Restrictions

The Bonds have not been, and will not be, registered under the Securities Act, or the securities laws of any state of the United States or other jurisdiction, are being offered only outside the United States in reliance of Regulation S of the Securities Act and will be subject to customary restrictions on transfer and resale. See "*Subscription and Sale*".

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

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

The summary audited consolidated financial information of the Issuer as at 1 January 2020 and for the year ended 31 December 2019 set forth below has been extracted from, should be read in conjunction with and is qualified in its entirety by reference to the 2020 Audited Consolidated Financial Statements, including the notes thereto and the audit report in respect of the 2020 Audited Consolidated Financial Statements included elsewhere in this Offering Circular, and the summary audited consolidated financial information of the Issuer as at 1 January 2021 and 31 December 2021 and for the years ended 31 December 2020 and 2021 set forth below has been extracted from, should be read in conjunction with and is qualified in its entirety by reference to the 2021 Audited Consolidated Financial Statements, including the notes thereto and the audit report in respect of the 2021 Audited Consolidated Financial Statements included elsewhere in this Offering Circular. The 2020 Audited Consolidated Financial Statements have been audited by ZSZH and the 2021 Audited Consolidated Financial Statements have been audited by DH.

The summary unaudited but reviewed consolidated financial information of the Issuer as at and for the six months ended 30 June 2021 and 2022 set forth below has been extracted from, should be read in conjunction with and is qualified in its entirety by reference to the Reviewed Consolidated Interim Financial Statements, including the notes thereto and the review report in respect of the Reviewed Consolidated Interim Financial Statements included elsewhere in this Offering Circular. The Reviewed Consolidated Interim Financial Statements have been reviewed by DH. The Reviewed Consolidated Interim Financial Statements have not been audited by ZSZH, DH or any other independent auditors. Consequently, the Reviewed Consolidated Interim Financial Statements should not be relied upon by prospective investors to provide the same quality of information associated with information that has been subject to an audit. None of the Managers or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them makes any representation or warranty, express or implied, regarding the accuracy, completeness or sufficiency of the Reviewed Consolidated Interim Financial Statements for an assessment of, and prospective investors must exercise caution when using such data to evaluate, the Issuer's or the Group's financial condition and results of operations. In addition, the Reviewed Consolidated Interim Financial Statements should not be taken as an indication of the Issuer's or the Group's expected financial condition or results of operations for the full financial year ending 31 December 2022.

The Historical Financial Statements are in the Chinese language and have been translated into English, i.e. the Financial Statements Translation, for inclusion in this Offering Circular for reference purposes only. Should there be any inconsistency between the Historical Financial Statements and the Financial Statements Translation, the Historical Financial Statements shall prevail. The Financial Statements Translation does not itself constitute audited or reviewed financial statements, and is qualified in its entirety by, and is subject to, the financial information set out or referred to in, the Historical Financial Statements. Although the accuracy of the Historical Financial Statements and the Financial Statements Translation has been independently verified by ZSZH and DH (as the case may be), none of the Managers or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them has independently verified or checked the accuracy of the Historical Financial Statements and the Financial Statements Translation and there can be no assurance that the information contained in the Historical Financial Statements or the Financial Statements Translation is accurate, truthful or complete.

The Historical Financial Statements are English translations of the Chinese versions of the same. The Historical Financial Statements were prepared and presented in accordance with PRC GAAP as promulgated by MOF from time to time. The Issuer has not prepared the Historical Financial Statements in accordance with IFRS and has not prepared any reconciliation of its consolidated financial information and its consolidated financial statements and related footnotes between PRC GAAP and other generally accepted accounting principles. PRC GAAP differs in certain material respects from IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see “Summary of Certain Differences Between PRC GAAP and IFRS”. Prospective investors must exercise caution and should seek advice from their own professional advisers if they have doubts about the differences.

The scope of consolidation of the Issuer’s consolidated financial statements changes from time to time. See “Notes to the Financial Statements – VII Business Combination and Financial Statement Consolidation” of the 2020 Audited Consolidated Financial Statements, “Notes to Financial Statements in 2021 – VII Business Combination and Financial Statement Consolidation” of the 2021 Audited Consolidated Financial Statements and “Notes to Financial Statements from January to June in Year 2022 – VII Business Combination and Financial Statement Consolidation” of the Reviewed Consolidated Interim Financial Statements. In addition, MOF had promulgated the New Accounting Standards and Requirements and certain financial figures in the Audited Consolidated Financial Statements were reassessed and/or adjusted as a result of the promulgation of the New Accounting Standards and Requirements. See “Notes to the Financial Statements – V Significant changes in accounting policies, accounting estimates and correction of errors in prior periods – 1. Changes in accounting policies” of the 2020 Audited Consolidated Financial Statements and “Notes to Financial Statements in 2021 – V Significant changes in accounting policies, accounting estimates and correction of errors in prior periods” of the 2021 Audited Consolidated Financial Statements. As a result, the presentation of certain accounting items in the Historical Financial Statements may not be comparable to the financial information in the consolidated financial statements of the Issuer for the previous periods. As the scope of consolidation of the Issuer’s consolidated financial statements may change from time to time and MOF may promulgate new accounting standards and requirements in relation to financial statements from time to time, there can be no assurance that such changes in scope of consolidation or new accounting standards and requirements would not materially and adversely affect the Issuer’s or the Group’s accounting policies or the presentation of the Issuer’s consolidated financial statements. Accordingly, prospective investors must exercise caution and should seek advice from their own professional advisers if necessary when using the Issuer’s consolidated financial information to evaluate the Issuer’s or the Group’s financial performance.

This Offering Circular includes figures relating to EBITDA. EBITDA is not a standard measure under PRC GAAP or IFRS, should not be taken as an indication of the Issuer’s or the Group’s financial condition or results of operations and should not be considered in isolation of or be construed as a substitute or alternative to operating revenue, net profit, cash flows or any other measure of performance or as an indicator of the operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities of the Issuer or the Group. EBITDA does not provide a sufficient basis for an assessment of the Issuer’s or the Group’s financial condition or results of operations and prospective investors should not use EBITDA in isolation of or as a substitute or alternative to the Historical Financial Statements. Other companies, including those in the industries in which the Group operates, may calculate EBITDA in a different manner. Prospective investors should not compare the Group’s EBITDA to other similarly titled measures presented by other companies as not all companies calculate EBITDA in the same manner. Prospective investors must exercise caution and should seek advice from their own professional advisers if they have doubts about EBITDA.

SUMMARY CONSOLIDATED INCOME STATEMENT

| | For the year ended 31 December | | | For the six months ended 30 June | |
|--|--------------------------------|---------------------------|---------------------------|--|--|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | (CNY) <i>(audited)</i> | (CNY) <i>(audited)</i> | (CNY) <i>(audited)</i> | (CNY) <i>(unaudited but reviewed)</i> | (CNY) <i>(unaudited but reviewed)</i> |
| 1. Operating revenue | 10,076,845,248.60 | 10,125,856,176.27 | 10,303,447,857.18 | 4,678,594,935.87 | 4,693,838,784.23 |
| Inc: Operating revenue | 10,076,845,248.60 | 10,125,856,176.27 | 10,303,447,857.18 | 4,678,594,935.87 | 4,693,838,784.23 |
| Interest revenue | - | - | - | - | - |
| Earned Premium | - | - | - | - | - |
| Fee and commission revenue | - | - | - | - | - |
| 2. Operating costs | 7,016,546,547.65 | 6,772,685,794.02 | 6,874,503,191.67 | 3,191,964,746.79 | 3,188,208,360.54 |
| Inc: Operating costs | 5,703,618,487.96 | 5,386,090,034.00 | 6,522,046,981.12 | 2,486,262,051.10 | 3,060,263,882.34 |
| Interest expense | - | - | - | - | - |
| Fee and commission expense | - | - | - | - | - |
| Surrender money | - | - | - | - | - |
| Net compensation expenditure | - | - | - | - | - |
| Net amount of insurance liability reserve withdrawn | - | - | - | - | - |
| Expenditures dividend policy | - | - | - | - | - |
| Reinsurance expenses | - | - | - | - | - |
| Taxes and surcharges | 157,159,301.81 | 81,242,652.75 | 69,694,524.82 | 19,335,702.01 | 22,509,244.51 |
| Selling expenses | 76,862,884.99 | 83,943,563.33 | 91,051,866.34 | 47,847,641.21 | 52,750,323.79 |
| Administrative expenses | 1,167,804,183.60 | 1,276,577,245.87 | 284,263,826.08 | 697,646,187.51 | 96,537,936.47 |
| Research and development expenses | - | - | - | - | - |
| Finance expenses | -88,898,310.71 | -55,167,701.93 | -92,554,006.69 | -59,126,835.04 | -43,853,026.57 |
| Others | - | - | - | - | - |
| Add: Other income | 132,231,630.13 | 415,299,209.47 | 249,512,655.65 | 2,664,896.74 | 7,843,791.20 |
| Income from investments (loss is listed as "-") .. | 136,169,694.19 | 25,571,108.89 | 50,015,840.48 | 28,127,653.69 | 46,713,667.49 |
| Exchange gains (loss is listed as "-") | - | - | - | - | - |
| Gains or losses from net exposure hedging (loss is listed as "-") | - | - | - | - | - |
| Gains or losses from changes in fair values (loss is listed as "-") | 1,098,532.23 | -37,898,604.42 | -30,408,298.81 | 1,856,946.28 | -938,314.86 |
| Credit impairment losses (loss is listed as "-") .. | -1,403,871,392.61 | -1,418,348,120.09 | -1,225,550,235.51 | -310,246,392.22 | -307,960,014.07 |
| Asset impairment losses (loss is listed as "-") ... | 194,491.68 | -912,160.06 | -2,683,195.74 | -460,255.30 | -2,305,435.23 |
| Gains or losses from asset disposals (loss is listed as "-") | 214,627,218.25 | 176,653,362.48 | 12,818,688.61 | 66,029,293.87 | 7,840,613.09 |
| 3. Operating profit (loss is listed as "-") | 2,140,748,874.82 | 2,513,535,178.52 | 2,482,650,120.19 | 1,274,602,332.14 | 1,256,824,731.31 |
| Add: Non-operating income | 77,894,964.37 | 23,619,037.90 | 72,281,674.73 | 30,006,595.38 | 20,812,000.00 |
| Less: Non-operating expenses | 330,000.00 | 298,150.38 | 149,668.30 | 29,668.30 | 200,000.00 |
| 4. Profit before tax (loss is listed as "-") | 2,218,313,839.19 | 2,536,856,066.04 | 2,554,782,126.62 | 1,304,579,259.22 | 1,277,436,731.31 |
| Less: Income tax | 507,106,554.62 | 562,770,616.77 | 564,196,018.20 | 308,917,524.93 | 263,518,208.40 |
| 5. Net profit (loss is listed as "-") | 1,711,207,284.57 | 1,974,085,449.27 | 1,990,586,108.42 | 995,661,734.29 | 1,013,918,522.91 |
| I. Net profit classified by ownership | | | | | |
| Net profit attributable to parent company | 1,711,207,284.57 | 1,974,085,449.27 | 1,990,586,108.42 | 995,661,734.29 | 1,013,918,522.91 |
| Net profit attributable to non-controlling interests | - | - | - | - | - |
| II. Net profit classified by going concern | | | | | |
| Net profit from continuing operations | 1,711,207,284.57 | 1,974,085,449.27 | 1,990,586,108.42 | 995,661,734.29 | 1,013,918,522.91 |
| Net profit from discontinuing operations | - | - | - | - | - |

| | For the year ended 31 December | | | For the six months ended 30 June | |
|--|--------------------------------|-------------------------|-------------------------|-----------------------------------|-----------------------------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | (CNY) (audited) | (CNY) (audited) | (CNY) (audited) | (CNY) (unaudited but reviewed) | (CNY) (unaudited but reviewed) |
| 6. Other comprehensive income after tax | -326,499.68 | -221,249,974.38 | -95,508,653.53 | -37,289,657.60 | 224,688,366.77 |
| Other comprehensive income after tax attributable to | | | | | |
| parent company | -326,499.68 | -221,249,974.38 | -95,508,653.53 | -37,289,657.60 | 224,688,366.77 |
| I. Items of other comprehensive income that will not be reclassified to profit or loss | - | - | -2,610,234.28 | - | - |
| i. Changes in remeasurement of defined benefit plans... | - | - | - | - | - |
| ii. Other comprehensive income that cannot be transferred to profit or loss under the equity method | - | - | - | - | - |
| iii. Changes in fair value of investments in other equity instruments | - | - | -2,610,234.28 | - | - |
| iv. Changes in fair value of the Company's own credit risk | - | - | - | - | - |
| v. Others | - | - | - | - | - |
| II. Items of other comprehensive income that will be reclassified to profit or loss | -326,499.68 | -221,249,974.38 | -92,898,419.25 | -37,289,657.60 | 224,688,366.77 |
| i. Other comprehensive income that can be transferred to profit or loss under the equity method | - | - | - | - | - |
| ii. Changes in fair value of other debt investments | - | - | - | - | - |
| iii. Changes in fair value of available-for-sale financial assets | - | - | - | - | - |
| iv. Amount of financial assets reclassified into other comprehensive income | - | - | - | - | - |
| v. Gain or loss from held to maturity investment reclassified as available for sale financial assets | - | - | - | - | - |
| vi. Provisions for credit impairment of other debt investments | - | - | - | - | - |
| vii. Cash flow hedging reserve (The effective portion of gains or losses arising from cash flow hedging) | - | - | - | - | - |
| viii. Translation differences arising from financial statements in foreign currencies | -326,499.68 | -221,249,974.38 | -92,898,419.25 | -37,289,657.60 | 224,688,366.77 |
| ix. Others | - | - | - | - | - |
| Other comprehensive income attributable to non-controlling interests after tax | - | - | - | - | - |
| 7. Total comprehensive income | 1,710,880,784.89 | 1,752,835,474.89 | 1,895,077,454.89 | 958,372,076.69 | 1,238,606,889.68 |
| Total comprehensive income attributable to parent company | 1,710,880,784.89 | 1,752,835,474.89 | 1,895,077,454.89 | 958,372,076.69 | 1,238,606,889.68 |
| Total comprehensive income attributable to non-controlling interests | - | - | - | - | - |
| 8. Earnings per share | - | - | - | - | - |
| Basic earnings per share | - | - | - | - | - |
| Diluted earnings per share | - | - | - | - | - |

SUMMARY CONSOLIDATED BALANCE SHEET

| | As at 1 January 2020 | As at 1 January 2021 | As at 31 December 2021 | As at 30 June 2022 |
|--|---------------------------|---------------------------|---------------------------|---------------------------------|
| | (CNY) | (CNY) | (CNY) | (CNY) |
| | <i>(audited)</i> | <i>(audited)</i> | <i>(audited)</i> | <i>(unaudited but reviewed)</i> |
| Current assets | | | | |
| Cash at bank and on hand..... | 5,182,579,787.85 | 5,894,354,119.70 | 5,900,643,933.96 | 8,442,576,623.73 |
| Financial assets held for trading..... | 328,295,226.85 | 1,374,754,554.90 | 1,984,831,586.71 | 1,993,261,062.44 |
| Financial assets classified as measured at fair value and the change of which shall be included in current profit or loss..... | – | – | – | – |
| Derivative financial assets..... | – | – | – | – |
| Notes receivable..... | 19,763,620.92 | 33,111,076.66 | 38,609,013.37 | 15,805,748.03 |
| Accounts receivable..... | 111,562,039.23 | 110,603,832.37 | 129,341,138.28 | 152,269,308.04 |
| Accounts receivable financing..... | – | – | – | – |
| Prepayments..... | 12,754,123.27 | 15,902,445.64 | 28,617,202.22 | 24,252,904.39 |
| Other receivables..... | 721,241,687.60 | 421,929,445.07 | 20,035,154.00 | 48,996,027.89 |
| Inc: Dividends receivable..... | – | – | – | – |
| Inventories..... | 9,396,091.87 | 7,078,415.45 | 3,113,331.31 | 3,435,335.00 |
| Contract assets..... | – | – | – | – |
| Held-for-sale assets..... | – | – | – | – |
| Current portion of non-current assets..... | 32,621,434,004.98 | 36,659,172,956.46 | 39,013,333,443.91 | 39,985,718,838.56 |
| Other current assets..... | 1,858,382,471.26 | 3,022,590,986.26 | 3,821,493,607.17 | 2,782,114,371.08 |
| Total current assets..... | 40,865,409,053.83 | 47,539,497,832.51 | 50,940,018,410.93 | 53,448,430,219.16 |
| Non-current assets | | | | |
| Debt investments..... | – | – | – | – |
| Available-for-sale financial assets..... | – | – | – | – |
| Other debt investments..... | – | – | – | – |
| Held to maturity investment..... | – | – | – | – |
| Long-term receivables..... | 90,227,869,868.77 | 88,581,640,827.20 | 91,158,799,371.11 | 95,987,136,404.50 |
| Long-term equity investments..... | 123,833,400.00 | 20,000.00 | 744,163.34 | 744,163.34 |
| Investment in other equity instruments..... | 5,000,000.00 | 444,302,351.49 | 21,419,846.54 | 21,419,846.54 |
| Other non-current financial assets..... | – | 1,015,738,955.75 | 1,079,063,077.14 | 1,175,003,109.96 |
| Investment properties..... | 56,703,544.77 | 54,764,710.77 | 52,825,876.77 | 51,856,459.77 |
| Fixed assets..... | 12,973,276,763.28 | 13,733,431,632.14 | 16,239,837,313.48 | 16,879,345,606.84 |
| Construction in progress..... | 1,889,723,899.67 | 1,736,607,077.74 | 1,478,927,965.96 | 1,557,530,291.02 |
| Productive biological assets..... | – | – | – | – |
| Oil and gas assets..... | – | – | – | – |
| Right-of-use assets..... | – | 3,394,728,791.38 | 3,185,230,353.11 | 3,274,215,939.67 |
| Intangible assets..... | 2,379,208.38 | 6,321,658.21 | 10,598,507.73 | 13,954,846.78 |
| Development expenditure..... | – | – | – | – |
| Goodwill..... | – | – | – | – |
| Long-term deferred expenses..... | – | – | – | – |
| Deferred tax assets..... | 849,103,084.69 | 1,155,917,454.04 | 1,496,823,999.14 | 1,636,212,420.74 |
| Other non-current assets..... | 1,762,405,519.34 | 1,096,983,971.50 | 1,919,371,664.24 | 2,786,029,184.57 |
| Inc: Special reserve materials..... | – | – | – | – |
| Total non-current assets..... | 107,890,295,288.90 | 111,220,457,430.22 | 116,643,642,138.56 | 123,383,448,273.73 |
| TOTAL ASSETS..... | 148,755,704,342.73 | 158,759,955,262.73 | 167,583,660,549.49 | 176,831,878,492.89 |

| | As at 1 January 2020 | As at 1 January 2021 | As at 31 December 2021 | As at 30 June 2022 |
|---|---------------------------|---------------------------|---------------------------|---------------------------------|
| | (CNY) | (CNY) | (CNY) | (CNY) |
| | <i>(audited)</i> | <i>(audited)</i> | <i>(audited)</i> | <i>(unaudited but reviewed)</i> |
| Current liabilities | | | | |
| Short-term borrowings | 10,528,365,458.29 | 9,983,188,635.53 | 6,671,444,259.15 | 9,666,933,695.89 |
| Financial liabilities held for trading..... | – | – | – | – |
| Financial liabilities classified as measured at fair value and the change of which shall be included in current profit or loss | – | – | – | – |
| Derivative financial liabilities..... | – | – | – | – |
| Notes payable | – | 151,500,000.00 | 508,750,000.00 | 1,361,420,000.00 |
| Accounts payable..... | 110,478,461.06 | 109,521,633.55 | 237,483,220.78 | 397,684,967.37 |
| Payments received in advance | 771,315,019.23 | 664,893,148.13 | 966,918,710.52 | 1,575,182,400.58 |
| Contract liabilities..... | 2,202,184.92 | 2,370,064.73 | 4,487,154.00 | 2,846,915.55 |
| Employee benefits payable | 8,309,274.80 | 16,613,582.01 | 25,848,524.60 | 3,561,852.36 |
| Tax payables | 1,465,138,827.64 | 934,800,560.01 | 1,009,252,212.93 | 627,726,851.31 |
| Other payables | 6,154,838,911.22 | 7,618,201,585.36 | 24,061,178,175.25 | 23,130,174,958.30 |
| Held-for-sale liabilities | – | – | – | – |
| Current portion of non-current liabilities | 27,247,801,989.41 | 23,565,088,858.97 | 25,243,456,920.79 | 22,368,387,128.00 |
| Other current liabilities | 4,255,488,505.73 | 12,798,259,452.04 | 5,697,259,945.21 | 6,645,173,863.01 |
| Total current liabilities..... | 50,543,938,632.30 | 55,844,437,520.33 | 64,426,079,123.23 | 65,779,092,632.37 |
| Non-current liabilities | | | | |
| Long-term borrowings | 37,569,296,866.38 | 44,321,274,015.31 | 39,490,031,118.70 | 45,121,174,618.82 |
| Bonds payable | 16,356,343,708.19 | 11,667,396,968.12 | 26,032,975,179.16 | 26,241,504,471.45 |
| Lease liabilities | – | 3,677,769,895.12 | 3,099,570,687.80 | 3,251,465,423.52 |
| Long-term payables | 11,813,465,130.07 | 7,295,979,813.75 | 5,573,418,077.04 | 5,496,899,621.16 |
| Long-term employee benefits payable | – | – | – | – |
| Provisions | – | – | – | – |
| Deferred income | – | – | – | – |
| Deferred tax liabilities | 95,424,022.57 | 171,792,452.71 | 277,998,729.26 | 338,758,169.64 |
| Other non-current liabilities..... | 11,240,954,394.31 | 10,769,602,686.68 | 2,413,234,176.60 | 2,531,546,656.77 |
| Total non-current liabilities | 77,075,484,121.52 | 77,903,815,831.69 | 76,887,227,968.56 | 82,981,348,961.36 |
| Total liabilities..... | 127,619,422,753.82 | 133,748,253,352.02 | 141,313,307,091.79 | 148,760,441,593.73 |
| Equity | | | | |
| Paid-in capital | 9,978,467,899.00 | 9,978,467,899.00 | 9,978,467,899.00 | 9,978,467,899.00 |
| National Capital..... | – | – | – | – |
| National Legal Person Capital..... | 9,978,467,899.00 | 9,978,467,899.00 | 9,978,467,899.00 | 9,978,467,899.00 |
| Collective Capital..... | – | – | – | – |
| Private Capital..... | – | – | – | – |
| Foreign Capital..... | – | – | – | – |
| Less: capital returned..... | – | – | – | – |
| Net Paid-in capital (or share capital) | 9,978,467,899.00 | 9,978,467,899.00 | 9,978,467,899.00 | 9,978,467,899.00 |
| Other equity instruments | 3,000,000,000.00 | 4,500,000,000.00 | 4,400,000,000.00 | 6,000,000,000.00 |
| Capital reserves..... | 3,342,130,738.76 | 3,342,130,738.76 | 3,342,130,738.76 | 3,342,130,738.76 |
| Less: Treasury stock..... | – | – | – | – |
| Other comprehensive income | 15,968,007.73 | -205,281,966.65 | -300,790,620.18 | -76,102,253.41 |
| Special reserves..... | – | – | – | – |
| Surplus reserve | 507,045,820.92 | 607,859,791.20 | 749,135,118.35 | 749,135,118.35 |
| Retained earnings..... | 2,884,890,789.40 | 3,850,006,502.41 | 5,162,891,375.78 | 5,239,286,450.47 |
| Equity attributable to parent company | 19,728,503,255.81 | 22,073,182,964.72 | 23,331,834,511.71 | 25,232,917,953.17 |
| Non-controlling interests | 1,407,778,333.10 | 2,938,518,945.99 | 2,938,518,945.99 | 2,838,518,945.99 |
| Total owners' equity..... | 21,136,281,588.91 | 25,011,701,910.71 | 26,270,353,457.70 | 28,071,436,899.16 |
| TOTAL LIABILITIES AND OWNERS' EQUITY | 148,755,704,342.73 | 158,759,955,262.73 | 167,583,660,549.49 | 176,831,878,492.89 |

OTHER FINANCIAL DATA

| | As at 1 January 2020 | As at 1 January 2021 | As at or for | As at or for the six months ended 30 June | |
|---|-----------------------|-----------------------|---------------------|---|---------------------|
| | or for the year ended | or for the year ended | the year ended | | |
| | 31 December 2019 | 31 December 2020 | 31 December 2021 | 2021 | 2022 |
| EBITDA ⁽¹⁾ | CNY8,959,977,663.67 | CNY8,849,643,450.82 | CNY9,198,446,381.23 | CNY4,327,674,712.09 | CNY4,566,965,143.68 |
| EBITDA MARGIN ⁽²⁾ | 0.89 | 0.87 | 0.89 | 0.92 | 0.97 |
| GROSS DEBT ⁽³⁾⁽⁵⁾ /EBITDA | 12.30 | 13.80 | 13.77 | 15.40 | 14.68 |
| NET DEBT ⁽⁴⁾⁽⁵⁾ /EBITDA | 11.70 | 13.13 | 13.13 | 14.59 | 13.76 |
| EBITDA Interest Coverage Ratio ⁽⁶⁾ | 1.50 | 1.67 | 1.70 | 1.77 | 1.89 |
| GROSS DEBT ⁽³⁾ /CAPITALISATION ⁽⁷⁾ .. | 1.18 | 1.18 | 1.08 | 1.28 | 1.07 |

Notes:

- (1) The Issuer calculates EBITDA for any period as profit before tax for the period plus interest expense, amortisation and depreciation. EBITDA is not a standard measure under PRC GAAP or IFRS, should not be taken as an indication of the Issuer's or the Group's financial condition or results of operations and should not be considered in isolation of or be construed as a substitute or alternative to operating revenue, net profit, cash flows or any other measure of performance or as an indicator of the operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities of the Issuer or the Group. EBITDA does not provide a sufficient basis for an assessment of the Issuer's or the Group's financial condition or results of operations and prospective investors should not use EBITDA in isolation of or as a substitute or alternative to the Historical Financial Statements. Other companies, including those in the industries in which the Group operates, may calculate EBITDA in a different manner. Prospective investors should not compare the Group's EBITDA to other similarly titled measures presented by other companies as not all companies calculate EBITDA in the same manner. Prospective investors must exercise caution and should seek advice from their own professional advisers if they have doubts about EBITDA.
- (2) EBITDA Margin means EBITDA divided by operating revenue for the period.
- (3) Gross Debt means the sum of long-term borrowings and short-term borrowings.
- (4) Net Debt means Gross Debt less cash at bank and on hand.
- (5) Gross Debt and Net Debt as calculated above, may not be comparable to similarly titled measures presented by other companies.
- (6) EBITDA Interest Coverage Ratio means EBITDA divided by gross interest expense for the period. Gross interest expense includes the interest expenses capitalised in property, plant and equipment.
- (7) Capitalisation means the sum of long-term borrowings and total owners' equity.

RISK FACTORS

An investment in the Bonds is subject to a number of risks. Prospective investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Bonds. The following describes some of the significant risks relating to the Issuer, the Group, the Group's business, the markets in which the Group operates and the Bonds. The value of the Bonds could decline due to any of these risks, and investors may lose part or all of their investment. PRC laws and regulations may differ from the laws and regulations in other countries and the Issuer and the Group may be affected materially by requirements and restrictions that arise under PRC laws, regulations and government policies in nearly all aspects of the Group's business in the PRC. Some risks may be unknown to the Issuer and the Group and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations, profitability or prospects of the Issuer or the Group or the value of the Bonds. The Issuer believes that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the ability of the Issuer to pay interest, principal or other amounts on or in connection with any Bonds may be affected by some factors that may not be considered as significant risks by the Issuer and the Group on information currently available to them or which they are currently unable to anticipate. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Group is in a position to express a view on the likelihood of any such contingency occurring. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Issuer or the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to the risks described below and elsewhere in this Offering Circular.

Neither the Issuer nor the Group represents that the statements below are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATING TO THE GROUP

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

The Issuer is a leasing company specialising in providing customised leasing services, including aircraft leasing, ship leasing, urban infrastructure leasing and equipment leasing. The viability of the Issuer's businesses is largely dependent on the growth of the Group's target industries, including the aircraft, shipping, urban infrastructure and equipment industries, as well as the successful execution of the Group's strategies such as the initiatives to expand into the green leasing and environmental, social and governance ("ESG") leasing markets. The demand for the Group's services is substantially influenced by general global and domestic economic conditions, which could also cause disruptions and volatility in the global and domestic capital and credit markets.

In Asia and other emerging markets, some countries have experienced increasing inflationary pressure. The United Kingdom's exit from the European Union (the "EU") has resulted in volatility in global financial markets, and it is expected to create medium to long term economic uncertainties to not only the economies of the United Kingdom and the EU, but also globally. In addition, the U.S. government's policies may create uncertainties for the global economy and financial markets. The United States and the PRC have been involved in controversy over trade barriers that have triggered the implementation or proposed implementation of tariffs on certain imported products into the two countries. Geopolitical events such as recent military conflicts in Ukraine, continued tensions in various countries in the Middle East, the Korean peninsula, Eastern Europe and Africa as well as the escalation of tensions between the United States and the PRC over trade policies, political and other issues could significantly undermine the stability of the global economy and financial markets. In addition, the COVID-19 pandemic, as well as the policies implemented by governments in response to the pandemic, have had and may continue to have an adverse effect on the global economy and financial markets.

The PRC economy is sensitive to global economic conditions, and it is impossible to predict how the PRC economy will develop in the future and whether it may slow down due to a global crisis or experience a financial crisis. In addition, instability in the global economy may materially and adversely affect the markets in which the Group operates, which may lead to a decline in the general demand for the Group's services and products. If economic conditions were to worsen or if the economic recovery fails to continue or if an economic slowdown were to return, the Group may have difficulties accessing the financial markets, which could make it more difficult or expensive to obtain funding, and there can be no assurance that the Group will be able to raise finance at a reasonable cost, or at all. The Group may also be subject to solvency risks of banks and of its counterparties in its financial arrangements and contracts. Therefore, changes in the economic, social and political conditions in the PRC or the global economy could have a material adverse effect on the Group's business, financial condition, results of operations, profitability and prospects.

In addition, the extent of any impact on the Group's ability to meet funding or liquidity needs would depend on several factors, including its cash flows from operating activities, the duration of any market disruptions, changes in counterparty credit risks, the impact of government intervention in financial markets including the effects of any programmes 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, the costs of financing and other general economic and business conditions. Market disruptions 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, any or all of 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 disruptions 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 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.

The Group's substantial indebtedness and net current liabilities position expose the Group to liquidity risks.

The Group has incurred, and may continue to incur, a substantial amount of indebtedness. As at 30 June 2022, the Group's total interest-bearing indebtedness was approximately CNY134,101 million, representing approximately 75.84 per cent. of the Group's total assets. Since 30 June 2022,

the Group has further incurred a substantial amount of indebtedness (including short-term indebtedness and long-term indebtedness). For example, the Group recorded increases in, among others, short-term borrowings and long-term borrowings as at 31 December 2022 and the Issuer has issued onshore debt securities (excluding perpetual securities) in an aggregate principal amount of approximately CNY3.9 billion and perpetual securities in an aggregate principal amount of approximately CNY1.26 billion since 30 June 2022.

Moreover, the Group's current liabilities exceeded its current assets by approximately CNY9,678.53 million, CNY8,304.94 million, CNY13,486.06 million and CNY12,330.66 million as at 1 January 2020, 1 January 2021, 31 December 2021 and 30 June 2022, respectively. The net current liabilities position may expose the Group to liquidity risks which could restrict the Group's ability to make necessary capital expenditure or develop business opportunities, and the Group's business, financial condition and results of operations could be materially and adversely affected.

Due to the capital-intensive nature of the Group's business, the need to refinance maturing debts and the Group's strategy of expanding its aircraft portfolios, the Issuer expects that the Group will incur significant additional indebtedness and will continue to maintain high levels of indebtedness in the future. The Group's high level of indebtedness:

- may cause a substantial portion of the Group's cash flows from operating activities to be dedicated to interest and principal payments and therefore render them unavailable to fund the Group's operations, working capital, capital expenditure, expansion, acquisitions or general corporate or other uses;
- may impair the Group's ability to obtain additional financing in the future;
- may limit the Group's flexibility in planning for, or reacting to, changes in its business and industry;
- may make the Group more vulnerable to downturns in its business, the industries in which it operates or the economy in general;
- may restrict the Group from pursuing strategic business opportunities; and
- may increase the Group's exposure to interest rate fluctuations.

Creditors of the Issuer's subsidiaries would have a claim on the Issuer's subsidiaries' assets that would be prior to the claims of the Issuer's creditors. As a result, the payment obligations under the Issuer's indebtedness and liabilities will be effectively subordinated to all existing and future obligations of the Issuer's subsidiaries, and all claims of creditors of the Issuer's subsidiaries will have priority as to the assets of such entities over the Issuer's claims and those of its creditors.

In addition, in incurring indebtedness and liabilities from time to time, members of the Group may create security over their assets, receivables or equity interests in companies or entities held by them (which may include the Issuer's subsidiaries) in favour of the relevant creditors. Secured interests granted over the Group's assets, receivables and equity interests may limit the Group's ability to utilise such assets, receivables and equity interests. Should any such secured indebtedness become immediately due and payable as a result of any default in payment or the occurrence of other events of default as defined under the relevant secured indebtedness, the relevant secured creditors would be entitled to take enforcement actions against such secured assets, receivables and equity interests.

The secured creditors might take over the relevant subsidiaries' titles to the secured assets, receivables and equity interests or sell them through auction. In such an event, the value of the Group's asset portfolio will diminish and fewer assets and/or equity interests will be available for distribution to unsecured creditors if the relevant subsidiaries are in liquidation. If any member of the Group incurs additional debt, the risks that the Group faces as a result of its already substantial indebtedness and leverage could intensify.

There can be no assurance that the Group will always be able to, or to continue to, obtain the required financing in the future or that the Group would be able to arrange for refinancing its indebtedness when they become due, repay its indebtedness or raise the necessary funding to finance its business growth and its capital commitments. Furthermore, the Group's liquidity depends on the amount of cash generated from its operations and its access to further financial resources, which, in turn, could also be affected by the Group's future operating performance, prevailing economic conditions and other factors beyond the Group's control.

Furthermore, certain financing agreements and material contracts entered into by the Issuer and/or its subsidiaries may contain operational and financial restrictions that prohibit the Issuer or any of its subsidiaries from incurring additional indebtedness, restrict the Issuer or any of its subsidiaries from creating security or granting guarantees or prohibit the Issuer or any of its subsidiaries from changing its business and corporate structure or amending its articles of association, in each case without the lender's or the other parties' prior consent. Such restrictions may adversely affect the ability of the Group to respond to changes in market conditions, pursue business opportunities which the Group believes to be desirable, obtain future financing, fund capital expenditures or withstand a continuing or future downturn in its business. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under outstanding financial obligations (including the Bonds). There can be no assurance that the Group will be able to comply with all the requirements or covenants under its financing agreements or other material contracts entered into as part of its ordinary course of business or that the Group will be able to obtain any waiver if it fails to comply with any of them. For the three years ended 31 December 2021 and the six months ended 30 June 2022, the Group had not received any notice of breach of any covenant or undertaking resulting in early termination or modification of any contracts or agreements which are material to the Group's business.

The Group's violation of any undertakings or covenants which it is subject to could result in increase in the applicable interest rates, accelerated repayment of loans and interest, termination or delay in the relevant arrangements or legal proceedings against the Group and any or all of which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's business, financial condition, results of operations and prospects have been and may continue to be adversely affected by the COVID-19 pandemic.

The COVID-19 pandemic in the PRC and other parts of the world since late 2019 has materially and adversely affected the overall business sentiment and environment in the PRC and in the markets in which the Group operates. In particular, the COVID-19 pandemic has caused, and may continue to cause, disruptions to the Group's leasing businesses and financing activities. For example, investments in the Group's leasing businesses and the Group's scale of financing have both decreased as a result of the adverse impact of the COVID-19 pandemic. Consequently, the Group's total cash outflows from operating activities and net cash flows from financing activities for the year ended 31 December 2022 both decreased substantially when compared to the year ended 31 December 2021. In addition, the administrative actions taken by local governmental authorities to control the spread of the COVID-19 pandemic has also adversely affected the Group's business and operations.

Substantially all of the Group's operating revenue is derived from its operations in the PRC and any labour shortages, material contraction in air travel within the PRC, Asia and globally or contraction or slowdown in the growth of domestic consumption in the PRC as a result of the adverse impact of the COVID-19 pandemic could materially and adversely affect the Group's business, financial condition, results of operations and prospects. In addition, if any of the Group's management or employees are affected by the COVID-19 pandemic, the Group may be required to close down its offices, warehouses and facilities to prevent the spread of the pandemic. The COVID-19 pandemic in the PRC may also affect the operations and financial condition of the Group's customers and suppliers, which, in turn, could materially and adversely affect the Group's business, financial condition, results of operations and prospects. The COVID-19 pandemic in the PRC, especially in the cities or provinces where the Group has operations, may also delay completion of the Group's projects as scheduled, causing substantial increase in development costs and/or late delivery of projects.

Since late 2022, the PRC government has begun to relax its COVID-19 related restrictive measures in the PRC, including cancellation of lockdown and quarantine measures. Following the change of policy, there has been a spike in the number of COVID-19 cases across the PRC. There can be no assurance that the change of policy will have the intended effects or that the PRC government will not re-impose any restrictions or implement any other restrictive measures in the future, which may in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

There are uncertainties as to how the COVID-19 pandemic will evolve, and it is impossible to predict the magnitude of the impact of the COVID-19 pandemic on the Group's business, financial condition, results of operations, profitability and prospects.

Neither the PRC government (including SASAC and other PRC governmental entities) nor any other entities owned or controlled by the PRC government (such as AVIC) is an obligor. The PRC government (including SASAC and other PRC governmental entities) and other entities owned or controlled by the PRC government (such as AVIC) shall under no circumstances have any payment or other obligations arising out of or in connection with the Bonds, the Deed of Covenant or the Agency Agreement and will not provide guarantee of any kind for the Bonds.

Notwithstanding the Group's extensive relationships with the PRC government (including SASAC and other PRC governmental entities) and other entities owned or controlled by the PRC government (such as AVIC), the Issuer is not a part of the PRC government. Neither the PRC government (including SASAC and other PRC governmental entities) nor any other entities owned or controlled by the PRC government (such as AVIC) is an obligor. The PRC government (including SASAC and other PRC governmental entities) and other entities owned or controlled by the PRC government (such as AVIC) shall under no circumstances have any payment or other obligations arising out of or in connection with the Bonds, the Deed of Covenant or the Agency Agreement and will not provide guarantee of any kind for the Bonds. This position has been reinforced by the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Financing Activities Conducted by Financial Enterprises for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知) (財金[2018]23號) (the "MOF Circular") promulgated on 28 March 2018 and came into effect on the same day, the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (Fa Gai Wai Zi [2018] No. 706) (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) (發改外資[2018]706號) (the "Joint Circular") promulgated on 11 May 2018 and came into effect on the same day and the Notice of the General Office of the National Development and Reform

Commission on Relevant Requirements for Record-filing and Registration of Issuance of Foreign Debts by Local State-owned Enterprises (Fa Gai Ban Wai Zi [2019] No. 666) (國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知(發改辦外資[2019]666號)) (“**Circular 666**”) issued by the General Office of NDRC in June 2019. None of the MOF Circular, the Joint Circular or Circular 666, however, prohibit the PRC government (including SASAC and other PRC governmental entities) or any other entities owned or controlled by the PRC government (such as AVIC) from providing support (in various forms including capital injection and subsidies but excluding the injection of any kind of public assets or land reserves as the Group’s assets) to the Group in its ordinary course of business in compliance with PRC laws and regulations. The detailed description of the relationships between the Issuer and the PRC government (including SASAC and other PRC governmental entities) and other entities owned or controlled by the PRC government (such as AVIC) in this Offering Circular does not imply in any way any explicit or implicit credit support of the PRC government (including SASAC and other PRC governmental entities) or any other entities owned or controlled by the PRC government (such as AVIC) in respect of the Bonds, the Deed of Covenant or the Agency Agreement and all of the payment and other obligations arising out of or in connection with the Bonds, the Deed of Covenant and the Agency Agreement shall remain as the sole obligation of the Issuer and shall be solely fulfilled by the Issuer as an independent legal person.

The PRC government (including SASAC and other PRC governmental entities) and other entities owned or controlled by the PRC government (such as AVIC) as shareholders of the Issuer only has limited liability in the form of their respective equity contribution in the Issuer. As such, neither the PRC government (including SASAC and other PRC governmental entities) nor any other entities owned or controlled by the PRC government (such as AVIC) has any obligation to repay any amount under the Bonds, the Deed of Covenant or the Agency Agreement. In addition, any ownership or control of the Group by the PRC government (including SASAC and other PRC governmental entities) or any other entities owned or controlled by the PRC government (such as AVIC) does not necessarily correlate to, or provide any assurance as to, the Issuer’s financial condition. Investments in the Bonds are relying solely on the credit risks of the Issuer. The Bonds are solely to be repaid by the Issuer as an obligor under the relevant transaction documents and as an independent legal person. In the event the Issuer does not fulfil any of its obligations arising out of or in connection with the Bonds, the Deed of Covenant or the Agency Agreement, Bondholders will only be able to claim as unsecured creditors against the Issuer and its assets, and shall have no recourse against any other person including the PRC government (including SASAC and other PRC governmental entities) and other entities owned or controlled by the PRC government (such as AVIC). Therefore, prospective investors should base their investment decision only on the financial condition of the Issuer and the Group and should assess credit risks associated with an investment in the Bonds based on the Group’s own financial information reflected in the Issuer’s consolidated financial statements. Prospective investors should not invest in the Bonds unless they have the expertise (either alone or with the help of a financial adviser) to evaluate the risks before making an investment decision.

As the MOF Circular, the Joint Circular and Circular 666 are relatively new and given the limited volume of published decisions, the interpretation and enforcement of these laws and regulations involve uncertainties.

The Group’s operations are subject to force majeure events, political unrest or civil disobedience movements, natural disasters and outbreaks or pandemic of contagious diseases and other disasters.

Force majeure events, natural disasters, catastrophe or other events could result in severe personal injury to the Group’s staff, property damage and environmental and other damage, which may curtail the Group’s operations, cause delays in estimated completion dates for the Group’s projects and could, in turn, materially and adversely affect the Group’s cash flows and accordingly, adversely affect its ability to repay any debt.

A substantial part of the Group's operations are based in the PRC, which is exposed to potential natural disasters including but not limited to earthquakes, flooding, landslides, mudslides and drought. If any of the Group's developments are damaged by severe weather or any other disasters, accidents, catastrophes or other events, the Group's operations may be significantly interrupted. The occurrence or continuance of any of such unforeseen events or similar events could increase the costs associated with the Group's operations and reduce its ability to operate its businesses effectively, thereby reducing its operating income and profits.

In addition, the Group's contracts with its suppliers and other counterparties may have force majeure provisions that permit such parties to suspend, terminate or otherwise not perform their obligations under the relevant contracts upon the occurrence of certain events such as strikes and other industrial or labour disturbances, terrorism, restraints of government, civil protests, disobedience movements or disturbances, or any natural disasters; all of which are beyond the control of the party asserting such force majeure event. If one or more of the Group's suppliers or other counterparties do not fulfil their contractual obligations for any extended period of time due to a force majeure event or otherwise, the Group's results of operations and financial condition could be materially and adversely affected.

Risks of substantial costs and liabilities are inherent in the Group's principal operations and there can be no assurance that significant costs and liabilities will not be incurred, including those relating to claims for damages to property or persons. Insurance policies for civil liability and damages taken out by the Group could prove to be significantly inadequate, and there can be no assurance that the Group will always be able to maintain a level of cover at least equal to current cover levels and at the same cost. The frequency and magnitude of natural disasters seen over the past few years could have a significant impact on the capacities of the insurance and reinsurance market and on the costs of civil liability and damages insurance cover for the Group. See "*– The Group's operations may be adversely affected by operational risks, which may cause the Group to incur uninsured losses*" for further information.

The Group's operations and financial condition could also be materially and adversely affected by any outbreak, epidemic and/or pandemic of (or the escalation and/or intensification of any outbreak, epidemic and/or pandemic of) infectious or contagious diseases and/or other adverse public health developments in the PRC or elsewhere. In particular, the COVID-19 pandemic in the PRC, Hong Kong and other countries has led to business suspension, travel and other restrictions, labour shortages and supply or delivery chain constraints in the PRC, Hong Kong and globally. It is difficult to predict the magnitude of impact of the COVID-19 pandemic on the PRC and global economies and there can be no assurance that it would not have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The outbreak of severe acute respiratory syndrome ("**SARS**") that began in the PRC and Hong Kong in early 2003 had an adverse effect on all levels of business in Hong Kong and the PRC. There have also been sporadic outbreaks of the H5N1 virus or "Avian Influenza A" among birds, in particular poultry, as well as some isolated cases of transmission of the virus to humans. In 2009 and 2010, there have also been global outbreaks among humans of the influenza A/H1N1 virus. Other recent epidemics include the Middle East Respiratory Syndrome (MERS), the H5N1 avian flu, the H7N9 avian flu, the Ebola virus disease and the Zika virus disease. The COVID-19 pandemic and outbreak of SARS and the influenza A/H1N1 virus led to a significant decline in travel volumes and business activities throughout most of the Asian region as well as globally. The occurrence of another outbreak of highly contagious disease or epidemic disease (whether known or unknown to the world) (or the

escalation and/or intensification of any outbreak, epidemic and/or pandemic of infectious disease) in the PRC or elsewhere may result in another economic downturn and could adversely affect the overall level of business and travel in the affected areas. There may also be significant disruptions to the Group's business operations and consequently have an adverse effect on its financial condition and results of operations. See "*– The Group's business, financial condition, results of operations and prospects have been and may continue to be adversely affected by the COVID-19 pandemic*" for further information.

Certain affiliates of the Group have business activities in certain countries that are the subject of economic sanctions.

Certain affiliates of the Group (the "**Affiliates**") have business presence in a number of foreign countries including certain countries that are the subject of economic sanctions regimes administered or enforced by the United States, the United Nations, the EU and/or His Majesty's Treasury. The Affiliates also have a large number of clients located worldwide, and engage in limited business activities relating to countries that are the subject of various United States economic sanctions regimes, and there can be no assurance that the Affiliates will cease to engage in business activities relating to those countries in the foreseeable future. The interpretation or implementation of government policy at the U.S. federal, state or local levels with respect to any current or future activities by the Affiliates in countries that are the subject of U.S. sanctions or with sanctioned individuals or entities is difficult to predict. As at the date of this Offering Circular, the Group has not engaged in any business activities in any sanctioned countries. However, if the U.S. government determines that the Affiliates engage in any sanctionable activity or activity that is contrary to U.S. policy, the Affiliates may be subject to various sanctions, and the Group, as a result of the affiliate relationship, may also be subject to various sanctions ranging from restrictions on U.S. exports or bank financing to outright blocking of the sanctioned entities' property within U.S. jurisdiction. If the most extreme sanction, blocking, were applied to the Group's property, including property of their respective controlled subsidiaries, the Group could be prohibited from engaging in business activities in the United States or with U.S. individuals or entities. If the Group is sanctioned, the Group could also be prohibited from engaging in U.S. transactions in the Bonds and payments to U.S. individuals and entities with respect to the Bonds could also be prohibited. As a result, the market price of the Bonds may be adversely affected, and the Bondholders might be unable to sell, or receive payments with respect to, the Bonds. In addition, the Group may also be subject to negative media or investor attention, which may distract management, consume internal resources and affect investors' perception of the Group. There can be no assurance that the Group will not be the subject of sanctions in the future due to the Affiliates' activities.

The Issuer's controlling shareholder, AVIC, is subject to certain Executive Orders issued by the United States.

Since 2018, the U.S.-China trade war has brought uncertainties to global markets and to a certain extent, impacted businesses and financial market sentiment, influenced financial market volatility, and slowed investment and trade. The continued intensification of tensions between the United States and China has caused the U.S. government to focus on national security concerns and increase scrutiny of foreign businesses such as AVIC, which indirectly held approximately 43.77 per cent. of the issued share capital of the Issuer as at 30 June 2022.

On 12 November 2020 and 3 June 2021, the U.S. President issued Executive Order 13959, “Addressing the Threat From Securities Investments That Finance Communist Chinese Military Companies”, and Executive Order 14032, “Addressing the Threat From Securities Investments That Finance Certain Companies of the People’s Republic of China” (“**E.O. 14032**”) (together, the “**Orders**”), respectively. The present effect of the Orders is that U.S. Persons (as defined in the Orders) are prohibited, as of 2 August 2021, from buying and selling (subject to a divestment period) any publicly traded securities, or any publicly traded securities that are derivative of such securities or are designed to provide investment exposure to such securities, of any company listed in the Annex to E.O. 14032 (the “**Annex**”) or of any person determined by the U.S. Secretary of the Treasury, in consultation with the U.S. Secretary of State, to operate or have operated in the “defense and related materiel sector or the surveillance technology sector of the economy of the PRC” or to own or control or be owned or controlled by a person who operates or has operated in that sector. The definition of U.S. Persons in the Orders (including any United States citizen, permanent resident alien, entity organised under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States) is different from the definition of a U.S. person under Regulation S of the Securities Act. E.O. 14032 includes a ten-month wind down period where purchases for value or sales made within the prescribed period by U.S. persons solely to divest, in whole or in part, from such restricted securities are permitted. The Orders are a form of U.S. sanctions. Investors are responsible for ensuring that they comply with applicable provisions of Executive Order 14032. Investors who are considered U.S. persons for purposes of the Orders should consider whether this is an appropriate investment.

As at the date of this Offering Circular, to the knowledge of the Issuer, AVIC is one of the companies listed on the Annex. The Issuer and other members of the Group have engaged in, and will continue to engage in, various dealings and transactions with AVIC and other companies that are listed on the Annex and/or subject to the prohibitions stipulated by the Orders from time to time. As at the date of this Offering Circular, the prohibitions stipulated by the Orders do not extend to the publicly traded securities of the Issuer, as the Issuer is not named on the U.S. Department of the Treasury’s Office of Foreign Assets Control’s Non-SDN Chinese Military Companies List (“**NS-CMIC List**”). Although as at the date of this Offering Circular, the Issuer is not named on the NS-CMIC List, the U.S. Secretary of the Treasury is authorised under the Orders to include additional entities that are owned or controlled by an entity subject to the Orders to the NS-CMIC List. Therefore, there can be no assurance that the Issuer will not be subject to the Orders in the future.

The inclusion of AVIC in the Annex and the fact that AVIC is subject to the prohibitions stipulated by the Orders may result in negative media and investor attention targeted at AVIC and/or the Group, which may cause their business partners to re-evaluate the risk of transacting with AVIC and/or the Group, in particular in light of ongoing U.S.-China tensions. In addition, if the U.S. Secretary of the Treasury ultimately determines that the Issuer or any other member of the Group is named as an entity subject to the Orders, investors who are U.S. Persons will be prohibited (subject to divestment periods) from entering into certain transactions in the relevant entity’s publicly traded securities (which may include the Bonds). In such case, the market liquidity of the Bonds may be materially and adversely affected. Bondholders who are U.S. Persons may also be required to divest their holdings in the Bonds and may have to do so at a loss. The inclusion of AVIC in the Annex and the fact that AVIC is subject to the prohibitions stipulated by the Orders may also affect AVIC and/or the Group’s businesses in the overseas markets (including the United States). Although the Group’s overall operations and activities in the United States and the Group’s business with individuals or entities in the United States represent only a small percentage of the Group’s consolidated total revenue, such operations and activities of the Group may be materially and adversely affected as tensions between the United States and China intensify.

In the future, any further escalation of the U.S.-China tensions may cause the U.S. government to impose further sanctions and/or restrictions on AVIC and/or the Group, which could include measures with a range of severity, including possible prohibition of transactions by the sanctioned entity through the U.S. financial system and blocking sanctions. The Group has been closely monitoring the development of the Orders and actively implementing corresponding mitigation measures in response to the latest development of such situations. However, there can be no assurance that any potential restrictions or sanctions on AVIC, the Group and/or any affiliates of the Issuer will not materially and adversely affect the business, prospects, financial condition and results of operations of AVIC, the Group or the relevant affiliates and their future business expansion in the overseas markets (including the United States).

The Group operates in an increasingly competitive market.

The PRC financial leasing industry is becoming increasingly competitive and the Group competes with other financial leasing industry peers, which primarily includes other state-owned and/or listed enterprises engage in financial leasing industry in the PRC, and there can be no assurance that the Group will be able to sustain its competitive advantage or maintain its market position or effectively implement its business strategies. The Group faces competition from both international and domestic players (including the financing divisions of vendors, manufacturers of aircraft, vessels, urban infrastructure equipment and other equipment, financial institutions including banks and other leasing companies) 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. These competitors may also merge or form joint ventures with one another, which may intensify the competition which the Group faces. In addition, as the Group expands into new geographical markets or introduces new products and services in the future, the Group may be subject to competition from other market participants.

Leveraging AVIC's aircraft manufacturing business and industry expertise within the aviation industry, the Group competes with its competitors on the basis of availability of the aircraft types or product types that meet customers' needs and the ability to provide customised and integrated services to its customers. Furthermore, whether the Group could successfully compete depends on its ability to anticipate and respond to many competitive factors, including but not limited to continuity of its relationships with governmental entities, customers, suppliers, partners and third-party contractors, quality of products and services provided, corporate positioning and business reputation, changes in customer preferences, funding and financing resources and introduction of new or improved technology, products or services in the related industries or markets. There can be no assurance that the Group's existing or potential competitors will not provide similar aircraft types or product types or services with comparable or even better quality at the same or even lower prices, or be more adaptable to industry trends or market changes than the Group does.

The Group's revenue is affected by these competitive factors and its success depends on its ability to compete effectively. If the Group fails to compete effectively or the competition with respect to the Group's aircraft types or product types or services continues to increase, there would be a material adverse effect on the Group's financial results and return on capital expenditures, which could cause a decline in the Group's growth rates and reduce the Group's income. Competition from such entities may also result in, among others, downward competitive pressure on interest rates charged to customers, adoption by the Group's competitors of innovative financial services or comparatively effective branding efforts, any of which may have a material adverse effect on the Group's business, financial condition and results of operations.

Upon the PRC's accession to the World Trade Organisation in 2001, the PRC financial leasing industry entered a phase of rapid development and the number of both foreign and domestic investors participating in the industry has increased. In order to fulfil its commitment to liberalise the PRC financial leasing market, MOFCOM implemented several policies to develop further the financial leasing industry and encourage additional investment. For instance, the Measures on the Administration of Foreign Investment in the Leasing Industry was promulgated in 2005 and permitted the incorporation of foreign investment leasing companies either through the establishment of wholly-owned or joint venture financial leasing companies. In order to encourage participation by domestic investors, the Circular on Issues in Connection with the Engagement in Financial Leasing Business was jointly promulgated by MOFCOM and SAT. This notice permitted the establishment of domestic pilot financial leasing companies. Pursuant to the Decision of the State Council on the Fifth Batch of Administrative Examination and Approval Matters to be Cancelled or Delegated to Subordinate Authorities (國務院關於第五批取消和下放管理層級行政審批項目的決定) promulgated and effected on 4 July 2010, approval for the establishment or modification of foreign-invested enterprises engaged in financial leasing with a total investment amount of U.S.\$300 million or less can be approved by provincial-level governmental authorities instead of those at the national level. The Issuer believes that these measures are likely to further increase competition in the PRC financial leasing industry. If the Group is unable to compete successfully against current and future participants in the industry and maintain its competitive advantage and market share, its business, results of operations and financial condition may be materially and adversely affected.

The industries in which the Group is engaged are cyclical.

The aviation industry is cyclical. Demand for passenger and cargo air transportation services and, in turn, demand for passenger and cargo aircraft has a strong positive correlation with economic growth. Decline in economic activity adversely affects demand for business travel and air cargo services. In addition, economic contraction may also impact leisure travel as discretionary income is reduced. The COVID-19 pandemic, as well as the financial crisis in Europe and the United States and, together with slowing or contracting economies worldwide, may develop into a severe or prolonged global recession that could result in lower demand for passenger and air cargo services, lower lease rates for the Group's aircraft, higher default rates among its customers and a decline in the value of its portfolio of aircraft. Such developments would materially and adversely affect the Group's business, financial condition and results of operations, including its ability to meet its financial obligations.

In addition, a proportion of the Group's net lease receivables relates to the shipping industry. The shipping industry is highly cyclical and is affected by factors such as global and regional economic and political conditions, changes in regulatory regimes, strikes or armed conflicts, extreme weather conditions and piracy. Likewise, in relation to the Group's equipment leasing business, the industries in which the Group's customers are engaged can be very cyclical and are dependent on factors including global and regional economic and political conditions and changes in regulatory regimes. These factors are beyond the Group's control and the nature, timing and degree of changes in industry conditions are largely unpredictable. Any downturn in the shipping industry could result in extensive customer defaults, decreased revenue, which, in turn, could materially and adversely affect the Group's business, financial condition and results of operations.

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, in particular in its urban infrastructure leasing business, include agencies and entities owned, controlled by or otherwise associated with local governments. The revenue contributed by these customers accounts for a substantial part of the Group's total revenue. Any changes in the government's budget or other policy considerations may result in reduced demand for the Group's urban infrastructure leasing business, and to the extent that the Group's customers are funded or supported by the government, may 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 potentially affect the Group's ability to meet its financial obligations.

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.

Certain members of the Group are the pilot domestic financial leasing enterprises approved by MOFCOM and are subject to regulation by various PRC authorities including MOFCOM and SAT. On 8 May 2018, the General Office of MOFCOM issued the Notice on Matters about the Rearrangement of Supervisory Responsibilities over Finance Leasing Companies, Factoring Companies and Pawnshops (商務部辦公廳關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知) (the "2018 Notice"), according to which the authority of rule-making on operation and regulation of finance leasing companies, factoring companies and pawnshops shall be transferred to CBIRC. From time to time, 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 time 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 Group's business, financial condition and results of operations nor can there be any assurance that the Group will be able to adapt to all such changes on a timely basis.

In addition, the aviation industry, in which many of the Group's customers operate, and the operation of aircraft are subject to domestic and international regulatory controls as well as additional controls that various national or federal civil aviation authorities may impose, including the airworthiness directives for aircraft operated by airlines within the jurisdiction of such authorities. The regulatory authorities can suspend or revoke the licence granted to the Group's airline customers to operate an aircraft for failure to comply with these regulations, resulting in the grounding of aircraft. 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.

Regulatory approvals are required for the import, re-export, deregistration or registration of the 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 relating to default payments and breaches by its lessees or other contractual counterparties.

The Group's business, financial condition and results of operations are to a certain extent 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 flows. If a lessee defaults, 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.

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

The Group has implemented an integrated and prudent 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 risks, 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 the levels 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, risk assessment may not be based on complete, accurate, up-to-date 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 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.

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.

The Group is primarily engaged in aircraft leasing, ship leasing, urban infrastructure leasing and large-scale equipment leasing, which typically require significant initial cash outlays and have long payback periods. For example, the Group is typically required to deposit a portion of the purchase price of the aircraft or vessel (as the case may be) to the vendor as pre-delivery payment and pay the remaining balance of the purchase price at the time of delivery. As at 30 June 2022, the lease term for the Group's leasing businesses ranged from three to 12 years depending on the type of leasing, during which the Group typically receives monthly, quarterly or semi-annual rental payments from its lessees.

Although the Group generally generates significant funds from its operations, its ability to continue to meet its cash requirements over the long-term requires substantial liquidity and access to sources of funds. The Group has financed its businesses through a combination of borrowings from financial institutions, such as commercial banks, and the issuance of onshore asset back securities as well as onshore and offshore debt securities, but there can be no assurance that the Group is able to secure adequate financing for its business operations.

In addition, the Group may require additional financing to fund working capital requirements, grow its business and refinance existing debt obligations. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, such financing will be obtained on favourable terms.

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

Any decline in the residual value of the aircraft, vessels, urban infrastructure equipment or other equipment financed by the Group may reduce the Group's earnings. The Group recognises the residual value of leased aircraft and vessel (as the case may be) based on the estimated future market value of the leased asset at the maturity of the lease. The Group estimates the residual value of 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 asset, which could adversely affect the Group's business, financial condition and results of operations.

The Group has pledged certain lease receivables to secure its borrowings.

The Group has pledged certain of its lease receivables to secure some of its bank loans. If the Group defaults on such bank loans, the lenders may foreclose such leased receivables which the Group has pledged, 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 pledge its leased receivables 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. As at 30 June 2022, a substantial portion of the Group's lease receivables with total carrying values of approximately CNY71.86 billion were pledged to secure its bank loans amounting to approximately CNY50.33 billion.

The 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.

As at 30 June 2022, a considerable part of the Group's leases was secured by collaterals or provided with guarantees. To mitigate credit risks of its leases, the Group may request the lessees to provide guarantees and/or collaterals for the leases. Such guarantees and/or collaterals are typically 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, any significant deterioration in the financial condition or creditworthiness of guarantors under the Group's guaranteed leases could significantly decrease any amounts which the Group may be able to recover under such guarantees.

The Group's policies require periodic internal re-evaluation 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 impairment provisions 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 asset 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) (the "**Civil Procedure Law**") 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 due to uncertainties of the PRC legal system governing such enforcement. In addition, under PRC law, 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), claims for the amount that a company in bankruptcy owed its employees prior to 27 August 2006 (being the date of publication of the PRC Enterprise Bankruptcy Law), including but not limited to salaries, medical insurance and pension benefits, will have priority over the rights of such company's creditors 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, the Group's asset quality, business, financial condition or results of operations may be materially and adversely affected.

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

The Group makes provisions for impairment losses on lease receivables in accordance with PRC GAAP. As at 1 January 2020, 1 January 2021, 31 December 2021 and 30 June 2022, the Group's consolidated impairment provision on lease receivables were approximately CNY2.50 billion, CNY3.24 billion, CNY4.11 billion and CNY4.36 billion, respectively, and the accumulated impairment provision represented approximately 2.00 per cent., 2.52 per cent., 3.06 per cent. and 3.11

per cent. of the Group's net lease receivables, 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 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 judgment 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. As at 1 January 2020, 1 January 2021, 31 December 2021 and 30 June 2022, the Group's non-performing lease receivable was approximately CNY1.60 billion, CNY1.66 billion, CNY1.68 billion and CNY1.78 billion, respectively, the Group's non-performing lease receivable rates were approximately 1.27 per cent., 1.29 per cent., 1.25 per cent. and 1.27 per cent., respectively, and the Group's allowance coverage ratios for non-performing lease receivable were approximately 156.66 per cent., 195.62 per cent., 244.32 per cent. and 245.13 per cent., respectively. The Group may need to make additional provisions for its lease receivables, which could significantly reduce its profit and may materially and adversely affect its business, financial condition, results of operations and prospects.

The Group may not be able to sell the aircraft, vessel, urban infrastructure equipment or other equipment upon termination or expiry of an existing lease.

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

Factors that could affect the Group's ability to sell the aircraft, vessel, urban infrastructure equipment or other equipment include business cycles in the relevant industry, global and domestic financial market conditions and market disruption risks which could adversely affect the liquidity, interest rates, the availability of funding sources and natural or man-made calamities. Failure by the Group to sell the relevant asset at a favourable price may result in losses incurred by the Group which may have a material adverse effect on the Group's financial condition and profitability.

The Group may not be successful in integrating and managing future investments and/or acquisitions.

The Group may from time to time consider investment and acquisition opportunities that may complement its core business portfolio and capabilities or assist in expanding the market share of its core business operations. The ability of the Group's operations to grow by investments in and/or acquisitions of its target businesses is dependent upon, and may be limited by, the availability of attractive projects and the Group's ability to agree commercial, technical and financing terms and to obtain the required approvals from the relevant authorities.

Such investments and/or acquisitions may expose the Group to potential difficulties that could prevent it from achieving the strategic objectives for the investments and/or acquisitions or the anticipated level of profitability from the investments and/or acquisitions. These difficulties include:

- 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;
- difficulties of expanding into different markets 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 financing costs as a result of higher interest payments;
- exposure to unanticipated contingent liabilities of the acquired businesses; and
- difficulties in integrating the acquired businesses or investments into the Group's existing operations, which may prevent it from achieving, or may reduce, the anticipated synergies.

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

The Group may not be able to successfully identify, acquire, invest in or operate suitable investment projects, acquisition targets or businesses.

There can be no assurance that the Group will be able to identify suitable investments and acquisition targets, complete the investments and acquisitions on satisfactory terms or, if at all, if any such investments and acquisitions are consummated, satisfactorily integrate the acquired businesses and investments. Any failure of the Group to implement its expansion plans through investments and acquisitions could have a material adverse effect on the Group's business, financial position and results of operations, as well as its future prospects.

In addition, the Group's subsidiaries operating in different business segments may determine that it is in their shareholders' interests to pursue new business ventures. There can be no assurance that such business ventures will be successful or generate the synergies expected, if any. The successful completion of this type of transaction will depend on several factors, including satisfactory due diligence findings and the receipt of necessary regulatory approval, among others. If the Group fails to complete such business ventures or such ventures prove to be unsuccessful, the Group's operating segments involved may be adversely affected.

There are risks associated with any material acquisitions by the Group in the future.

The Group may consider expanding its business by acquiring certain interests in other companies. During the course of these transactions, the Group will conduct due diligence investigations with respect to the target companies, but such due diligence conducted with respect to any acquisition opportunity may not reveal all relevant facts that are necessary or useful in evaluating such opportunity, which could subject the Group to unknown financial, legal and other risks and liabilities. When determining the consideration for any acquisition, the Group will consider various factors, including but not limited to the quality of the target business, estimated costs associated with the acquisition and the management of the target business, prevailing market conditions and intensity of

competition. The Group will also face various issues arising from the acquisition after the relevant transaction is completed, such as integration of the business into its operations and allocation of internal resources. There can be no assurance that the Group will be able to address these issues effectively.

In addition, any major acquisition or transaction of similar nature may consume substantial management attention and financial resources of the Group or even cause the Group to incur significant indebtedness. Any material decrease in its financial resources may limit the Group's ordinary operating activities and increase pressure on its liquidity, and, in turn, could adversely affect its business, financial condition and results of operations.

The Group is unable to predict whether there will be any target suitable for acquisition or when any suitable acquisition opportunities could arise. In the event that the Group enters into any letter of intent or agreement for any material acquisition after the issue of the Bonds, the market price and the trading volume of the Bonds may be adversely affected.

The Group may fail to obtain sufficient capital resources for its continued growth and other operation needs.

The Group's ability to access and raise capital depends upon a number of factors, such as the PRC's economic conditions, prevailing conditions in capital markets, regulatory requirements, the Group's financial condition, relationships with key banks and financial institutions and costs of financing. Some of these factors are beyond the Group's control and there can be no assurance that the relevant funding sources will provide the Group with sufficient amounts of capital in a timely manner, or at all. Any failure to obtain sufficient capital resources for its continued growth and other operation needs may have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, there can be no assurance that additional financing will be available to the Group or, if available, that it can be obtained on terms that are favourable or acceptable to the Group and within the covenants and limitations imposed by the Group's existing or any future financing and the applicable laws and regulations to which the Group may be subject.

The Group may not be able to execute successfully or fully its business strategy with respect to assets, projects or subsidiaries in which the Issuer has minority interests (if any).

The Group may not be able to execute successfully or fully its business strategy with respect to assets, projects or subsidiaries in which the Issuer has minority interests (if any). The Group may also fail to manage such assets, projects or subsidiaries successfully. The Group's involvement with such assets, projects and subsidiaries is generally subject to the terms of applicable agreements and arrangements. The Issuer may not have any board representation, veto power or power to exercise control over the management, policies, business and affairs of certain of its subsidiaries in which the Issuer does not have majority interests.

The Group may encounter difficulties in executing its growth strategy and integrating its expansion plans which may have a material adverse effect on its growth prospects, business and results of operations.

As part of the Group's business strategy, it plans to continue to explore growth opportunities within other target industries in the PRC, Asia and overseas with high growth potential to complement its existing businesses. The Group may achieve this through acquisitions, expansion, alliances, joint ventures or partnerships, where suitable opportunities arise and under appropriate market conditions. While the Group did not have any existing timetable to expand into these new industries as at the date of this Offering Circular and it has not engaged in any related negotiations or entered into any agreements with any acquisitions, alliances, joint ventures or partnerships, the Group may engage in such transactions in the near future. However, there can be no assurance that the Group will be able to identify any suitable target industries, investment projects or business partners in the near future. In addition, any failure to effectively manage the Group's expansion plans may lead to increased costs, impaired growth and reduced profitability for the Group. Even upon completion of investments or partnerships, the Group may experience difficulties in integrating such businesses into its existing business model, and may incur higher costs than initially anticipated. All of the above factors may materially and adversely affect the Group's business, financial position and results of operations.

The Group may engage in related party transactions with its affiliates and joint ventures from time to time which may create potential conflicts of interest.

The Group may engage in a variety of transactions with its affiliates and joint ventures, which may include providing guarantees. There can be no assurance that those transactions would be deemed as arm's length or the Group's related parties will not take actions that favour their interests over the Group's. There can be no assurance that conflicts of interests will not arise between the Group and its affiliates and joint ventures pursuant to such related party transactions. If a borrower defaults on any borrowings guaranteed by the relevant Group's member, the relevant lender may exercise its right under the guarantee to demand repayment from the Group, which may result in a funding shortage at the Group level, which, in turn, may materially and adversely affect the Group's ability to provide financial support to its subsidiaries. If the Group's financial or non-financial support ceases or diminishes for any reason, the operations of the relevant subsidiaries may be materially and adversely affected, which, in turn, may have a material adverse effect on the Group's business, financial condition and results of operations.

The internal control regarding the management of various related party transactions can also be challenging and demanding for the Group. Failure to adequately control and manage its related party transaction could have an adverse effect on the Group's business, financial condition or results of operations.

The Group may be exposed to credit risks relating to guarantees.

The Group may from time to time provide guarantees in respect of indebtedness of entities which were not members of the Group. If there is a downturn in the general economic conditions in the PRC and globally or other adverse factors causing a deterioration of the financial condition of the guaranteed entities and the guaranteed entities are unable to fulfil their obligations under their respective indebtedness as a result of which the Group is required to pay the outstanding debt obligations on behalf of the guaranteed entities, the Group's financial condition, results of operations and prospects could be materially and adversely affected.

The Group's ability to generate cash to service its indebtedness depends on many factors beyond its control.

The Group's ability to make payments on and to refinance its indebtedness, including the Bonds, and to fund planned capital expenditures will depend on the Group's ability to generate cash. This, to a certain extent, is subject to general economic or financial conditions, competitive, legislative, regulatory environment and other factors that are beyond the Group's control. There can be no assurance that the Group may generate sufficient cash flows from operating activities to enable it to pay its indebtedness, including the Bonds, or to fund the Group's other liquidity needs. The Group may need to refinance all or a portion of its indebtedness, including the Bonds, on or before maturity. However, the Group might not be able to refinance any of its indebtedness, including the Bonds, on commercially reasonable terms or at all. If the Group is unable to service its indebtedness or obtain refinancing on terms acceptable to the Group, it may be forced to adopt an alternative strategy that may include reducing or delaying capital expenditures, selling assets or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

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

The Group's business is affected by interest rates, including both the interest rates charged to its financial leasing customers and the interest rates it pays under its loans and other financing obligations. In order to remain responsive to changing interest rates and to manage the Group's interest rate exposure, the Group has implemented measures to adjust the structure of its assets and liabilities based on an assessment of the sensitivity of projected net interest income under various interest rate scenarios. However, an increase in interest rates, or the perception that such an increase may occur, could adversely affect the Group's ability to obtain bank loans at favourable interest rates, its ability to maximise its interest income, its ability to originate new leases and its ability to grow. In addition, changes in interest rates or in the relationships between short-term and long-term interest rates or between different interest rate indices (i.e., basis risk) could affect the interest rates received on interest-earning assets differently from the interest rates paid on interest-bearing liabilities, which could, in turn, result in an increase in interest expense or a decrease in net interest income (which is the Group's interest income minus the Group's interest expense). In addition, the Group's net interest income is also impacted by whether it can adjust the interest rates it charges its customers in response to fluctuations in interest rates for the Group's interest-bearing bank borrowings to maintain its net interest spread and its net interest margin. If the Group fails to appropriately adjust the interest rates of its lease contracts in a timely manner, its net interest spread and its net interest margins may decrease, and as a result, its profitability and results of operations would be adversely impacted. Any increase in the Group's interest expense or decrease in its net interest income could have a material adverse effect on its business, results of operations and financial condition.

In addition, fluctuations in exchange rates may also reduce the Group's earnings and cash flows or adversely affect the Group's financial condition. Although the Group manages interest rate and exchange rate risks with a variety of techniques, including the selective use of interest swaps and cross-currency swaps, there can be no assurance that fluctuations in interest rates and currency 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 risks are ineffective, the Group may incur losses.

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

The Group's financial 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, the 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 talent. If such key personnel leaves 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. 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, results of operations and prospects.

The Group relies on information technology systems for its business and any information technology system limitations or failures could materially and adversely affect its business, financial condition and results of operations.

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. If the Group's systems cannot cope with increased demand or otherwise fail to perform, the Group could experience unanticipated business disruptions, slower response times and limitation on its ability to monitor and manage data and risk exposure, control financial and operation conditions, and keep accurate records. These consequences could result in operating outages, poor operating performance, financial losses and potential intervention by regulatory authorities.

Although the Group has established its own internal back-up systems to carry on principal functions in the event of system failures, 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 Group's information technology systems. Any disruption to any of the Group's information technology systems could have a material adverse effect on its operations, business and financial condition.

Although the Group's systems had not experienced major system failures and delays in the past, there can be no assurance that the Group's systems would not experience future system failures and delays, or the measures taken by the Group to reduce the risk of system disruptions are effective or adequate. If internet traffic and communication volume increase unexpectedly or other unanticipated events occur, the Group may need to expand and upgrade the Group's technology, systems and network infrastructure. There can be no assurance that the Group will be able to accurately project the rate, timing or cost of any increases, or expand and upgrade the Group's systems and infrastructure to accommodate any increases in a timely manner, or at all.

The Group may not be able to detect and prevent fraud or other misconducts committed by its officers, employees representatives, agents, customers or other third parties.

Following the 18th Chinese Communist Party Congress in 2012 and the wide-reaching anti-corruption campaign in the PRC, the Central Leading Group for Inspection Work (中央巡視工作領導小組) (the “**Inspection Leading Group**”), a coordination body set up under the Central Committee of the Chinese Communist Party for the purpose of managing party disciplinary inspections nationwide, has dispatched inspection teams to provinces and central government organs such as ministries and state-owned enterprises in the PRC to conduct inspection work on party disciplinary enforcement. While the Issuer is not aware of any inspections or actions against the Group or its officers or employees by the Inspection Leading Group as at the date of this Offering Circular, there can be no assurance that there will not be any such inspections or actions by the Inspection Leading Group or other governmental authorities or that any such inspections or actions would not affect the Group as a result.

In addition, the Group may be exposed to fraud or other misconducts committed by its former or current officers, employees, representatives, agents, customers or other third parties that could subject the Group to financial losses and sanctions imposed by governmental authorities, which, in turn, affects its reputation. In particular, the Group’s operations are large in scale, which may render fraudulent or accidental transactions difficult to detect.

These misconducts could include:

- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to the Group in deciding whether to make investments or dispose of assets;
- improperly using or disclosing confidential information;
- recommending products, services or transactions that are not suitable for the Group’s customers;
- misappropriation of funds;
- conducting transactions that exceed authorised limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products;
- engaging in unauthorised or excessive transactions to the detriment of the Group’s customers;
- making or accepting the bribery activities;
- conducting any inside dealing; or
- otherwise not complying with applicable laws or the Group’s internal policies and procedures.

In particular, the Group is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in the PRC and other relevant jurisdictions. The Group seeks to comply fully with all applicable legislations in the PRC and other relevant jurisdictions such as the U.S. Foreign Corrupt Practices Act, the UK Bribery Act and any applicable sanctions.

The Group's internal control procedures are designed to monitor its operations and ensure overall compliance. In particular, the Group has adopted policies and procedures aimed at detecting and preventing the use of its business platforms to facilitate money laundering activities and terrorist acts. However, such internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner if at all.

In addition, fraud or other misconducts by employees (such as unauthorised business transactions and breaches of its internal policies and procedures) or third parties (such as breach of law) may be difficult to detect and prevent and could subject the Group to financial loss, 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 misconducts 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 misconducts may have previously occurred but was undetected, or that fraud or other misconducts may occur in the future. If such fraud or any other misconduct does occur, it may cause negative publicity as a result and the relevant government agencies may freeze its assets or impose fines or other penalties on the Group. Any of these may materially and adversely affect the Group's reputation, business, financial condition and results of operations.

The Group is 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, 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 an aircraft, costs of storing and operating an aircraft, airport taxes, custom duties, air navigation charges, landing fees and similar governmental or quasi-governmental impositions; and
- (c) penalties and costs associated with the failure of lessees to keep the aircraft registered under all appropriate local requirements or obtain required governmental licences, consents and approvals.

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

The Group’s financial condition and results of operations may be affected by material fluctuations of interest rates.

Interest rate fluctuations may influence the Group’s business and its financial performance. Any changes in the prevailing interest rates may impact the interest rates charged by the Group to its financial leasing clients and the Group’s borrowing costs as a portion of the Group’s borrowings bear floating interest rates.

In relation to the Group’s financial leasing business, any changes in the prevailing interest rates may impact the Group’s ability to originate new leases. In addition, the Group’s net interest income is also impacted by whether it can adjust the interest rates it charges its clients in response to fluctuations in interest rates for the Group’s interest-bearing liabilities to maintain its net interest spread and its net interest margin. If the Group fails to appropriately adjust the interest rates of its lease contracts in a timely manner, its net interest spread and its net interest margin may decrease, which, in turn, could have a material adverse effect on the Group’s profitability and results of operations.

In relation to the Group’s bank loans and other interest-bearing financing obligations, the Group may be susceptible to interest rate volatility if it is unable to match its floating rate liabilities with floating rate payments or secure appropriate hedges for the same. While the Group’s exposure to interest rate volatility may be hedged through the use of interest rate swaps and interest caps, the magnitude of the final exposure depends on the effectiveness of the hedge. There can be no assurance that fluctuations in interest rates will not have an adverse effect on the Group’s earnings or cash flows. If any of the various instruments and strategies which the Group uses to hedge its exposure to interest rate risks are or become ineffective, the Group may incur significant losses, which could have a material adverse effect on the Group’s financial position and results of operations. In addition, certain of the Group’s bank loans and other financial obligations may bear interests that accrue at floating rates linked to the benchmark lending rates published by PBOC (the “**PBOC Benchmark Rate**”). On 28 December 2019, PBOC published Announcement No. 30 [2019] of the People’s Bank of China (中國人民銀行公告[2019]第30號) (“**No. 30 Announcement**”) requiring financial institutions to, beginning on 1 January 2020, shift from using the PBOC Benchmark Rate to the loan prime rate (the “**LPR**”) as the reference rate in all floating rate loans (except for Personal Housing Accumulation Fund Loan). For pre-existing floating rate loans using the PBOC Benchmark Rate, financial institutions are required under No. 30 Announcement to renegotiate with the borrowers during 1 March 2020 to 31 August 2020 to adjust the terms of the pricing mechanism by either changing the reference rate to the LPR or adopting a fixed rate interest. As the LPR represents the monthly average of the best lending rates used by selected banks at the time, the LPR is more susceptible to changes in the economic and market conditions and is subject to fluctuations. Although the Group’s financial condition and results of operations may benefit from a low-interest environment, there can be no assurance that this environment will continue. Any increase in interest rates in the future will increase the Group’s financing costs and adversely affect its profitability, financial condition and results of operations.

The Group may be subject to legal or regulatory proceedings.

The Group may be involved, from time to time, in legal or regulatory proceedings arising in the ordinary course of its operations. See “*Description of the Group – Legal and Regulatory Proceedings*” for further information. Litigation arising from any failure, injury or damage from the Group’s operations may result in the relevant member of the Group being named as defendant in lawsuits asserting large claims against such member of the Group or subject such member of the

Group to significant regulatory penalties. It may be difficult to assess or quantify these risks, and their existence and magnitude often remain unknown for a substantial period of time. Actions brought against the Group may result in settlements, injunctions, fines, penalties or other sanctions adverse to the Group's reputation, financial condition and results of operations. Even if the Group is successful in defending against these actions, the costs associated with the Group's defence may be significant. When the market experiences a downturn, the number of legal claims and amount of damages sought in litigations and regulatory proceedings may increase. A significant judgment, arbitration award or regulatory action against the Group, or a disruption in the Group's business arising from adverse adjudications in proceedings against the Group's director(s), senior management or key employees, would materially and adversely affect the Group's liquidity, business, financial condition, reputation, results of operations and prospects. In March 2023, the National Association of Financial Market Institutional Investors ("NAFMII") reprimanded the Issuer in respect of the Issuer's contraventions of certain self-regulatory rules and guidelines in connection with a series of debt financing instrument, namely AVICIL 2018MTNBC (the "**2018 Debt Financing Instrument**") issued by the Issuer in 2018 by failing to disclose in advance the change in use of proceeds of the 2018 Debt Financing Instrument and to disclose the key contents of the Issuer's information disclosure management system when issuing debt financing instruments for the first time. NAFMII also ordered the Issuer to carry out rectification actions and submit a rectification report to NAFMII by a specified date. The 2018 Debt Financing Instrument was repaid in full in February 2023. In addition, the Issuer enhanced its information disclosure management system by 2021 and intends to submit a rectification report to NAFMII within the required deadline. The Issuer believes that the above-mentioned disciplinary actions do not have any material adverse effect on the Issuer's business, financial condition or results of operations.

In addition, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavourable decrees that result in liabilities. Also, in the event that the Group makes any other investments or acquisitions in the future, there can be no assurance that the Group would not have any exposure to any litigation or arbitration proceedings or other liabilities relating to the acquired businesses or entities.

The Group's operations may be adversely affected by operational risks, which may cause the Group to incur uninsured losses.

The Group faces various operational risks in connection with its business, including but not limited to:

- interruptions caused by operational errors, electricity outages, raw material shortages, the failure of equipment and other operational risks;
- operating limitations imposed by environmental or other regulatory requirements;
- work-related personal injuries;
- on-site occupational accidents;
- economic loss due to product reclaim;
- credit risks relating to the performance of customers or other contractual third parties;
- disruptions in the global capital markets and the economy in general;

- loss on investments;
- environmental or industrial accidents; and
- catastrophic events such as fires, earthquakes, explosions, floods or other natural disasters.

These operational risks may be beyond the Group's control and could cause significant business interruptions, property damages, personal injuries and property or environmental damage. The occurrence of any of these events, and the consequences resulting from them, may not be covered adequately, or at all, by the Group's insurance policies. In addition, the Group may not be able to always obtain the type and amount of insurance at commercially reasonable rates. Over time, premiums and deductibles for insurance policies may substantially increase, and certain insurance policies could become unavailable or only available with reduced amounts of coverage. There are also certain types of risks are not insured in the PRC because they are either uninsurable or not economically insurable, such as risks from wars, acts of terrorism or acts of God, business interruption, property risks and third party (public) liability. To the extent that the Group suffers loss or damage that is not covered by insurance or that exceeds the limit of its insurance coverage, its business, financial condition, results of operations, prospects and cash flows may be materially and adversely affected.

The Group may not be able to adequately protect its intellectual property, which could adversely affect its business operations.

The Group relies on a combination of patents, copyrights, trademarks and contractual rights to protect its intellectual property. There can be no assurance that any protective measures adopted by the Group will be sufficient to prevent any misappropriation of the Group's intellectual property. The legal regime governing intellectual property in the PRC is still evolving and the level of protection afforded in respect of intellectual property rights in the PRC differs from those in other jurisdictions. In the event that the measures taken by the Group and the protection afforded by law do not adequately safeguard the Group's proprietary technology or property, the Group could suffer significant losses due to the sales of competing products or services that appoints the Group's intellectual property which, in turn, could adversely affect its business, financial condition and results of operations.

There might be claims asserted against the Group.

Although under some of its leases the Group does not control the operation of its leased assets such as aircraft, vessels, urban infrastructure equipment and other 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, amongst 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. The lessees are also typically required to maintain public liability, property damage and all risks and war risks insurance on the leased assets 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 Group. Any insurance coverage shortfall or default by lessees to fulfil their indemnification or insurance obligations, as well as the 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.

Failure to obtain, renew, or retain licences, permits or approvals or failure to comply with applicable laws and regulations may affect the Group's ability to conduct its business.

The Group is subject to rules and regulations and 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 effect on the Group's business and operations. In addition, the regulatory and licensing requirements within the PRC financial leasing industry are constantly evolving and the Group may be subject to more stringent regulatory requirements due to changes in the political or economic policies in the PRC. There can be no assurance that the Group will be able to satisfy such regulatory requirements or 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 materially and adversely affect its results of operations and financial condition.

Uncertainties and changes in the PRC's legal framework for finance leasing and factoring businesses could also materially and adversely affect the Group's business. On 8 May 2018, the General Office of MOFCOM issued the 2018 Notice, according to which the authority of rule-making on operation and regulation of finance leasing companies, factoring companies and pawnshops shall be transferred to CBIRC, which is a new department organ established on 21 March 2018 to combine and replace the functions and authorities of the previous China Banking Regulatory Commission and China Insurance Regulatory Commission. Detailed implementing measures of the 2018 Notice have not been promulgated. In the event that other regulatory policies changes or stricter rules are promulgated and implemented, the Group will be required to comply with further requirements and adjust its business accordingly, and this may have a material adverse effect on the Group's business, financial condition and results of operations.

Changes in the organisational structure of the Group or the Issuer's shareholders may affect the Group's financial condition and results of operations.

The Group or the Issuer's shareholders may undergo certain organisational restructuring from time to time which may affect whether certain subsidiaries of the Issuer will be consolidated in the Issuer's consolidated financial statements or (as the case may be) whether the Issuer will be consolidated in the consolidated financial statements of the Issuer's shareholders. In addition, the Issuer may issue shares to entities other than the existing shareholders which would, in turn, dilute the existing shareholders' shareholding in the Issuer's registered share capital. There can also be no assurance that any such organisational restructuring or changes in the Issuer's shareholding structure will not have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Under applicable PRC laws and regulations, the Issuer and other members of the Group are required to complete necessary registrations for changes in organisational structure including changes in their respective shareholding structure. There can be no assurance as to how long the registration processes will take place or whether the Group is able to complete the required registrations within the prescribed timing, or at all. There can be no assurance that the Group can always complete the required registrations within the prescribed timing or the relevant administrative authorities will not take any actions against the Issuer or the Group in relation to any of their failure to complete any necessary registration for changes in organisational structure. In such event, the Issuer or the Group may be subject to an order by regulatory authorities to complete the necessary registrations and may be subject to monetary penalties, either of which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group relies on government support to a certain extent and a reduction or discontinuance of government support could materially and adversely affect the financial condition and results of operations of the Group.

Given the Issuer's exclusive position as the only aviation industry leasing company with state-owned background, the Group has in the past received support (but not including credit support) from the PRC government in the form of governmental subsidies and preferential tax treatment to support the investment and operation of its businesses. For example, for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, the Group received government grants of approximately CNY70.09 million, CNY22.85 million, CNY72.28 million, CNY30.00 million and CNY20.81 million, respectively.

There can be no assurance that the PRC government or SASAC will continue to provide support to the Group or that the governmental subsidies, preferential tax treatment or other types of government support will not be reduced, adjusted or terminated due to changes in government policy or otherwise. If the favourable governmental subsidies, preferential tax treatment or other incentives which are currently available to the Group are reduced or eliminated in the future, the viability of the Group's businesses may be affected and the financial condition and results of operations of the Group will be materially and adversely affected.

Members of the Group may become listed and may therefore be subject to regulatory restrictions and listing requirements and the Issuer's shareholding or voting interests in such subsidiaries may be diluted.

The shares of one or more members of the Group may become listed on one or more stock exchanges. As a result, the entering into certain transactions by any such member may be subject to various regulatory restrictions. Intra-group transactions may also be subject to applicable listing requirements, such as the issuance of press notices and public announcements, the obtaining of independent shareholders' approval at general meetings and/or disclosure in annual reports and accounts. Members with funding needs may therefore not be able to obtain financial support from the Group in a timely manner, or at all.

In addition, in the event that the shares of one or more subsidiaries of the Issuer become listed on a stock exchange, the Issuer's shareholding or voting interests in such subsidiaries may be diluted. There can be no assurance that any such dilution in shareholding or voting interests will not have a material adverse effect on the Group's business, financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

The Group's business, financial condition, results of operations and prospects could be adversely affected by slowdown in the PRC economy.

A substantial part of the Group's revenue is derived from the PRC. The Group relies, to a significant degree, on its domestic operations to achieve revenue growth. Domestic demand for leasing services is materially affected by growth of private consumption and overall economic growth in the PRC. Therefore, the performance of the PRC economy affects, to a significant degree, the Group's business, financial condition, results of operations and prospects.

There has been a slowdown in the overall growth of the PRC's economy in recent years. In particular, the outbreak of COVID-19 has adversely affected, and may continue to adversely affect, the level of economic development in the PRC. See “– Risks relating to the Group – The Group's business, financial condition, results of operations and prospects have been and may continue to be adversely affected by the COVID-19 pandemic” and “– Risks relating to the Group – The Group's operations are subject to force majeure events, political unrest or civil disobedience movements, natural disasters and outbreaks or pandemic of contagious diseases and other disasters” for further information. In addition, there can be no assurance that the PRC economy will continue to grow or that the past rates of economic growth in the PRC could be maintained in the future, if at all.

In recent years, as a result of recurring liquidity tightening in the banking system, alternative lending and borrowing outside of traditional banking practices, generally known as “shadow banking”, has grown to become an integral and significant aspect of the PRC economy. Such alternative lending is loosely regulated and has led to an increase in the PRC's debt levels leading to concerns over rising bad debts and financial problems. As some of the funds obtained from shadow banking are being used for investments in speculative and risky products, should a widespread default on such investments occur, this could harm the growth prospects of the PRC economy. There were reports of a number of shadow banking defaults in the PRC resulting in increased scrutiny and oversight by regulators who have proposed draft rules to control the industry. Even if the PRC government increases regulation over such alternative lending and borrowing, there can be no assurance that such regulations will be successful, or that they would not have an adverse impact on the overall loan markets and liquidity in the PRC, which will materially and adversely impact the PRC economy. Although the PRC government has taken several measures with the intention of increasing investor confidence in the PRC economy, there can be no assurance that such measures will be effective. There can be no assurance that the PRC government will not implement any reforms which may conflict with such targeted growth. The Group's business, financial condition and results of operations could be adversely affected by the PRC government's inability to effect timely economic reforms.

The PRC government has continued to play a significant role in regulating the development of industries in the PRC by imposing top-down policies. It exercises significant control over PRC economic growth through the allocation of resources, controlling the payment of foreign currency denominated obligations, setting monetary policies and providing preferential treatment to particular industries or companies. Furthermore, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have positive effects on the Group's operations and business development. Other political, economic and social factors may also lead to further adjustments of the reform measures. There can be no assurance that future changes in the PRC's political, economic and social conditions, laws, regulations and policies will not have a material adverse effect on the Group's current or future business and financial condition.

The future performance of the PRC economy is not only affected by the economic and monetary policies of the PRC government, but has been, and will continue to be, sensitive to global or regional geopolitical, economic and market conditions, including the liquidity of the global financial markets, the level and volatility of debt and equity prices, interest rates, exchange rates, oil and commodities prices, investor sentiment, inflation or deflation and the availability and cost of capital and credit. See “– Risks relating to the Group – Disruptions or volatility in global and domestic financial markets could materially and adversely impact the industries and markets in which the Group serves and operates” for further information. Geopolitical events, instability in the global financial markets and any material changes in global economic and political environments could contribute to increased market volatility, weakened business and consumer confidence and diminished expectations for economic growth around the world. The outlook for the global economy and financial markets remains uncertain. The PRC and other countries may adopt, adjust or withdraw their macroeconomic measures, monetary policies and economic stimulus packages from time to time, which further increases the difficulties in predicting the outlook for the global economy and financial markets.

It is impossible to predict how the PRC economy will develop in the future and whether it might slow down due to a global crisis or experience a financial crisis in a manner and scale similar to that in the United States and the European countries between 2008 and 2011. A slowdown in the PRC economy may increase the Group’s exposure to material losses from its investments, decrease the opportunities for developing the Group’s businesses, create a credit tightening environment, increase the Group’s financing costs or reduce government subsidies to the Group, any of which could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

Turmoil in the financial markets could increase the Group’s cost of borrowing and impede access to or increase the cost of financing the Group’s operations and investments.

The availability of credit to entities operating within emerging markets, including the Issuer, is significantly influenced by levels of investor confidence in such markets as a whole. Any factors that may affect market confidence could affect the costs or availability of funding for entities within emerging markets. Historically, challenging market conditions in emerging markets have resulted in reduced liquidity, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing and a tightening of credit terms. Significant fluctuations in the financial markets in the PRC and globally may cause adverse effects on the Group’s business operations and investments as a whole.

The PRC’s economic, political and social conditions, as well as government policies in the PRC, could affect the Group’s businesses.

A substantial part of the Group’s businesses, assets and operations is located in the PRC. Accordingly, the Group’s business prospects, financial condition and results of operations are, to a significant degree, subject to the economic, political and legal developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including, among other things, level of government involvement, level of economic development, growth rate, foreign exchange controls and resources allocation.

The PRC economy is in the process of transitioning from a centrally planned economy to a more market-oriented economy. For more than four decades, the PRC government has implemented economic reform measures to utilise market forces in the development of the PRC economy. Economic reform measures, however, may be adjusted, modified or applied inconsistently from

industry to industry or across different regions of the country. As a result, the Group may not continue to benefit from all, or any, of these measures in the future. In addition, the PRC government continues to play a significant role in regulating industries and the economy through policy measures. The Group cannot predict whether changes in PRC economic, political or social conditions and in PRC laws, regulations and policies will adversely affect its business, financial condition or results of operations.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on the Group's operations and business development.

The Group's business, financial condition and results of operations may be adversely affected by:

- changes in PRC political, economic and social conditions;
- changes in policies of the PRC government, including changes in policies in relation to the Group's business segments;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures that may be introduced to control inflation or deflation;
- changes in the rate or method of taxation;
- the imposition of additional restrictions on currency conversion and remittances abroad; and
- a reduction in tariff protection and other import restrictions.

If the PRC's economic growth slows down or if the PRC economy experiences a recession, the Group's business, results of operations and financial condition could be materially and adversely affected.

Uncertainties with respect to the PRC legal system could affect the Group.

As a substantial part of the Group's businesses is conducted, and a substantial part of the Group's assets is located, in the PRC, the Group's operations are governed principally by, and subject to, PRC laws and regulations. The PRC legal system is based on written statutes. Published court opinions are limited. Prior court decisions may be cited for reference. Since 1979, PRC laws and regulations dealing with economic matters such as the issuance and trade of securities, foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law, have significantly enhanced the protections afforded to market participants in the PRC. However, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. In particular, because these laws and regulations (including the MOF Circular promulgated on 28 March 2018 and came into effect on the same day and the Joint Circular promulgated on 11 May 2018 and came into effect on the same day) are relatively new and given the limited volume of published decisions, the interpretation and enforcement of these laws and

regulations involve uncertainties. The PRC legal system is also based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, in certain cases, the Group may not be aware of the Group's violation of these policies and rules until sometime after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs, diversion of the Group's resources and management's attention and it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction. Such uncertainties may impede the Group's ability to enforce contracts that the Group has entered into with its investors, creditors, customers, suppliers and business partners. The Group cannot predict the effect of future developments in the PRC legal system or the integration of such developments under the legal systems of other jurisdictions, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the pre-emption of local regulations by national laws, or the overturn of local government's decisions by itself, provincial or national governments. Such uncertainties in interpretation, implementation and enforcement may limit legal protections available to or against the Group. In addition, any bankruptcy proceeding relating to the Group would likely involve PRC bankruptcy laws. The procedural and substantive provisions of PRC bankruptcy laws may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Bondholders are familiar. All of the above could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Certain PRC regulations governing PRC companies are less developed than those applicable to companies incorporated in more developed countries.

Most of the members of the Group are established in the PRC and are subject to PRC regulations governing PRC companies. These regulations contain certain provisions that are required to be included in the joint venture contracts, articles of association and all other major operational agreements of these PRC companies and are intended to regulate the internal affairs of these companies. These regulations in general, and the provisions for protection of shareholders' rights and access to information in particular, are less developed than those applicable to companies incorporated in Hong Kong, the United States, the United Kingdom and other developed countries or regions.

There may be difficulties in effecting service of legal process and enforcing judgments against the Issuer or its directors or members of the Issuer's senior management who reside in the PRC in connection with judgments obtained in non-PRC courts.

The Issuer is a company incorporated under the laws of the PRC, and a substantial part of the Group's businesses, assets and operations is located in the PRC. In addition, a majority of the Issuer's directors, supervisors and executive officers reside in the PRC, and substantially all of their assets may be located in the PRC. As a result, it may not be possible for investors to effect service of process upon the Issuer or its directors or members of its senior management inside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition of judgment made by courts of most other jurisdictions. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "Choice of Court Arrangement"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in

a civil and commercial case according to a “choice of court” agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final court judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a “choice of court” agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A “choice of court” agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Choice of Court Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute do not enter into a “choice of court” agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against the Issuer, the Group’s assets or the Issuer’s directors or members of its senior management in the PRC and/or to seek recognition and enforcement for foreign judgments in the PRC. On 18 January 2019, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region (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**”), which seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between the courts of Hong Kong and the PRC. The 2019 Arrangement will be implemented by local legislation in Hong Kong and will take effect after both Hong Kong and the PRC have completed the necessary procedures to enable implementation and shall apply to judgments made by the courts of Hong Kong and the PRC on or after the date of the commencement of the 2019 Arrangement. Upon commencement of the 2019 Arrangement, the Choice of Court Arrangement shall be terminated, except for “choice of court” agreements in writing made between parties before the commencement of the 2019 Arrangement, in which case the Choice of Court Arrangement shall continue to apply. However, the recognition and enforcement of judgments rendered by a Hong Kong court in the PRC are subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement. There can be no assurance that investors can successfully effect service of process against the Issuer or the Issuer’s directors or members of its senior management in the PRC and/or to seek recognition and enforcement for judgments rendered by a Hong Kong court in the PRC.

Furthermore, the PRC does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, or most other European countries or Japan. Hence, the recognition and enforcement in the PRC of judgment of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

Increases in the costs of labour may have an adverse impact on the Group’s results of operations.

The PRC Labour Contract Law (中華人民共和國勞動合同法) came into effect on 1 January 2008, and was amended on 28 December 2012 and came into effect on 1 July 2013. The current PRC Labour Contract Law has imposed greater liabilities on employers and significantly increased the cost of an employer’s decision to reduce its workforce. Further it requires certain terminations to be based upon seniority instead of merit. In the event that the Group decides to significantly change or decrease the Group’s workforce within the PRC, the PRC Labour Contract Law could adversely affect the Group’s financial condition and results of operations. In addition, the PRC government has continued to introduce various new labour-related regulations after the promulgation of the PRC Labour Contract Law. Among other things, the Paid Annual Leave Provisions (職工帶薪年休假條例), which came into

effect on 1 January 2008, stipulated that employees who have served more than one year with an employer are entitled to a paid vacation from five to 15 days, depending on their length of service. Subject to certain exceptions, employees who waive such vacation time at the request of employers shall be compensated at three times their normal salaries for each waived vacation day. Under the National Tourism and Leisure Outline 2013-2020 (國民旅遊休閒綱要2013-2020年), which came into effect on 2 February 2013, regulations on paid annual leave of employees shall have been implemented on a general basis by 2020.

On 28 October 2010, the Standing Committee of the National People's Congress of the PRC ("NPCSC") promulgated the PRC Social Insurance Law (中華人民共和國社會保險法) which came into effect on 1 July 2011, and it was amended on 29 December 2018, which came into effect on the same day. According to the PRC Social Insurance Law, employees will participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay for the social insurance premiums for such employees.

To further strengthen the protection on labour remuneration, rest and vacations, social insurance and other basic rights and interests of labourers, the Opinion of the Central Committee of the Communist Party of China and the State Council on Building Harmonious Labour Relationships (中共中央、國務院關於構建和諧勞動關係的意見) was issued on 21 March 2015, which acts as a guideline on PRC labour legislation.

As a result of the implementation of these and any future rules and regulations designed to enhance the standard for labour protection, the Group's labour costs may continue to increase. If the costs of labour increase significantly, and the Group cannot offset such increase by reducing other costs or cannot pass on such increase to for example, the buyers or tenants of its commercial properties in the PRC, its business, the Group's results of operations and financial position may be materially and adversely affected.

In addition, a labour shortage or increase in costs of raw materials and other components required for the Group's business operation may cause similar adverse effects, particularly if the Group is unable to identify and employ other appropriate means to reduce the costs. In such circumstances, the profit margin may decrease and the financial results may be adversely affected. Inflation in the PRC has also increased in recent years. Inflation in the PRC increases the costs of labour and the costs of raw materials the Group must purchase for production. Rising labour costs may increase the Group's operating costs and partially erode the cost advantage of the Group's PRC-based operations and therefore materially and adversely impact the Group's profitability.

The payment of dividends by the Issuer's operating subsidiaries in the PRC is subject to restrictions under PRC law.

Part of the Group's businesses are operated by the Issuer's operating subsidiaries in the PRC. PRC laws require that dividends be paid only out of net profit, calculated according to the PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions. In addition, PRC law requires enterprises set aside part of their net profit as statutory reserves before distributing the net profit for the current financial year. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund the Issuer's operations and to service its indebtedness depends upon dividends received from these subsidiaries to a certain extent, any legal restrictions on the availability and usage of dividend payments from the Issuer's subsidiaries may impact the Issuer's ability to fund its operations and to service its indebtedness.

The Group is subject to restrictions on the remittance of Renminbi into and out of the PRC and governmental controls on currency conversion, and may be affected by the risks relating to fluctuations in exchange rates in the future.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of PRC. A portion of the Group's operating revenue is denominated in Renminbi, which may need to be converted into other currencies in order to meet the Group's foreign currency obligations, such as payments of principal and interests under its foreign currency denominated debts, if any.

Under the existing PRC laws and regulations on foreign exchange, payments of current account items, including profit distributions, interest payments and trade and service related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE provided that certain procedural requirements are complied with. Approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, take measures to restrict access to foreign currencies for current account and capital account transactions under certain circumstances. If the foreign exchange control system prevents the Group from obtaining sufficient foreign currencies to satisfy the Group's foreign currency demands, the Group may not be able to pay interests and/or principal to holders of its foreign currency denominated debts, if any. In addition, there can be no assurance that new laws or regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of the PRC.

The value of Renminbi against U.S. dollar and other foreign currencies is subject to changes in the PRC's policies, as well as international economic and political developments. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. From 21 July 2005 to 17 March 2014, the floating band of interbank spot foreign exchange market trading price of Renminbi against U.S. dollar was gradually widened from 0.3 per cent. to 2 per cent. On 11 August 2015, PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change at primary international currencies. On 11 December 2015, the China Foreign Exchange Trade System, a sub-institutional organisation of PBOC, published the China Foreign Exchange Trade System (CFETS) Renminbi exchange rate index for the first time which weighs Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. Starting from 1 October 2016, Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund. There can be no assurance that the PRC government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of Renminbi into or outside the PRC.

In addition, the value of Renminbi has depreciated significantly against U.S. dollar since the end of 2015 and there can be no assurance that Renminbi will not experience significant depreciation or appreciation against U.S. dollar or against any other currency in the future. The exchange rate between Renminbi and U.S. dollar experienced further fluctuation between 1 January 2016 and the

date of this Offering Circular. On 5 August 2019, PBOC set the Renminbi's daily reference rate above seven per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. There remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in further and more significant appreciation of Renminbi against U.S. dollar. If further reforms are implemented and result in devaluation of Renminbi against U.S. dollar, the Group's business, financial condition, results of operations and prospects could be adversely affected because of the Group's U.S. dollar denominated indebtedness and other obligations. Such devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of the Group's earnings and ability to satisfy its U.S. dollar denominated indebtedness and other obligations.

Furthermore, members of the Group may be required to obtain SAFE's approval before converting significant amounts of Renminbi into or out of foreign currencies. In the future, it is possible that the PRC government could adopt a more flexible currency policy, which could result in further and more significant revaluations of Renminbi against any foreign currency. Any future exchange rate volatility relating to Renminbi or any significant revaluation of Renminbi may materially and adversely affect earnings and financial position of the Group.

There is foreign exchange control in the PRC.

The Group's PRC subsidiaries are subject to PRC laws and regulations on currency conversion. In the PRC, SAFE regulates the conversion of Renminbi into foreign currencies. Currently, foreign-invested enterprises are required to apply to local banks designated by SAFE for foreign exchange registration after receiving their business licences. With such registration certifications, foreign-invested enterprises are allowed to open foreign currency accounts including the "basic account" and "capital account". Currently, conversion within the scope of the "basic account" for current account type purposes such as the remittance of foreign currencies for payment of dividends, can be effected without the approval of SAFE. However, the conversion of currency in the "capital account," for capital items such as direct investments, loans and securities, still requires the approval of SAFE.

The Group has PRC subsidiaries that are foreign-invested enterprises and the ability of these subsidiaries to pay dividends or make other distributions to the Group may be restricted by, among other things, the availability of funds, and statutory and other legal restrictions including PRC foreign exchange control restrictions. To the extent that the ability of the Group's subsidiaries to distribute to the Group is restricted, it may have an adverse effect on the Group's cash flows.

The operations of the Group may be affected by inflation and deflation within the PRC.

Economic growth in the PRC had historically been accompanied by periods of high inflation. Increasing inflation rates were due to many factors beyond the Group's control, such as rising food prices, rising production and labour costs, high lending levels, PRC and foreign government policies and regulations as well as movements in exchange rates and interest rates. It is impossible to accurately predict future inflationary trends. If inflation rates rise beyond the Group's expectations, the Group may be unable to increase the prices of its services and products in amounts that are sufficient to cover its increasing operating costs. Further inflationary pressures within the PRC may have a material adverse effect on the Group's business, financial condition or results of operations.

Recently, concerns have arisen over deflationary pressures in the PRC as a result of weak domestic demand and slow economy. A prolonged period of deflation may result in falling profits, closure of plants and shrinking employment and incomes by companies and individuals, any of which could adversely affect the Group's business, financial condition or results of operations.

RISKS RELATING TO FINANCIAL AND OTHER INFORMATION

The Issuer's independent auditors were involved in, and may continue to be involved in, investigations initiated by relevant PRC authorities from time to time.

ZSZH, the Issuer's independent auditors for the year ended 31 December 2020, and DH, the Issuer's independent auditors for the year ended 31 December 2021 and the six months ended 30 June 2022, are registered accounting firms in the PRC supervised by the PRC courts and other relevant PRC regulatory agencies, including China Securities Regulatory Commission ("CSRC") and MOF.

In recent years, as part of an effort to improve effective regulatory supervision, PRC regulators have increased their examinations of PRC public accountants. As a result, auditors in the PRC have been subject to more frequent examinations. CSRC's investigations are mainly focused on the independence of the auditors, the appropriateness of the implementation of accounting standards, the adequacy of professional scepticism in the auditing and/or reviewing process and the reasonableness of the judgment made by the auditors.

ZSZH was previously investigated by CSRC in connection with its provision of audit services to certain PRC companies. As a result of such investigations, CSRC has issued warning notices to ZSZH and certain of its employees, instructed them on certain reform and corrective actions and imposed deadlines upon ZSZH for rectification and submitting reports to CSRC. ZSZH and its auditors had also faced administrative penalties in connection with their audit activities in the past. ZSZH has confirmed that the warnings, enforcement actions and/or criminal liabilities against ZSZH were unrelated to the Group, the ZSZH team serving as the Issuer's independent auditor and the audit work performed by ZSZH for the Group, do not restrict ZSZH from providing audit or other services in connection with this offering and have no material adverse effect on this issue of the Bonds. ZSZH has further confirmed that the auditors who participate in this offering were not the subject of, or involved in, the warnings, enforcement actions and/or criminal liabilities against ZSZH and are qualified to provide audit and other services under applicable PRC laws, rules and guidelines. ZSZH has further confirmed that its audit work for the Issuer in respect of this issue of the Bonds, including the audit report in respect of the 2020 Audited Consolidated Financial Statements included elsewhere in this Offering Circular, remains valid and effective. ZSZH has also confirmed that its office's registration as an accounting firm, its ability to provide comfort letters (including in respect of the offering of the Bonds) and the qualification of the auditors who participate in this offering are not affected by the warnings, enforcement actions and/or criminal liabilities above.

DH was previously investigated by CSRC in connection with its provision of audit and/or review services to certain PRC companies. As a result of such investigations, CSRC has issued warning notices to DH and certain of its employees, instructed them on certain reform and corrective actions and imposed deadlines upon DH for rectification and submitting reports to CSRC. DH and its auditors had also faced administrative penalties in connection with their audit and/or review activities in the past. DH has confirmed that the warnings, enforcement actions and/or criminal liabilities against DH were unrelated to the Group, the DH team serving as the Issuer's independent auditors and the audit

and/or review work performed by DH for the Group, do not restrict DH from providing audit, review or other services in connection with this offering and have no material adverse effect on this issue of the Bonds. DH has further confirmed that the auditors who participate in this offering were not the subject of, or involved in, the warnings, enforcement actions and/or criminal liabilities against DH and are qualified to provide audit, review and other services under applicable PRC laws, rules and guidelines. DH has further confirmed that its audit and review work for the Issuer in respect of this issue of the Bonds, including the audit report in respect of the 2021 Audited Consolidated Financial Statements and the review report in respect of the Reviewed Consolidated Interim Financial Statements included elsewhere in this Offering Circular, remains valid and effective. DH has also confirmed that its office's registration as an accounting firm, its ability to provide comfort letters (including in respect of the offering of the Bonds) and the qualification of the auditors who participate in this offering are not affected by the warnings, enforcement actions and/or criminal liabilities above.

However, there can be no assurance that the relevant PRC authorities would not carry out any review of ZSZH's or DH's audit, review and/or other assurance work conducted in relation to the Group or any other companies. The Issuer's auditors and their respective management, officers or employees may from time to time be investigated by PRC regulatory agencies such as MOF and CSRC and may be subject to adverse regulatory decisions, warnings, sanctions, penalties and/or revocations and suspension of business operations as a result of such investigations. Adverse regulatory decisions, warnings, sanctions, penalties and/or revocations and suspension of business operations against the Issuer's auditors may restrict the relevant auditors from providing audit, review or other services in connection with the Group's financing transactions. In that case, the Issuer may have to discontinue its engagement with the relevant auditors, which may adversely affect the Issuer's business operations and harm its reputation. Also, any adverse regulatory decisions, warnings, sanctions, penalties and/or revocations and suspension of business operations against the Issuer's auditors may affect investor's confidence in the Issuer, the Group and the Issuer's financial statements audited or reviewed by its auditors and there can be no assurance that such regulatory decisions, warnings, sanctions, penalties and/or revocations and suspension of business operations would not have a material adverse effect on the Group. Prospective investors should consider these factors prior to making any investment decision.

The Historical Financial Statements were prepared and presented in accordance with PRC GAAP, which differs in certain material respects from IFRS.

The Historical Financial Statements were prepared and presented in accordance with PRC GAAPs promulgated by MOF from time to time. The Issuer has not prepared the Historical Financial Statements in accordance with IFRS and has not prepared any reconciliation of its consolidated financial information and its consolidated financial statements and related footnotes between PRC GAAP and other generally accepted accounting principles. PRC GAAP differs in certain material respects from IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see "*Summary of Certain Differences Between PRC GAAP and IFRS*". There is no guarantee that PRC GAAP will fully converge with IFRS or that there will be no additional differences between the two accounting standards in the future. In making an investment decision, prospective investors must rely upon their own examination of the Group, the terms of the offering and the financial information contained in this Offering Circular. Prospective investors must exercise caution and should seek advice from their own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained in this Offering Circular.

Historical consolidated financial information of the Group is not indicative of its current or future financial condition or results of operations.

The historical consolidated financial information of the Group included in this Offering Circular is not indicative of its current or future financial condition or results of operations. Such financial information is not intended to represent or predict the Group's financial condition or results of operations of any current or future periods. The Group's financial condition and results of operations may change materially if its growth deviates from the historical trends for various reasons, including factors beyond its control, such as changes in economic environment, PRC environmental rules and regulations and the competitive landscape of the industries in which the Group operates. The Group may also acquire businesses or companies or dispose of its subsidiaries or assets from time to time in accordance with its business objectives. Period-to-period comparisons of the Group's historical results of operations must be evaluated in light of the impact of any such transactions.

The Reviewed Consolidated Interim Financial Statements have not been audited by ZSZH, DH or any other independent auditors.

The Reviewed Consolidated Interim Financial Statements have not been audited by ZSZH, DH or any other independent auditors. Consequently, the Reviewed Consolidated Interim Financial Statements should not be relied upon by prospective investors to provide the same quality of information associated with information that has been subject to an audit. None of the Managers or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them makes any representation or warranty, express or implied, regarding the accuracy, completeness or sufficiency of the Reviewed Consolidated Interim Financial Statements for an assessment of, and prospective investors must exercise caution when using such data to evaluate, the Issuer's or the Group's financial condition and results of operations. In addition, the Reviewed Consolidated Interim Financial Statements should not be taken as an indication of the Issuer's or the Group's expected financial condition or results of operations for the full financial year ending 31 December 2022.

The presentation of certain accounting items in the Historical Financial Statements may not be comparable to the financial information in the consolidated financial statements of the Issuer for the previous periods.

The scope of consolidation of the Issuer's consolidated financial statements changes from time to time. See "*Notes to the Financial Statements – VII Business Combination and Financial Statement Consolidation*" of the 2020 Audited Consolidated Financial Statements, "*Notes to Financial Statements in 2021 – VII Business Combination and Financial Statement Consolidation*" of the 2021 Audited Consolidated Financial Statements and "*Notes to Financial Statements from January to June in Year 2022 – VII Business Combination and Financial Statement Consolidation*" of the Reviewed Consolidated Interim Financial Statements. In addition, MOF had promulgated the New Accounting Standards and Requirements and certain financial figures in the Audited Consolidated Financial Statements were reassessed and/or adjusted as a result of the promulgation of the New Accounting Standards and Requirements. See "*Notes to the Financial Statements – V Significant changes in accounting policies, accounting estimates and correction of errors in prior periods – 1. Changes in accounting policies*" of the 2020 Audited Consolidated Financial Statements and "*Notes to Financial Statements in 2021 – V Significant changes in accounting policies, accounting estimates and correction of errors in prior periods*" of the 2021 Audited Consolidated Financial Statements. As a result, the presentation of certain accounting items in the Historical Financial Statements may not be comparable to the financial information in the consolidated financial statements of the Issuer for the previous periods.

As the scope of consolidation of the Issuer's consolidated financial statements may change from time to time and MOF may promulgate new accounting standards and requirements in relation to financial statements from time to time, there can be no assurance that such changes in scope of consolidation or new accounting standards and requirements would not materially and adversely affect the Issuer's or the Group's accounting policies or the presentation of the Issuer's consolidated financial statements. Accordingly, prospective investors must exercise caution and should seek advice from their own professional advisers if necessary when using the Issuer's consolidated financial information to evaluate the Issuer's or the Group's financial performance.

The Issuer has published and may continue to publish periodical financial information in the PRC pursuant to applicable PRC regulatory rules. Prospective investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.

The Issuer has issued and may continue to issue debt securities in the domestic capital markets in the PRC from time to time. According to applicable PRC securities laws and regulations, the Issuer would be required to publish its quarterly, semi-annual and annual financial information to satisfy its continuing disclosure obligations relating to its debt securities issued in the domestic capital markets. After the Bonds are issued, the Issuer is obligated by the terms of the Bonds, among others, to provide holders of the Bonds with its audited financial statements and certain unaudited periodical financial statements. The periodical financial information published by the Group in the PRC would typically be derived from the Issuer's and/or Group's management accounts which have not been audited or reviewed by any independent auditors. As such, the financial information published by the Group in the PRC does not form part of this Offering Circular and should not be referred to or relied upon by prospective investors to provide the same quality of information associated with information that has been subject to an audit or review. The financial information published by the Group in the PRC may be adjusted or restated to address subsequent changes in accordance with the accounting standards, the Issuer's and/or the Group's accounting policies and/or applicable laws and regulations affecting the Issuer's and/or the Group's financial reporting or to reflect the subsequent comments given by the independent auditors during the course of such auditors' audit or review. Such adjustment or restatement may cause discrepancies between the financial information with respect to a particular period or date contained in the Issuer's and/or the Group's management accounts published in the PRC and the Historical Financial Statements included elsewhere in this Offering Circular. The Issuer is not responsible to holders of the Bonds for the unaudited and unreviewed financial information published in the PRC from time to time and prospective investors should, therefore, not place any reliance on any such financial information.

Certain facts and statistics in this Offering Circular are derived from publications not independently verified by the Issuer, the Managers or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them.

This Offering Circular contains facts and statistics relating to the economy of the PRC and the industries in which the Group operates. While the Issuer has taken reasonable care to select reliable information sources and ensure that the facts and statistics relating to the PRC's economy and the industries in which the Group operates presented are accurately extracted from such sources, such facts and statistics have not been independently verified by the Issuer, the Managers or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates

or any person who controls any of them and, therefore, none of them makes any representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to ineffective calculation and collection methods and other problems, the facts and statistics in this Offering Circular may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon.

There may be limited publicly available information about the Issuer than is available in certain other jurisdictions.

As the Issuer is a private company, there may be less publicly available information about the Issuer than is regularly made available by public companies in certain other jurisdictions.

RISKS RELATING TO THE BONDS

Any failure to complete the relevant filings under the NDRC Order 56 (as defined below) and the Cross-border Financing Circular (as defined below) within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds.

NDRC issued the Administrative Measures for the Review 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)) (the “**NDRC Order 56**”) on 5 January 2023, which came into effect on 10 February 2023 and repealed the NDRC Circular. According to the NDRC Order 56, domestic enterprises in the PRC and their overseas controlled entities shall procure the registration of any debt securities with a maturity term of more than one year issued outside the PRC with NDRC prior to the issue of the securities and report the requisite information with NDRC within the prescribed time after the completion of the issue of the relevant foreign debt. Pursuant to the Terms and Conditions, the Issuer will undertake that it will (i) within ten Registration Business Days (as defined in the Terms and Conditions) after the Issue Date file or cause to be filed with NDRC the foreign debt borrowing information in relation to the Bonds in accordance with the NDRC Order 56 (including the Issuer’s key operational indicators and foreign debt borrowing status) (the “**NDRC Post-issue Filing**”); (ii) within ten Registration Business Days after the expiry date of the enterprise foreign debt registration certificate in connection with the Bonds issued by NDRC file or cause to be filed with NDRC the Issuer’s foreign debt borrowing status; (iii) so long as any Bond remains outstanding, within five Registration Business Days before 31 January and 31 July each year file or cause to be filed with NDRC the information on use of proceeds of the Bonds, repayment of principal and interest on the Bonds and related plans, and the Issuer’s key operational indicators; (iv) upon occurrence of any material event that may impact the due performance of the Issuer’s payment obligations under the Bonds, such as potential failure to pay the Issuer’s domestic and foreign debt and material assets restructuring, file or cause to be filed relevant information on a timely basis with NDRC and take risk control measures to mitigate cross-default risks and (v) comply with all applicable PRC laws, rules and regulations in connection with the Bonds (including, but not limited to, any rules issued by NDRC from time to time). Furthermore, the legal consequences of non-compliance with the post-issue notification requirements under the NDRC Order 56 are that NDRC may order the enterprise to make rectification within a given time limit; and, in serious cases or if the enterprise fails to make the rectification within the given time limit, the relevant enterprise and main responsible person(s) may be warned. Prospective investors of the Bonds are advised to exercise due caution when making their investment decisions.

In addition, on 29 April 2016, PBOC issued the Circular of the People's Bank of China on Implementing Overall Macro Prudential Management System for Nationwide Cross-border Financing (中國人民銀行關於在全國範圍內實施全口徑跨境融資宏觀審慎管理的通知), which came into effect on 3 May 2016. This circular has since been replaced by the Notice of the People's Bank of China on Matters Concerning Macro-prudential Management on All-round Cross-border Financing (Yin Fa [2017] No. 9) (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知(銀發[2017]9號)) (the "**Cross-border Financing Circular**") issued by PBOC on 12 January 2017 and came into effect on the same day.

According to the Cross-border Financing Circular, to the extent that any Bondholder is a non-resident (which means such Bondholder is either an overseas organisation, a natural person or another non-permanent organisation established in China in accordance with PRC laws), the Issuer shall be required to file the information relating to the Bonds held by such Bondholder(s) in the capital project information system with SAFE after the signing of the transaction documents in relation to the Bonds and no later than three working days before the withdrawal of money. The Issuer, after filing with SAFE, may carry out relevant capital settlement for the Issuer according to the withdrawal and repayment arrangement, report the relevant clearing information to the relevant systems of PBOC and SAFE and update the information on the transaction in relation to the Bonds (including offshore creditors, maturity, amount, interest rate and net assets). If the Issuer fails to report or update the cross-border financing information in time, PBOC and SAFE may circulate the criticism on the Issuer after verification, order a rectification and impose sanctions according to the Law of the People's Republic of China on People's Bank of China and the Law of the People's Republic of China on Foreign Exchange Control.

The Issuer and its legal counsels have taken reasonable efforts to liaise with the local SAFE office to ascertain if the Bonds can be registered under the Cross-border Financing Circular. Officials from the local SAFE office have indicated there are practical difficulties in registering the Bonds in the system if the subscription proceeds from the issuance of the Bonds are from free trade ("FT") accounts of onshore investors.

The clearing and settlement framework of CCDC contemplates both investors within the PRC and investors outside the PRC with FT accounts in the Shanghai FTZ. In the case of the Bonds, where the investors entirely comprised of onshore investors with FT accounts in the Shanghai FTZ, the Issuer understands from the local SAFE office that it is within their discretion to categorise the Bonds as not falling under the category of debt that is subject to registration under the Cross-border Financing Circular.

In order to enable the remittance of the proceeds from the Bonds offering into the PRC as well as to allow the future cross-border payments of principal, premium (if any) and interest under the Bonds when such payments become due, CCDC and the Issuer have entered into the Agency Agreement pursuant to which CCDC will handle the remittance of the proceeds from the Bonds into the PRC as well as the future cross-border payments of principal, premium (if any) and interest under the Bonds when such payments become due. The Issuer understands that CCDC has communicated with the relevant department of PBOC. In addition, CCDC has informed PBOC of the arrangements set out in the Agency Agreement.

Bonds issued in the Shanghai FTZ (“**FTZ bonds**”) is a recent market development. In particular, PRC laws, rules and regulations in relation to FTZ bonds are still evolving and there could be uncertainties about their interpretation and enforcement. The administration of such laws, rules and regulations may be subject to a certain degree of discretion by the authorities, which may be based, in part, on government policies and internal rules which are not published on a timely basis, or at all. The Issuer and its legal counsels have taken reasonable efforts to actively liaise with the authorities and have tried to highlight the risks in this Offering Circular. Nevertheless, there could still be residual uncertainties in relation to the operation of PRC laws, rules and regulations in relation to FTZ bonds. These uncertainties can affect holders of FTZ bonds and can adversely affect the value of their investment.

The Bonds may not be a suitable investment for all investors.

Investment in the Bonds involves risks. A prospective investor should not invest in the Bonds unless they have the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the prospective investor’s overall investment portfolio.

In addition, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should consult its legal advisers to determine whether and to what extent (a) the Bonds are legal investments for it, (b) the Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds 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 Bonds 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 Bonds;
- understand thoroughly the terms of the Bonds 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 economic scenarios, such as interest rate and other factors which may affect its investment and ability to bear the applicable risks.

The Bonds are unsecured obligations.

As the Bonds are unsecured obligations of the Issuer, the repayment of the Bonds may be compromised if:

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

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

The Bonds will be structurally subordinated to the existing and future indebtedness and other liabilities and commitments of the Issuer's existing and future subsidiaries and effectively subordinated to the Issuer's secured debts to the extent of the value of the collateral securing such indebtedness.

The Bonds will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's existing or future subsidiaries, whether or not secured. The Bonds will not be guaranteed by any of the Issuer's subsidiaries, and the Issuer may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer is subject to various restrictions under applicable laws. The Issuer's subsidiaries will be separate legal entities that have no obligation to pay any amounts due under the Bonds or make any funds available therefore, whether by dividends, loans or other payments. The Issuer's right to receive assets of any of the Issuer's subsidiaries upon a subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer is creditor of that subsidiary). Consequently, the Bonds will be effectively subordinated to all liabilities, including trade payables and lease obligations, of the Issuer's existing or future subsidiaries.

The Bonds are the Issuer's unsecured obligations and will (i) rank at least equally with all other present and future unsecured and unsubordinated indebtedness and monetary obligations of the Issuer; (ii) be effectively subordinated to all of the Issuer's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's present and future subordinated obligations, subject in all cases to exceptions as may be provided by applicable legislation. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Issuer's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding-up, or upon any acceleration of the Bonds, these assets will be available to pay obligations on the Bonds only after all other debts secured by these assets has been repaid in full. Any remaining assets will be available to the Bondholders rateably with all of the Issuer's other unsecured and unsubordinated creditors, including trade creditors. If there are insufficient assets remaining to pay all these creditors, then all or a portion of the Bonds then outstanding would remain unpaid.

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. Although approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST, there can be no assurance as to the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds or that a liquid market will develop. The liquidity of the Bonds will be adversely affected if the Bonds are held or allocated to a limited number of investors. The Managers are not obligated to make a market in the Bonds, and if any of the Managers do so, it may discontinue such market making activity at any time at its sole discretion. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, Bondholders will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

Investors in the Bonds may be subject to foreign exchange risks.

The Bonds are denominated and payable in Renminbi. The value of Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China's political and economic conditions. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Since then, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. PBOC announces the closing price of a foreign currency traded against Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against Renminbi on the following working day. PBOC surprised markets in August 2015 by thrice devaluing Renminbi, lowering its daily mid-point trading price significantly against the U.S. dollar. The currency devaluation of Renminbi was intended to bring it more in line with the market by taking market signals into account. Renminbi depreciated significantly against the U.S. dollar following this August 2015 announcement by PBOC. In January and February 2016, Renminbi experienced further fluctuations in value against the U.S. dollar. With an increased floating range of Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, Renminbi may further appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long-term.

An investor who measures investment returns by reference to a currency other than Renminbi would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which the Issuer has no control. Depreciation of Renminbi against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

The liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Issuer's 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 Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. There can be no assurance that these developments will not occur in the future.

Developments in other markets may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatilities which may adversely affect the market price of the Bonds.

The insolvency laws of the PRC may differ from those of other jurisdictions with which the holders of the Bonds are familiar.

The Issuer is incorporated under the laws of the PRC. Any bankruptcy proceeding relating to the Issuer would likely involve PRC bankruptcy 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 Bonds are familiar.

If the Issuer or any of its subsidiaries are unable to comply with the restrictions and covenants in their current or future debt obligations (including the Bonds) and any other financing agreements, there could be a default under the terms of such debts, which could cause repayment of the relevant debt to be accelerated.

Certain financing agreements entered into by the Issuer and/or its subsidiaries may contain operational and financial restrictions that prohibit the borrower from incurring additional indebtedness, restrict the borrower from creating security or granting guarantees or prohibit the borrower from changing its business and corporate structure or amending its articles of association, in each case without the lender's prior consent. Such restrictions may adversely affect the ability of the Group to respond to changes in market conditions, pursue business opportunities which the Group believes to be desirable, obtain future financing, fund capital expenditures or withstand a continuing or future downturn in its business. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under outstanding financial obligations (including the Bonds).

If the Issuer or any of its subsidiaries is unable to comply with the restrictions (including restrictions on future investments) and covenants in its current or future debt obligations (including the Bonds) and any other financing agreements, a default under the terms of such debts may occur. In the event of a default under such debts, the creditors may be entitled to terminate their commitments granted to the Issuer and/or the relevant members of the Group, accelerate the debt and declare all amounts borrowed due and payable or terminate the relevant agreements, depending on the provisions of such agreements. Some financing agreements of the Group contain cross-acceleration or cross-default provisions, which enable creditors under these financing agreements to require the Group to immediately repay their loans or declare a default of borrower as a result of the acceleration or default of other financing agreements by any other member of the Group. If any of these events occurs, there can be no assurance that the Group will be able to obtain the required waivers from the relevant lenders in a timely manner, or at all, or that the assets and cash flows of the Issuer or its subsidiaries would be sufficient to repay in full all of their respective debts as they become due, or that the Issuer or its subsidiaries would be able to find alternative financing. Even if the Issuer and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer or its subsidiaries (as the case may be).

Modifications and waivers may be made in respect of the Terms and Conditions by less than all of the Bondholders, and decisions that may be made on behalf of all Bondholders may be adverse to the interests of the individual Bondholder.

The Terms and Conditions and the Deed of Covenant contain provisions for convening meetings of the Bondholders to consider any matter affecting their interests. These provisions permit defined majorities to bind all Bondholders including those Bondholders who did not attend and vote at the relevant meeting and those Bondholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of Bondholders may be adverse to the interests of the minority Bondholders.

One or more initial investors may subscribe for a material proportion of the aggregate principal amount of the Bonds.

One or more initial investors may subscribe for a material proportion of the aggregate principal amount of the Bonds in this offering. Any holder of a majority of the aggregate principal amount of the Bonds will be able to exercise certain rights and powers on its own under the Terms and Conditions and the Deed of Covenant, which will be binding on all Bondholders. For example, holders of not less than 75 per cent. (and at adjourned meetings not less than 25 per cent.) of the aggregate principal amount of the Bonds will be able to vote on reserved matters, including the modification of the maturity date of the Bonds and the reduction or cancellation of the nominal amount of any premium payable on redemption of, or interest on, the Bonds, which decision will be binding on all Bondholders. Accordingly, any holder of a significant portion of or majority of the aggregate principal amount of the Bonds may be able to exercise such rights and powers on its own, which will be binding on all Bondholders and control the outcome of votes on such matters. In addition, the existence of any such significant Bondholder may reduce the liquidity of the Bonds in the secondary trading market.

Gains on the transfer of the Bonds between PRC Bondholders shall be subject to income tax and value-added tax under PRC tax laws, and gains on the transfer of the Bonds between overseas Bondholders and interest payable by the Issuer to overseas Bondholders may be subject to income tax and value-added tax under PRC tax laws.

There are uncertainties regarding the interpretation and application of current and future PRC taxation related laws and regulations and there can be no assurance that the relevant PRC regulatory authorities will not take a view that is contrary to the opinion of the Issuer. Persons considering the purchase of the Bonds should consult their own tax advisers concerning whether they would be treated as resident enterprises or individuals of the PRC, the possible tax consequences of buying, holding or selling any Bonds and the payment of taxes under the laws of their country of citizenship, residence or domicile.

Under the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) (the “EIT Law”) which came into effect on 1 January 2008 and was amended on 24 February 2017 and 29 December 2018, respectively, and its implementation rules, any gains realised on the transfer of the Bonds by holders who are resident enterprises shall be subject to PRC enterprise income tax at the rate of 25 per cent. on its annual taxable amount, and who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is

not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remain uncertainties as to whether the gains realised on the transfer of the Bonds by enterprise holders would be treated as income derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, there are uncertainties as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the ten per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the “**Arrangement**”) which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

Pursuant to the EIT Law, the PRC Individual Income Tax Law (中華人民共和國個人所得稅法) (the “**IIT Law**”) which came into effect on 30 June 2011, and was amended on 31 August 2018 and came into effect as of 1 January 2019, and the implementation regulations in relation to both the EIT Law and the IIT Law, PRC income tax at a rate of ten per cent. or 20 per cent. is normally applicable to PRC-source income derived by non-resident enterprises or individuals respectively, subject to adjustment by applicable treaty. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of ten per cent. for non-resident enterprise Bondholders and at a rate of 20 per cent. for non-resident individual Bondholders (or a lower treaty rate, if any).

Under the Circular of Full Implementation of Business Tax to Value-added Tax Reform (關於全面推開營業稅改徵增值稅試點的通知) (Caishui [2016] No. 36) (“**Circular 36**”), the Issuer will be obligated to withhold value-added tax of six per cent. and certain surcharges on value-added tax for payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. Value-added tax is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there are uncertainties as to the applicability of value-added tax if either the seller or buyer of Bonds is located inside the PRC. As Circular 36 together with other laws and regulations pertaining to value-added tax are relatively new and given the limited volume of published decisions, the interpretation and enforcement of these laws and regulations involve uncertainties.

According to the Circular on Policies on Enterprise Income Tax and Value-added Tax for Overseas Institutions Investing in the Domestic Bond Market (關於境外機構投資境內債券市場企業所得稅、增值稅政策的通知) issued by MOF and SAT, which came into effect on 7 November 2018, that during the period from 7 November 2018 till 6 November 2021, the interest income earned by an overseas institution from its bond investment in the PRC bond market were temporarily exempted from enterprise income tax and value-added tax. This temporary enterprise income tax exemption policy would not apply to the interest income obtained by the institution or establishment set up in

China by an overseas institution if such income has an actual connection with the institution or establishment. If the investment in the Bonds by qualified non-PRC Bondholders is deemed as an investment in the domestic bond market, their gains from the Bonds which generated before 16 November 2021 would be exempted from enterprise income tax and value-added tax. According to the Announcement of the Ministry of Finance and the State Administration of Taxation on the Continuation of Enterprise Income Tax and Value-added Tax Policies for Overseas Institutions to Invest in the Domestic Bond Market (財政部稅務總局關於延續境外機構投資境內債券市場企業所得稅、增值稅政策的公告) promulgated on 22 November 2021, the above tax incentives have been extended until 31 December 2025. However, it is uncertain whether an investment in cross-border bonds in the Shanghai FTZ by a foreign institution falls within the scope of investment in the “domestic bond market” and thus is eligible for the aforementioned tax incentives.

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on interest or gains on the transfer of the Bonds, the value of the relevant Bondholder’s investment in the Bonds may be materially and adversely affected.

In addition, as there are no specific regulations or guidelines relating to the issuance of cross-border debt securities in the Shanghai FTZ, there are uncertainties as to whether or not Shanghai FTZ resident investors will be treated as PRC tax resident. Based on the PRC legal advice sought by the Issuer, Shanghai FTZ enterprises established in accordance with PRC laws and regulations are likely to be treated as PRC tax residents. In the event that Shanghai FTZ resident investors holding the Bonds are treated as PRC tax residents, such holders may be subject to additional PRC taxes (or higher PRC tax rates) in relation to any interest income or gains realised on the transfer of the Bonds. Shanghai FTZ resident investors should further consult their own legal and tax advisers in relation to their enterprise income tax and individual income tax obligations.

Stamp duties may also be imposed during the issuance and transfer of the Bonds.

According to the PRC Stamp Duty Law (中華人民共和國印花稅法), which was promulgated by NPCSC on 10 June 2021 and implemented on 1 July 2022, and its implementation rules (the “**PRC Stamp Duty Law**”), enterprises or individuals of the PRC which conclude or receive any of the instruments specified in these rules shall be obliged to pay relevant stamp duties in accordance with the provisions therein. A taxpayer shall calculate the amount of stamp duty payable according to the nature of the taxable instruments.

The PRC Stamp Duty Law does not impose any PRC stamp duty on the issuance or subsequent transfers of cross-border debt securities issued in the Shanghai FTZ. Therefore, based on the PRC legal advice sought by the Issuer as at the date of this Offering Circular, investors may not be required to pay any PRC stamp duty on the (i) purchase of the Bonds upon issuance or (ii) subsequent transfers of the Bonds.

However, as there is no specific regulations or guidelines relating to the taxation of the issuance of cross-border debt securities in the Shanghai FTZ, it is uncertain if the issuance of the Bonds may be deemed as the entry into a loan contract in the PRC. If the issuance of the Bonds is treated as the same as the entry into a loan contract, both the borrower and lender (i.e. the Issuer and the investor purchasing the Bonds, respectively) would be each subject to stamp duty of 0.005 per cent. of the amount borrowed (or such higher rate if local governments have other additional requirements). The Issuer undertakes that to the extent any PRC stamp duty is payable on initial issuance of the Bonds, it will bear such relevant PRC stamp duties for itself and the Bondholders (or as may be otherwise agreed between the Issuer, the Manager and/or the investors).

In addition, there is no specific regulations or guidelines relating to the taxation of the subsequent transfers of cross-border debt securities in the Shanghai FTZ. The taxation authorities may impose a fine if a person subject to such PRC stamp duty is found to have failed to attach, or have attached insufficient number of stamps to a taxable instrument. Prospective investors should further consult their own legal and tax advisers in relation to their PRC stamp duty obligations and liabilities in relation to any transfer of the Bonds.

The Shanghai FTZ bond market is a recent development and such FTZ bonds cleared through CCDC will be subject to the operational procedures and requirements of CCDC.

Bond issuances in the Shanghai FTZ is a recent market development. FTZ bonds are cleared through CCDC and will be subject to the operational procedures and requirements of CCDC. CCDC is responsible for setting and has in place its own set of operational procedures and requirements for bond issuance, clearance and settlement. It also sets rules on who may invest and trade in the bonds issued in the Shanghai FTZ. See “– *An investor needs to maintain an account with CCDC to invest in and trade the Bonds*”. As the market continues to develop, CCDC’s procedures and requirements may be amended from time to time. In addition, CCDC may, as it deems appropriate, amend the terms of the service agreements it has entered into with issuer and investor participants and such amendments would be binding. There can be no assurance that CCDC’s current operational procedures and requirements will remain unchanged during the term of the Bonds.

An investor needs to maintain an account with CCDC to invest in and trade the Bonds.

As the Bonds will initially be issued in registered uncertificated book-entry form entered in CCDC, an investor needs to maintain an account with CCDC in order to invest in the Bonds. While the Bonds are entered in CCDC, the Bonds can only be traded between investors who maintain accounts with CCDC or, in the case of overseas investors, investors who has entrusted settlement agents or qualified international securities custodian institutions who maintain accounts with CCDC (and not with other clearing system). This requirement may make the Bonds difficult to trade and affect the liquidity of the Bonds.

The Bonds will initially be issued in registered uncertificated book-entry form entered in CCDC and accountholders of CCDC must rely on CCDC procedures.

The Bonds will initially be issued in registered uncertificated book-entry form entered in CCDC on or about the Issue Date, with CCDC entered in the Register as the sole registered holder on behalf of the persons notionally entitled thereto. CCDC will maintain records of the beneficial interests in the Bonds. Investors will not be entitled to receive registered certificates unless (i) CCDC is closed for business for a continuous period of 14 business days (as defined in the Deed of Covenant), (ii) CCDC announces an intention to permanently cease business or does in fact do so, or (iii) the Agency Agreement is to be terminated in accordance with the terms of the Agency Agreement. Transfers of interests in the Bonds held in CCDC will be effected in accordance with the rules and procedures of CCDC in effect from time to time, and any transferee acquiring such interests in the Bonds will be required to have and maintain an account with CCDC. While the Bonds are held in CCDC, investors will be able to trade their beneficial interests only through CCDC to another person who maintains a securities account with CCDC. Except in the circumstances described in the Deed of Covenant, investors will not be entitled to receive definitive Certificates.

While the Bonds are held in CCDC, the Issuer will discharge its payment obligations under the Bonds by making payments to CCDC for distribution to its accountholders.

An accountholder of CCDC who holds a beneficial interest in the Bonds must rely on the procedures of CCDC to receive payments under the Bonds. Each payment will be made to the Renminbi FTZ account maintained by or on behalf of the accountholder with a bank in the Shanghai FTZ (“**FTZ Account**”). The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Bonds.

Amounts received in a Bondholder’s FTZ Account may be subject to certain restrictions.

As at the date of this Offering Circular, transactions in Renminbi and in foreign currencies can freely flow among FTZ Accounts and to overseas bank accounts (including bank accounts in Hong Kong, Macau and Taiwan) without being subject to prior approval or registration relating to foreign exchange controls. In addition, Bondholders who are foreign-invested entities in the Shanghai FTZ would be able to freely convert their funds in their FTZ Accounts between Renminbi and foreign currencies at their discretion after settlement of foreign exchange conversion with a bank based in the Shanghai FTZ. However, there can be no assurance that the policies regarding foreign exchange controls within the Shanghai FTZ will continue in the future. If the PRC government (including the Shanghai FTZ government) were to restrict access to foreign currencies in the Shanghai FTZ in the future, payments of amounts under the Bonds into a Bondholder’s FTZ Account may be subject to restrictions on foreign exchange conversion and/or offshore remittance. See “*PRC Currency Controls – Foreign Exchange Controls in the Shanghai FTZ*” for further information.

The Bonds may be redeemed by the Issuer prior to maturity.

The Issuer may redeem the Bonds at its option, in whole but not in part, at a redemption price equal to their principal amount (together with any unpaid interest accrued up to (but excluding) the date fixed for redemption) if, subject to certain conditions, as a result of a change in tax law, the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions), as further described in Condition 6(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions.

If the Issuer redeems the Bonds prior to the Maturity Date, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer’s ability to redeem the Bonds may reduce the market price of the Bonds.

The Issuer may not be able to redeem the Bonds upon the due date for redemption thereof.

At any time following the occurrence of a Change of Control Event (as defined in the Terms and Conditions), the Issuer may, at the option of any Bondholder, be required to redeem all, but not some only, of such Bondholder’s Bonds on the Change of Control Put Date (as defined in the Terms and Conditions) at 101 per cent. of their principal amount, together with accrued and unpaid interest up to (but excluding) the Change of Control Put Date. If such an event were to occur or at maturity of the Bonds, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The Issuer’s failure to repay, repurchase or redeem the relevant Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer’s other indebtedness.

The Issuer may issue additional Bonds in the future.

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds constituted by a deed supplemental to the Deed of Covenant and having the same terms and conditions as the Bonds in all respects (or in all respects save for the date of issue, the first payment of interest on them and if applicable, the timing for making of the NDRC Post-issue Filing) (see “*Terms and Conditions of the Bonds – Further Issues*”) or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

The Bonds being issued as “Green Bonds” may not be a suitable investment for all investors seeking exposure to green, social or sustainable assets.

The Group has developed the Sustainable Financing Framework and intends to adopt certain obligations with respect to the issue of the Bonds as described in the Sustainable Financing Framework. See “*Sustainable Financing Framework Overview*” for further information. The Issuer intends to use the net proceeds from the offering of the Bonds for financing or refinancing, in whole or in part, the Group’s new or existing Eligible Projects (as set out in the Sustainable Financing Framework) in accordance with the Sustainable Financing Framework. The Group has engaged Moody’s Investors Service, Inc. (“**Moody’s**”), an independent firm that specialises in rating environmental and corporate governance performance, to provide a second party opinion (the “**SPO**”) on the Sustainable Financing Framework and to confirm the alignment with the various principles described in the Sustainable Financing Framework.

There is currently no market consensus on what precise attributes are required for a particular project to be defined as “green, social or sustainable” and therefore no assurance can be provided to prospective investors that the Eligible Projects will continue to meet the relevant eligibility criteria or meet all investor expectations regarding environmental impact. Although applicable green, social or sustainable projects are expected to be selected in accordance with the categories recognised in various principles described in the Sustainable Financing Framework and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse social and/or environmental developments will not occur during the design, construction, commissioning and/or operation of any such Eligible Projects. In addition, where any negative impacts are insufficiently mitigated, green, social or sustainable projects may become controversial and/or may be criticised by activist groups or other stakeholders.

The SPO may not reflect the prospective impact of all risks relating to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Bonds. The SPO (including the section entitled “*Sustainable Financing Framework Overview*” in this Offering Circular) is not a recommendation to buy, sell or hold the Bonds and are only current as of the date that the SPO was initially issued, and may be updated, suspended or withdrawn at any time and is subject to certain disclaimers set out therein. Currently, the providers of second party opinions are not subject to any regulatory regime or oversight. A withdrawal of the SPO may have an adverse effect on the value of the Bonds and/or may have adverse consequences for certain investors with portfolio mandates to invest in green, social or sustainable assets.

No assurance can be provided with respect to the suitability or reliability of the SPO or that the Bonds will conform to the Sustainable Financing Framework. Neither the independent assurance provider nor the Managers has undertaken, or is responsible for, any assessment of the eligibility of projects within the definition of Eligible Projects or the monitoring of the use of proceeds from the offering of the Bonds. None of the Issuer, the Group and the Managers makes any representation as to the suitability for any purpose of the SPO or (i) whether the Bonds will meet investor criteria and expectations regarding environmental and/or social impact and sustainability performance for any investors, (ii) whether the net proceeds from the offering of the Bonds will be used to finance or refinance Eligible Projects, or (iii) the characteristics of Eligible Projects, including their environmental, social and sustainability criteria.

The Group cannot guarantee that it would be able to comply with the obligations as set out in the Sustainable Financing Framework. However, it would not be an Event of Default (as defined in the Terms and Conditions) if the Issuer fails to use the net proceeds in connection with the Eligible Projects or the Group fails to comply with the obligations as set out in the Sustainable Financing Framework and/or to meet, or continue to meet, the investment requirements of certain investors with environmental and/or social concerns with respect to the Bonds. Any of such failures may have an adverse effect on the value of the Bonds and/or may have adverse consequences for certain investors with portfolio mandates to invest in green, social or sustainable assets. In the event that the Bonds are included in any dedicated “green”, “environmental”, “sustainable” or other equivalently-labelled index, no representation or assurance can be given by the Issuer or any other person that such listing or admission, or inclusion in such index, satisfies any present or future investor expectations or requirements as regards to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable laws or regulations or by its own constitutive documents or other governing rules or investment portfolio mandates. Therefore, the Bonds may not be a suitable investment for all investors seeking exposure to green, social or sustainable assets. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular regarding the use of proceeds and its purchase of the Bonds should be based upon such investigation as it deems necessary.

Changes in market interest rates may adversely affect the value of the Bonds.

The Bonds will carry fixed interest rates. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

Singapore taxation risks.

The Bonds are intended to be “qualifying debt securities” for the purposes of the Income Tax Act 1947 of Singapore (“ITA”), subject to the fulfilment of certain conditions more particularly described in “*Taxation – Singapore*”. However, there can be no assurance that the Bonds will continue to enjoy the tax concessions in connection therewith should the relevant tax laws be amended or revoked at any time.

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the terms and conditions of the Bonds substantially in the form in which they (other than the text in italics) will be endorsed on the registered certificate. The language in italics sets out provisions which apply to the Bonds so long as the Bonds are entered in CCDC.

These are the terms and conditions (“**Conditions**”) of CNY1,100,000,000 3.75 per cent. green bonds due 2026 (the “**Bonds**”, which expression shall in these Conditions, unless the context otherwise requires, include any further securities issued pursuant to Condition 12 and forming a single series with the Bonds) of AVIC International Leasing Co., Ltd. (中航國際融資租賃有限公司) (the “**Issuer**”).

The issue of the Bonds was authorised by the resolutions of the board of directors of the Issuer on 24 April 2022 and by the resolutions of the shareholders’ meeting of the Issuer on 24 April 2022.

The Bonds are constituted by and have the benefit of, a deed of covenant (as amended and/or supplemented from time to time, the “**Deed of Covenant**”) dated 31 March 2023 executed by the Issuer relating to the Bonds. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Deed of Covenant, which includes the definitive form of the Bonds. A China (Shanghai) Pilot Free Trade Zone offshore bond services agreement (中國(上海)自由貿易試驗區離岸債券服務協定) dated 16 March 2023 (as amended and/or supplemented from time to time, the “**Agency Agreement**”) has been entered into in relation to the Bonds between the Issuer, China Central Depository & Clearing Co., Ltd. (中央國債登記結算有限責任公司) (“**CCDC**”) as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Bonds), as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Bonds), as transfer agent (the “**Transfer Agent**”, which expression includes any successor and additional transfer agent appointed from time to time in connection with the Bonds) and the other agents named in it. The Agency Agreement is written in Chinese only and governed by PRC law. The “**Agents**” means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds. So long as CCDC acts as the Principal Paying Agent and notwithstanding any provision to the contrary in these Conditions or the Deed of Covenant, CCDC has the right to amend the Agency Agreement (including its rules and procedures which forms part of the Agency Agreement) by publishing such amended Agency Agreement on its website and in such case, the Issuer may accept CCDC’s amendments to the Agency Agreement without the consent of the Bondholders (as defined below) if to do so could not be reasonably expected to be prejudicial to the interests of the Bondholders. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by the Bondholders at all reasonable times during usual business hours (being 9:00 a.m. (Hong Kong time) to 4:00 p.m. (Hong Kong time), Monday to Friday (other than public holidays)) at the specified office of the Issuer (being 15th Floor, No. 1481 Guo Zhan Road, Pudong New Area, Shanghai, China) following prior written request and proof of holding and identity satisfactory to the Issuer. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Deed of Covenant and are deemed to have notice of those provisions of the Agency Agreement (as may be amended by CCDC from time to time) applicable to them.

With respect to any Bonds entered in CCDC, these Conditions are modified by the rules and procedures of CCDC as in effect from time to time. Bondholders are deemed to be bound by and have notice of the provisions of the Agency Agreement applicable to them and the rules and procedures of CCDC as in effect from time to time.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Deed of Covenant.

1 FORM, SPECIFIED DENOMINATION AND TITLE

The Bonds are issued in registered form and in the specified denomination of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof (each a “**Specified Denomination**”). The Issuer shall procure a register of the Bondholders (the “**Register**”) to be maintained in respect of the Bonds in accordance with the provisions of the Deed of Covenant and, where applicable, the Agency Agreement. The Bonds are issued in registered uncertificated form by entry in the Register and will not be serially numbered, unless otherwise agreed between the Issuer and the Principal Paying Agent. No certificate or other evidence of title, other than the Deed of Covenant, will be issued by, or on behalf of, the Issuer to evidence title to a Bond unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

The Bonds are debt obligations of the Issuer owing under the Deed of Covenant. Each entry in the Register constitutes a separate and individual acknowledgment to the relevant Bondholder of the indebtedness of the Issuer owed to the relevant Bondholder which the Bondholder to whom those separate and individual obligations are owed is entitled to enforce without having to join any other Bondholder or any predecessor to title of a Bondholder.

Title to the Bonds shall pass by transfer and registration in the Register. Except as ordered by a court of competent jurisdiction or as otherwise required by law, the Holder (as defined below) of any Bond shall be deemed to be and shall 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 in it and no person shall be liable for so treating the holder.

In these Conditions, “**Bondholder**” or, in respect of any Bond, “**Holder**” means the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first name thereof).

The Bonds will initially be issued in registered uncertificated book-entry form entered in CCDC. No certificate or other evidence of title, other than the Deed of Covenant, will be issued by, or on behalf of, the Issuer to evidence title to a Bond unless the Issuer determines that certificates or other evidence of title should be made available or it is required to do so pursuant to any applicable law or regulation.

With respect of any Bonds entered in CCDC, these Conditions are modified by the rules and procedures of CCDC as in effect from time to time.

*When the Bonds are entered in CCDC, a “**Bondholder**” or in respect of any Bond, a “**Holder**” means the person in whose name an interest in the Bonds is entered on the books and records of CCDC and the amount of interest in the Bonds shown in the books and records of CCDC as held by the Holder shall represent the entire holding of interest in the Bonds of that Holder.*

*When the Bonds are entered in CCDC, the “**Register**” means the books and records of CCDC showing the names of the Bondholders and the amount of interest in the Bonds held by each Bondholder.*

If the Bonds are entered in CCDC, a Bondholder may, on or after the Exchange Date (as defined below), exchange its interest in the Bonds (as shown on the books and records of CCDC) in whole but not in part for registered certificates if (1) CCDC is closed for business for a continuous period of 14 business days or announces an intention to permanently cease business or does in fact do so, or (2) if principal in respect of any Bonds is not paid when due, by the Bondholder giving notice to the Principal Paying Agent of its election for such exchange, where “business day” means a day, other than a Saturday, Sunday or public holiday, on which banks are generally open for business in China (Shanghai) Pilot Free Trade Zone.

“Exchange Date” means a day falling not less than 60 days or, in the case of exchange following failure to pay principal in respect of any Bonds when due, not less than 30 calendar days, after the date on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to limb (1) in the preceding paragraph, in the city in which CCDC is located.

2 STATUS

The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a), at all times rank at least equally with all other present and future unsecured and unsubordinated indebtedness and monetary obligations of the Issuer.

3 TRANSFERS OF BONDS

(a) Transfer

Subject to the Agency Agreement and Conditions 3(c) and 3(d), a Bond may be transferred in whole or in part by depositing the form of transfer in the form as from time to time specified by, and obtainable from, the Principal Paying Agent duly completed and executed, at the specified office of the Registrar or (as the case may be) any Transfer Agent and any other evidence as the Registrar or such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed such form of transfer; *provided, however, that* a Bond may not be transferred unless the principal amount of Bonds transferred and (where not all of the Bonds held by a Bondholder are being transferred) the principal amount of the balance of Bonds not transferred are Specified Denominations.

No transfer of title to a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds entered in CCDC will be effected in accordance with the rules and procedures of CCDC in effect from time to time, and any transferee acquiring such interests in the Bonds will be required to have and maintain an account with CCDC.

Where not all the Bonds in respect of a registered uncertificated book-entry in CCDC are the subject of the transfer, a new registered uncertificated book-entry in respect of the balance of the Bonds will be entered in CCDC.

(b) Formalities Free of Charge

Transfers of Bonds on registration or transfer shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon (i) payment by the relevant Bondholders of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require); and (ii) the Registrar being satisfied in its absolute discretion with the documents of title or identity of the person making the application.

(c) Closed Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on the due date for redemption of that Bond, (ii) after any such Bond has been called for redemption or (iii) during the period of seven days ending on (and including) any Record Date (as defined below).

(d) Regulations

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer and registration of Bonds, the initial form of which is scheduled to the Deed of Covenant, including a requirement that the transferee represents and agrees in the form of transfer that it or the person who will have the beneficial interest in the relevant Bonds is a qualified investor under applicable laws and regulations. The regulations may be changed (i) by the Issuer, with the prior written approval of the Registrar or (ii) by the Registrar, with the prior written approval of the Issuer. A copy of the current regulations will be made available for inspection by the Registrar to any Bondholder following prior written request and proof of holding and identity to the satisfaction of the Registrar.

4 COVENANTS

(a) Negative Pledge

So long as any Bond remains outstanding (as defined in the Deed of Covenant), the Issuer will not, and the Issuer will ensure that none of its Subsidiaries will create, or have outstanding, any Security Interest (save for any Permitted Security Interest), upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Deed of Covenant) of the Bondholders.

(b) Notification to NDRC

The Issuer undertakes that it will (i) within ten Registration Business Days after the Issue Date (as defined below) file or cause to be filed with the NDRC the foreign debt borrowing information in relation to the Bonds in accordance with the Administrative Measures for the Review 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 NDRC on 5 January 2023 and effective as of 10 February 2023 (including the Issuer's key operational indicators and foreign debt borrowing status) (the "NDRC Post-issue Filing"); (ii) within ten Registration Business Days after the expiry date of the enterprise foreign debt registration certificate in connection with the Bonds issued by the NDRC file or cause to be filed with the NDRC the Issuer's foreign debt borrowing status; (iii) so long as any Bond remains outstanding, within five Registration Business Days before 31 January and 31 July each year file or cause to be filed with the NDRC the information on use of proceeds of the Bonds, repayment of principal and interest on the Bonds and related plans, and the Issuer's key operational indicators; (iv) upon occurrence of any material event that may impact the due performance of the Issuer's payment obligations under the Bonds, such as potential failure to pay the Issuer's domestic and foreign debt and material assets restructuring, file or cause to be filed relevant information on a timely basis with the NDRC and take risk control measures to mitigate cross-default risks and (v) comply with all applicable PRC laws, rules and regulations in connection with the Bonds (including, but not limited to, any rules issued by the NDRC from time to time).

(c) Notification of Completion of the NDRC Post-issue Filing

The Issuer shall within seven Registration Business Days after submission of the NDRC Post-issue Filing, provide the Principal Paying Agent with (i) a certificate in English in the form scheduled to the Deed of Covenant signed by an Authorised Signatory of the Issuer confirming the completion of the NDRC Post-issue Filing; (ii) copies of the relevant documents evidencing the NDRC Post-issue Filing (if any), each certified in English by an Authorised Signatory of the Issuer as a true and complete copy of the original; (the items specified in (i) and (ii) together, the "Registration Documents"). In addition, the Issuer shall, within five Registration Business Days after the documents comprising the Registration Documents are delivered to the Principal Paying Agent, give notice to the Bondholders (in accordance with Condition 13) confirming the completion of the NDRC Post-issue Filing.

The Principal Paying Agent shall have no obligation or duty to monitor or ensure the NDRC Post-issue Filing is made as required by Condition 4(c) or to assist with the NDRC Post-issue Filing or to verify the accuracy, validity and/or genuineness of any Registration Documents, and shall not be liable to Bondholders or any other person for not doing so.

(d) Financial Information

So long as any Bond remains outstanding (as defined in the Deed of Covenant), the Issuer shall furnish the Principal Paying Agent with a Compliance Certificate of the Issuer and a copy of the English translation of the relevant Audited Financial Reports within 180 days of the end of each Relevant Period prepared in accordance with PRC GAAP (audited by a nationally or internationally recognised firm of independent accountants), such English translation being translated by (aa) a nationally or internationally recognised firm of independent accountants or (bb) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants.

So long as any Bond remains outstanding (as defined in the Deed of Covenant), a Bondholder may give notice in writing to the Issuer (with a copy to the Principal Paying Agent at its specified office) to obtain a copy of the most recently available Unaudited Financial Reports. Upon receiving such notice, the Issuer shall as soon as practicable and in any event within 15 Registration Business Days furnish the Principal Paying Agent with a copy of such Unaudited Financial Reports.

The Principal Paying Agent shall not be required to review the Audited Financial Reports or the Unaudited Financial Reports delivered to it as contemplated in this Condition 4(d) and, if the same shall not be in the English language, shall not be required to request or obtain an English translation of the same, and the Principal Paying Agent shall not be liable to any Bondholder or any other person for not doing so.

(e) Definitions

In these Conditions:

“Asset-Backed Securities” means any Relevant Indebtedness that:

- (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 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 or any of its Subsidiaries;

“Audited Financial Reports” means, for a Relevant Period, the annual audited consolidated balance sheet, income statement, statement of cash flows and statement of changes in owners’ equity 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;

“Authorised Signatory” means, in relation to the Issuer, any director or any other officer of the Issuer, who has been authorised by the Issuer to sign the certificates and other documents required or contemplated under these Conditions, the Deed of Covenant or any other transaction document in relation to the Bonds on behalf of, and so as to bind, the Issuer;

“Compliance Certificate” means a certificate of the Issuer substantially in the form scheduled to the Deed of Covenant signed by an Authorised Signatory of the Issuer, certifying that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer as at a date (the **“Certification Date”**) not more than five days before the date of the certificate:

- (i) no Event of Default (as defined in Condition 9) or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the Issue Date or, if such an event had occurred, giving details of it; and
- (ii) the Issuer has complied with all its obligations under the Bonds and the Deed of Covenant or, if such non-compliance has occurred, giving details of it;

“**NDRC**” means the National Development and Reform Commission of the PRC or its local counterparts;

“**Permitted Security Interest**” means:

- (i) any Security Interest over any assets (or related documents of title) purchased by the Issuer or any of its Subsidiaries as Security Interest for all or part of the purchase price of such assets and any substitute Security Interest created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets, provided that in the case of refinancing, the principal or nominal amount of such refinancing is not greater than the amount of the original financing;
- (ii) any Security Interest over any assets (or related documents of title) purchased by the Issuer or any of its Subsidiaries subject to such Security Interest and any substitute Security Interest created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets, provided that in the case of refinancing, the principal or nominal amount of such refinancing is not greater than the amount of the original financing; and
- (iii) any Security Interest created to secure Asset-Backed Securities issued by a Subsidiary of the Issuer,

provided that the aggregate value of the relevant assets subject to the Security Interest pursuant to this provision do not exceed 10 per cent. of the total consolidated assets of the Issuer and its Subsidiaries measured in accordance with PRC GAAP based on the latest Audited Financial Reports or the Unaudited Financial Reports, as the case may be;

“**person**” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof;

“**Potential Event of Default**” means an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 9 become an Event of Default;

“**PRC**” means the People’s Republic of China which, for the purposes of these Conditions only, shall not include the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;

“**PRC GAAP**” means the Accounting Standards for Business Enterprises in the PRC;

“**Registration Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in Beijing;

“**Relevant Indebtedness**” means any indebtedness which is issued within the China (Shanghai) Pilot Free Trade Zone or otherwise outside the PRC, which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are 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. For the purposes of this definition, any indebtedness issued in China (Shanghai) Pilot Free Trade Zone but 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 outside of the PRC is deemed to be issued outside of the PRC. For the avoidance of doubt, Relevant Indebtedness does not include bilateral loans, syndicated loans, club deal loans, any transferable loan facility or agreement (including any draw-down of any existing credit line or facility);

“**Relevant Period**” means (i) in relation to the Audited Financial Reports, each period of twelve months ending on the last day of the Issuer’s financial year (being 31 December of that financial year); and (ii) in relation to the Unaudited Financial Reports, each period of six months ending on the last day of the Issuer’s first half of the financial year (being 30 June of that financial year);

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest;

“**Subsidiary**” of any person means:

- (i) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity; or
- (ii) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person; and

“**Unaudited Financial Reports**” means, for a Relevant Period, the semi-annual (or any other interim reporting period required by applicable law or regulations) unaudited consolidated balance sheet, income statement, statement of cash flows and statement of changes in owners’ equity of the Issuer.

5 INTEREST

The Bonds bear interest on their outstanding principal amount from and including 31 March 2023 (the “**Issue Date**”) at the rate of 3.75 per cent. per annum, payable in arrear on 31 March in each year (each an “**Interest Payment Date**”) commencing on 31 March 2024.

Each Bond will cease to bear interest from the due date for redemption unless payment of principal or premium (if any) is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholders, and (b) the day falling seven days after the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Bondholders under these Conditions).

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

Interest in respect of any Bond shall be calculated per CNY10,000 in principal amount of the Bonds (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the actual number of days in the Interest Period (or such other period) divided by 365, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

So long as the Bonds are entered in CCDC, the amount payable upon redemption and the amount of interest in respect of the Bonds will be calculated in respect of the aggregate principal amount of the Bonds outstanding, rounding the resulting figure to the nearest cent (half a cent being rounded upwards), and will be paid to each Bondholder in accordance with their respecting holdings as shown in CCDC’s books and records and in accordance with the rules and procedures of CCDC in effect from time to time.

6 REDEMPTION AND PURCHASE

(a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 31 March 2026 (the “**Maturity Date**”). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”) to the Bondholders in accordance with Condition 13 (which shall be irrevocable) and in writing to the Principal Paying Agent, at their principal amount (together with any unpaid interest accrued up to (but excluding) the date fixed for redemption) if (i) the Issuer has or will become obliged to pay Additional Tax Amounts (as referred to in Condition 8) as a result of any change in, or amendment to, the laws or regulations of the PRC (including the China (Shanghai) Pilot Free Trade Zone) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 28 March 2023, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

Prior to the giving of any Tax Redemption Notice pursuant to this Condition 6(b), the Issuer shall deliver to the Principal Paying Agent (A) a certificate signed by any Authorised Signatory of the Issuer stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer taking reasonable measures available to it, and (B) an opinion, satisfactory to the Principal Paying Agent, of independent tax or legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments. The Principal Paying Agent shall be entitled, without being liable to any Bondholders or any other person, to conclusively rely on such certificate and opinion without investigation and to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) above, in which event they shall be conclusive and binding on the Bondholders.

(c) Redemption for Change of Control Event

Following the occurrence of a Change of Control Event, the Holder of any Bond will have the right (the “**Change of Control Put Right**”), at such Holder’s option, to require the Issuer to redeem all, but not some only, of such Holder’s Bonds on the Change of Control Put Date (as defined below in this Condition 6(c)) at 101 per cent. of their principal amount, together with accrued and unpaid interest up to (but excluding) the Change of Control Put Date. To exercise such right, the Holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of the Principal Paying Agent (a “**Change of Control Put Exercise Notice**”), by not later than 30 days following a Change of Control Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 13.

The “**Change of Control Put Date**” shall be the fourteenth day, or if such day is not a Payment Business Day (as defined in Condition 7(f)), the next following Payment Business Day, after the expiry of such period of 30 days as referred to above.

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds subject to the Change of Control Put Exercise Notices delivered as aforesaid on the Change of Control Put Date.

Not later than 14 days following the day on which the Issuer becomes aware of a Change of Control Event, the Issuer shall procure that notice regarding such Change of Control Event shall be delivered to the Principal Paying Agent in writing and to the Holders (in accordance with Condition 13) stating:

- (i) the Change of Control Put Date;
- (ii) the date of the Change of Control Event and, briefly, the events causing the Change of Control Event;
- (iii) the date by which the Change of Control Put Exercise Notice must be given;
- (iv) the redemption amount and the method by which such amount will be paid;

- (v) the names and addresses of the Principal Paying Agent;
- (vi) the procedures that Holders must follow and the requirements that Holders must satisfy in order to exercise the Change of Control Put Right; and
- (vii) that a Change of Control Put Exercise Notice, once validly given, may not be withdrawn.

None of the Agents shall be required to monitor or to take any steps to ascertain whether a Change of Control Event or any event which could lead to a Change of Control Event has occurred or may occur and none of them shall be liable to Holders, the Issuer or any other person for not doing so.

For the purpose of these Conditions:

(A) a “**Change of Control Event**” occurs when:

- (i) SASAC, and any other person directly or indirectly Controlled by SASAC or the PRC Government, together cease to directly or indirectly Control the Issuer; or
- (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer’s assets to any other person or persons, except where such person(s) (in the case of asset sale or transfer) or the surviving entity (in the case of consolidation or merger) is/are directly or indirectly Controlled by SASAC or the PRC Government;

(B) “**Control**” means

- (i) the ownership or control of more than 30 per cent. of the Voting Rights of the issued share capital of a person;
- (ii) the nomination, designation or removal of no less than half of the members then in office of a 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 a person.

For the avoidance of doubt, a person is deemed to Control another person so long as it fulfils one of the three foregoing requirements. The terms “**Controlling**” and “**Controlled**” have meanings correlative to the foregoing;

(C) “**PRC Government**” means the government of the PRC and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them;

(D) “SASAC” means the State-owned Assets Supervision and Administration Commission of the State Council of the PRC or its successor; and

(E) “Voting Rights” means the right generally to vote at a general meeting of shareholders of a person (irrespective of whether at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency, and any such voting power shall therefore be excluded for the purpose of this definition).

(d) Purchase

The Issuer or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the Holders and for the purposes of Condition 9 and Condition 11(a).

(e) Cancellation

All Bonds purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation and, if so surrendered, the same shall, together with all Bonds redeemed by the Issuer, be cancelled forthwith. Any Bonds so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

Redemption of the Bonds entered in CCDC will be effected in accordance with the rules and procedures of CCDC in effect from time to time.

(f) Notice of Redemption

All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date, in such place and in such manner as specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond, including any Tax Redemption Notice given by the Issuer pursuant to Condition 6(b) and any Change of Control Put Exercise Notice given by a Bondholder pursuant to Condition 6(c), the notice given first in time shall prevail and in the event of more than one notices being given on the same date, the first to be given shall prevail. None of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption, and none of them shall be liable to Holders, the Issuer or any other person for not doing so.

7 PAYMENTS

(a) Method of Payment:

(i) Payments of principal and premium (if any) and interest shall be made in Renminbi by transfer to the registered account of the Bondholder.

- (ii) Payment of any amount on each Bond shall be paid to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the “**Record Date**”).
- (iii) For the purposes of this Condition 7, a Bondholder’s “**registered account**” means the Renminbi free trade account (自由貿易賬戶) maintained by or on behalf of it with a bank in the China (Shanghai) Pilot Free Trade Zone as nominated from time to time by the Bondholder and the details of which appear on the Register at the close of business on the Record Date.
- (iv) If the amount of principal being paid is less than the amount then due, the Registrar will annotate the Register with the amount of principal so paid. If the amount of interest or premium (if any) being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest or premium (if any) so paid.

*Notwithstanding the foregoing, so long as the Bonds are entered in CCDC, each payment in respect of the Bonds will be made to the person shown as the Bondholder in the books and records of CCDC at the close of business of CCDC on the CCDC Business Day immediately before the due date for such payment in accordance with the rules and procedures of CCDC, where “**CCDC Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which CCDC is generally open for business.*

- (b) **Payments subject to Fiscal Laws:** All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8 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, as amended (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 8) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.
- (c) **Payment Initiation:** Payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day).
- (d) **Appointment of Agents:** The Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Bondholders in accordance with Condition 13.

- (e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day.
- (f) **Non-Payment Business Days:** If any date for payment in respect of any Bond is not a Payment Business Day, the Holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, “**Payment Business Day**” means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are generally open for business and settlement of Renminbi payments in Beijing and China (Shanghai) Pilot Free Trade Zone.

8 TAXATION

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC (including the China (Shanghai) Pilot Free Trade Zone) or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

If the Issuer is required to make a deduction or withholding by or within the PRC (including the China (Shanghai) Pilot Free Trade Zone) or any political subdivision or any authority therein or thereof having power to tax, the Issuer shall pay such additional amounts (the “**Additional Tax Amounts**”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond (i) to a Holder (or to a third party on behalf of a Holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his PRC tax residency status or his having some connection with the PRC (including the China (Shanghai) Pilot Free Trade Zone) other than the mere holding of the Bond; or (ii) to a Holder (or to a third party on behalf of a Holder) who would not be otherwise liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been duly requested to make such a declaration or claim, such Holder fails to do so within any applicable period prescribed by such relevant tax authority.

References in these Conditions to principal, premium (if any) and interest shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition 8.

None of the Agents shall be responsible for paying any tax, duty, charges, withholding or other payment in connection with the Bonds 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 or the Bondholders or any other person to pay such tax, duty, charges, withholding or other payment or be responsible to provide any notice or information in relation to the Bonds in connection with payment of such tax, duty, charges, withholding or other payment imposed by or in any jurisdiction.

For the avoidance of doubt, the Issuer's obligation to pay free and clear of taxes, duties, assessments and other governmental charges will not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment or other governmental charge or (b) any VAT, tax, duty, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, or interest on the Bonds.

9 EVENTS OF DEFAULT

If an Event of Default (as defined below) occurs, the Holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding may give notice in writing to the Issuer (with a copy to the Principal Agent at its specified office) that such Bonds become immediately due and payable at its principal amount together with any premium and accrued but unpaid interest (if any).

An “**Event of Default**” occurs if:

- (a) **Non-Payment:** there is a failure to pay (i) the principal or premium (if any) of the Bonds when due; or (ii) interest on any of the Bonds within seven days after any Interest Payment Date; or
- (b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its obligations under or in respect of the Bonds (other than where it gives rise to a right of redemption of such Bonds pursuant to Condition 6(c)) or the Deed of Covenant, which default is (i) incapable of remedy or, (ii) being a default which is capable of remedy, is not remedied within 30 days after written notice of such default shall have been given to the Issuer by the Principal Paying Agent; or
- (c) **Cross-Default:** (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds U.S.\$25,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against U.S. dollar as quoted by People's Bank of China on the day on which this Condition 9(c) operates); or
- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries (except for any such distress, attachment, execution or other legal process levied, enforced or sued out as a result of any breach of laws or regulations by a lessee of such property or assets, who is not a Subsidiary of the Issuer) and is not discharged or stayed within 30 days; or

- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries over all or a material part of the assets of the Issuer or the Principal Subsidiaries, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person) and is not discharged or stayed within 30 days; or
- (f) **Insolvency:** the Issuer or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt, or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of all or a material part of its debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer or any of the Principal Subsidiaries; or
- (g) **Winding-up:** an administrator is appointed, an order of any court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution or administration of the Issuer or any of the Principal Subsidiaries, or the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved by an Extraordinary Resolution of the Bondholders, or (B) whereby the undertaking and assets of a Principal Subsidiary are transferred to or otherwise vested in the Issuer or any of its Subsidiaries, or (ii) a solvent winding up of any Principal Subsidiary; or
- (h) **Nationalisation:** any step is taken by any person acting under the authority of any material, regional or local government with a view to the seizure, compulsory acquisition or expropriation of all or a material part of the assets of the Issuer or any of the Principal Subsidiaries; or
- (i) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Deed of Covenant admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
- (j) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Deed of Covenant; or
- (k) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Conditions 9(d) to 9(h) (both inclusive),

For the purpose of this Condition 9, “**Principal Subsidiary**” at any time shall mean any Subsidiary of the Issuer:

- (A) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement is at least 5 per cent. of the consolidated revenue as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries’ share of revenue of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests;
- (B) whose gross profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross profit, as shown by its latest audited income statement are at least 5 per cent. of the consolidated gross profit as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests;
- (C) whose gross assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross assets, as shown by its latest audited balance sheet are at least 5 per cent. of the amount which equals the amount included in the consolidated gross assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries including, for the avoidance of doubt, the investment of the Issuer in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and after adjustment for minority interests; or
- (D) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (xx) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary and (yy) on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (A), (B) or (C) above of this definition,

provided that, in relation to paragraphs (A), (B) and (C) above of this definition:

- (I) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

- (II) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, gross profit or gross assets of the Issuer and/or any such Subsidiary shall be determined on the basis of *pro forma* consolidated accounts prepared for this purpose by the Issuer;
- (III) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, gross profit or gross assets (consolidated, if appropriate) shall be determined on the basis of *pro forma* accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer; and
- (IV) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a *pro forma* consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

In addition, any Subsidiary which is not itself a Principal Subsidiary shall nevertheless be treated as a Principal Subsidiary if the revenue (or consolidated revenue if the Subsidiary itself has Subsidiaries), gross profit (or consolidated gross profit if the Subsidiary itself has Subsidiaries) or gross assets (or consolidated gross assets if the Subsidiary itself has Subsidiaries) attributable to such Subsidiary when aggregated with the revenue (or consolidated revenue if appropriate), gross profit (or consolidated gross profit if appropriate) or gross assets (or consolidated gross assets if appropriate) attributable to any other Subsidiary which is not itself a Principal Subsidiary and with respect to which any of the events referred to in this Condition 9 has occurred since the issue date of the Notes and is continuing, exceeds 5 per cent. of the consolidated revenue, consolidated gross profit or consolidated gross assets of the Issuer and its Subsidiaries.

A certificate of an Authorised Signatory of the Issuer as to whether or not a Subsidiary of the Issuer is a Principal Subsidiary shall be conclusive and binding on all parties in the absence of manifest error.

10 PRESCRIPTION

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium (if any)) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

“**Relevant Date**” in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that such payment will be made, provided that payment is in fact made.

11 MEETINGS OF BONDHOLDERS AND MODIFICATION OF DEED OF COVENANT AND AGENCY AGREEMENT

(a) Meetings of Bondholders

The Deed of Covenant contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Deed of Covenant. Such a meeting may be convened by the Issuer or Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented unless the business of such meeting includes the modification or abrogation of certain of the provisions of these Conditions, including consideration of proposals, *inter alia*, (i) to modify the maturity date of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the nominal amount of any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, or (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders, whether or not they were present at the meeting at which such resolution was passed.

The Deed of Covenant provides that a resolution in writing signed by or on behalf of the Bondholders of not less than 90 per cent. in principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. 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 Bondholders. A resolution passed in writing will be binding on all Bondholders whether or not they participated in such resolution.

(b) Modification of the Agency Agreement and the Deed of Covenant

The Issuer shall only permit, without the consent of the Bondholders, any modification of, and any waiver or authorisation of any breach or proposed breach of, any of the provisions of the Deed of Covenant, the Agency Agreement and/or these Conditions, if to do so could not reasonably be expected to be prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, shall be notified by the Issuer to the Bondholders as soon as practicable.

12 FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds constituted by a deed supplemental to the Deed of Covenant and having the same terms and conditions as the Bonds in all respects (or in all respects save for the date of issue, the first payment of interest on them and if applicable, the timing for making of the NDRC Post-issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any further bonds issued pursuant to this Condition 12 and consolidated and forming a single series with the Bonds.

13 NOTICES

All notices to the Holders shall be in English and will be valid if mailed to them by uninsured mail at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, a Sunday or a public holiday) after the date of mailing; or (ii) if sent to them by electronic communication, when the relevant receipt of such communication being read is given, or where no read receipt is requested by the sender, at the time of sending, provided that no delivery failure notification is received by the sender within 24 hours of sending such communication. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any notice shall be deemed to have been given, on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

So long as the Bonds are entered in CCDC, notices to the Bondholders shall be validly given by the delivery of the relevant notice to CCDC for communication by it to the persons who have an interest in the Bonds (as shown in the books and records of CCDC) in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to CCDC.

14 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

Subject as contemplated in Condition 12, no person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

15 CURRENCY INDEMNITY

Renminbi is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Bonds, including damages. Any amount received or recovered in a currency other than Renminbi (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Bondholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the Renminbi amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Renminbi amount is less than the Renminbi amount expressed to be due to the recipient under any Bond, the Issuer shall

indemnify such recipient against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Bondholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Bondholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Bond or any other judgment or order.

16 GOVERNING LAW AND JURISDICTION

(a) Governing Law

The Bonds, the Deed of Covenant and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law.

(b) Jurisdiction: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds or the Deed of Covenant and accordingly any legal action or proceedings arising out of or in connection with any Bonds or the Deed of Covenant ("**Proceedings**") must be brought in such courts. The Issuer has irrevocably submitted to the exclusive jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) Agent for Service of Process

The Issuer has irrevocably appointed Soar Vast Limited at its registered office currently at 21st Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong as its authorised agent in Hong Kong to receive service of process in any Proceedings in Hong Kong. If for any reason Soar Vast Limited ceases to be such an agent of the Issuer for service of process in Hong Kong, the Issuer shall promptly appoint a new agent in Hong Kong to accept service of process and shall deliver to the Principal Paying Agent a copy of the agent's acceptance of that appointment within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) Waiver of Immunity

The Issuer waives any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) or any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS HELD IN CCDC

The Terms and Conditions and the Deed of Covenant contain provisions which apply to the Bonds while they are entered in CCDC. The following is a summary of certain of those provisions.

Words and expressions defined in “Terms and Conditions of the Bonds” shall have the same meanings when used in the paragraphs below.

FORM AND TITLE

The Bonds will initially be issued in registered uncertificated book-entry form entered in CCDC on or about the Issue Date, with CCDC entered in the Register as the sole registered holder on behalf of the persons notionally entitled thereto, and will not be serially numbered, unless otherwise agreed between the Issuer and the Principal Paying Agent. No certificate or other evidence of title, other than the Deed of Covenant, will be issued by, or on behalf of, the Issuer to evidence title to a Bond unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

Under the Deed of Covenant, the Issuer unconditionally and irrevocably undertakes with each holder of a Bond issued by it to pay, in respect of that Bond, principal, premium (if any) and any interest and any other amounts that may be payable, each in accordance with the Terms and Conditions.

A person in whose name an interest in the Bonds is entered on the books and records of CCDC is a Bondholder and will be entitled to receive registered certificates if CCDC is closed for business for a continuous period of 14 business days or announces an intention to permanently cease business or does in fact do so.

Such exchange will be effected in accordance with the provisions of the Agency Agreement, the Deed of Covenant and the regulations concerning the transfer and registration of the Bonds scheduled thereto and, in particular, shall be effected without charge to any holder of the Bonds, but against such indemnity and/or security and/or prefunding as the Registrar or the relevant Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

PAYMENT

So long as the Bonds are entered in CCDC, CCDC will act as the paying agent of the Bonds and make payments of any interest, principal and premium (if any) in respect of the Bonds in accordance with the terms of the Agency Agreement. Each payment in respect of the Bonds will be made to the person shown as the Bondholder in the books and records of CCDC at the close of business of CCDC on the CCDC Business Day immediately before the due date for such payment in accordance with the rules and procedures of CCDC, where “**CCDC Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which CCDC is generally open for business.

NOTICES

So long as the Bonds are held in CCDC, notices to the Bondholders shall be validly given by the delivery of the relevant notice to CCDC or in accordance with such records held by CCDC, for communication by it to the persons who have an interest in the Bonds (as shown in the books and records of CCDC) in substitution for notification as required by the Terms and Conditions and shall be deemed to have been given on the date of delivery to CCDC or in accordance with such records held by CCDC.

BONDHOLDER'S REDEMPTION

The Bondholder's redemption option in Condition 6(c) (*Redemption for Change of Control Event*) of the Terms and Conditions may be exercised by the entitled accountholders by giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Terms and Conditions.

ISSUER'S REDEMPTION

The option of the Issuer provided for in Condition 6(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions shall be exercised by the Issuer giving notice to the Bondholders and to the Principal Paying Agent within the time limits set out in and containing the information required by the Terms and Conditions.

TRANSFERS

Transfers of interests in the Bonds entered in CCDC will be effected in accordance with the rules and procedures of CCDC in effect from time to time, and any transferee acquiring such interests in the Bonds will be required to have and maintain an account with CCDC.

USE OF PROCEEDS

The gross proceeds from the offering of the Bonds will be CNY1,100,000,000. Such proceeds, after deducting commissions and other estimated expenses payable in connection with the offering of the Bonds, are intended to be used for investments in leasing projects and repayment of interest-bearing debts in accordance with the NDRC Certificate and the Sustainable Financing Framework.

SUSTAINABLE FINANCING FRAMEWORK OVERVIEW

The Sustainable Financing Framework sets out how the Issuer intends to issue Green, Social or Sustainable bonds, loans or any other debt-like instruments to finance projects that have a positive sustainable impact and synergise its business strategy and mission, and in doing so contribute to positive sustainable impacts. The proceeds of sustainable financing will be applied exclusively to eligible sustainable projects that will deliver environmental and social benefits to support the Issuer's business strategy and sustainable mission.

The Sustainable Financing Framework aligns with International Capital Markets Association Green Bond Principles (2021), Social Bond Principles (2021), Sustainability Bond Guidelines (2021) and Sustainability-Linked Bond Principles (2020) or as they may be subsequently amended.

Loans issued under the Sustainable Financing Framework will be aligned to Loan Market Association Green Loan Principles (2021), Social Loan Principles (2021) and Sustainability Linked-Loan Principles (2021) or as they may be subsequently amended.





Other forms of financing may conform to other well-established sustainable finance principles as may have been established at the time. The Sustainable Financing Framework adopts the following key parts:





- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review


USE OF PROCEEDS

The net proceeds raised under the Sustainable Financing Framework will be used to finance or refinance in whole or in part, new or existing eligible green, social or sustainable (combination of green and social) projects that meet one or more of the following categories of eligibility criteria set out below. The nature of the expenditures for each eligible category or project includes capital expenditure, operating expenditure, R&D expenditure and public investment. Refinancing of Eligible Projects will have a look-back period of no longer than 36 months from the time of issuance.


Eligible Green Projects

| Eligible Project Categories | Eligibility Criteria & Examples | Environmental Objectives/Benefits | UN SDG Mapping |
|--------------------------------|--|---|---|
| Renewable Energy | <ul style="list-style-type: none"> • Installation and leasing the equipment of the renewable energy systems, projects and associated infrastructure: <ul style="list-style-type: none"> ➢ Fishery-solar and solar photovoltaic plants built in northern and eastern coastal provinces of China ➢ Wind farm built in the northwest and southeast of China and in an eastern coastal provinces of China ➢ Hydropower station (Life cycle GHG< 100gCO₂/kWh) built in the southwest and northeast of China | Climate change Mitigation: Avoidance of GHG emissions |    |
| Energy Efficiency | <ul style="list-style-type: none"> • Investments and expenditures in projects located in China that improve energy efficiency and reduce energy consumption in electric buses and other electrified public transportation excluding fossil fueled vehicles by a minimum of 20%: <ul style="list-style-type: none"> ➢ Installation/replacement of equipment in electric buses and other electrified public transportations such as LED lighting, power battery, heating ventilation and air conditioning systems ➢ Installation of the charging station for electric vehicle supply equipment | Improving energy efficiency: Energy savings |  |

| Eligible Project Categories | Eligibility Criteria & Examples | Environmental Objectives/Benefits | UN SDG Mapping |
|--|--|---|---|
| Waste Management and Pollution Prevention and Control | <ul style="list-style-type: none"> • Investments and expenditures in projects in industrial wastewater management in China by installation of: <ul style="list-style-type: none"> ➢ Water recycling and treatment systems ➢ High-difficult wastewater treatment equipment ➢ Landfill leachate treatment equipment ➢ High-salt water of industrial use treatment equipment (recovery rate >70%) • Investments and expenditures in projects located in China that prevent and reduce waste and pollution: <ul style="list-style-type: none"> ➢ Implementing waste sorting and recycling facilities for municipal waste and industrial waste to differentiate recyclable and non-recyclable waste. ➢ Investments in projects aimed at improving public subway station air quality or reducing noise by increasing air circulation systems and noise barriers | Pollution prevention and Control: Reduction of waste ending up in landfill |     |

| Eligible Project Categories | Eligibility Criteria & Examples | Environmental Objectives/Benefits | UN SDG Mapping |
|------------------------------|--|---|---|
| Low Carbon Transportation... | <ul style="list-style-type: none"> • Development, construction, installation and leasing the equipment of low carbon transportation solutions, including investment in: <ul style="list-style-type: none"> ➤ Projects located in China to build and operate electric mass transit rail system, as well as expansions, maintenance and upgrades of these infrastructures that result in improved service levels or extended asset lifespan with preserved capacity ➤ The creation or construction of infrastructure located in China that supports low carbon transportation such as signaling equipment, network interfaces including passenger access, ancillary passenger services, facilities required for the safe, clean and efficient operation of the network, utilities and other enabling infrastructure ➤ For public passenger transportation, the Issuer set an emission threshold which is 50gCO₂ per p-km in line with international best practices and set declining emission thresholds to reach 0g CO₂/km before 2025 | Climate change Mitigation: Reduction of GHG emissions; Air pollution prevention and control: Reduction of air pollution from transport |    |

Eligible Social Projects

| Eligible Project Categories | Eligibility Criteria & Examples | UN SDG Mapping |
|--|---|---|
| Affordable Basic Infrastructure | <ul style="list-style-type: none"> • Construction of public transportation facilities such as rail transit and subway in medium and large cities in China: <ul style="list-style-type: none"> ➤ Projects that support elderly, children and disabled passengers affected by socioeconomic situation including to relief measures such as fare discount sanitation and infection preventative services and equipment at transit stations, trains, buildings, real estate properties, facilities and infrastructure. Fare discounts apply to the elderly, children and disabled passengers ➤ Projects for the design, construction, maintenance and upgrades of station facilities, services and train environment including baby care and breast-feeding rooms for women, accessibility and barrier-free infrastructure and facilities for elderly and special need groups, among others |  |

Exclusion Criteria

In any case, eligible assets/projects exclude the type of activities listed in the International Finance Corporation (“IFC”) Exclusion List (2007)1:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB’s, wildlife or products regulated under CITES
- Production or trade in weapons and munitions
- Production or trade in alcoholic beverages (excluding beer and wine)
- Production or trade in tobacco
- Gambling, casinos and equivalent enterprises
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%

- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length
- Production or trade in fossil fuel

PROCESS FOR PROJECT EVALUATION AND SELECTION

The Issuer imposes strict sustainable and risk management policy during its normal course of business.

The Eligible Sustainable Projects are identified and selected via a process that involves participants from various functional areas. A Strategic Development Committee (“SDC”) has been set up, composed of the senior members including various departments:

- ESG Office
- Finance
- Corporate Treasury
- Controllers
- Internal Audit
- Legal and Compliance

SDC will meet at least every 12 months to discuss and select eligible sustainable projects according to the Eligible Sustainable Projects defined in the Sustainable Financing Framework. The shortlisted projects will be presented to the board for approval. Each projects that are chosen will be conducted by a full due diligence and analyzed in a proposal report making sure to go through its Environmental Impact Assessment Report and Feasibility Report. The project with any environmental penalties should not be selected.

SDC will ensure that the selected Eligible Sustainable Project to comply not only with the Use of Proceeds section of the Sustainable Financing Framework but also the environmental, social and sustainable guidelines which are applicable for the Issuer. SDC will also monitor the continued compliance and potential ESG risks and controversies of the projects with the eligibility and exclusion criteria throughout the life of the bond or loan on a timely basis and at least every 12 months during annual SDC meeting. The process for evaluation, selection and monitoring is traceable and documented in the meeting minutes.

In addition, SDC will be responsible for managing any future updates of the Sustainable Financing Framework, including any expansion of requirements of use of proceeds. In case of divestments or if an Eligible Sustainable Project no longer meets the eligibility criteria, the funds will be reallocated to other Eligible Sustainable Projects.

MANAGEMENT OF PROCEEDS

The Issuer intends to allocate, over time, an amount equal the net proceeds to finance or refinance Eligible Sustainable Projects, selected in accordance with the eligibility criteria, and using the evaluation and selection process outlined above.

The net proceeds from each Sustainable financing will be managed by the Issuer's finance team and corporate treasury team. The proceeds from each Sustainable financing will be deposited in general funding accounts and be earmarked to Eligible Sustainable Projects. The Issuer will maintain a register to keep track of the use of proceeds for each Sustainable financing.

The register will contain the following information:

(1) Type of Funding Transaction:

- Key information including, issuer/borrower entity, transaction date, tranche(s) information, principal amount of proceeds, repayment or amortisation profile, maturity date, and interest or coupon (and in the case of bonds, the ISIN number)

(2) Allocation of Use of Proceeds:

- Name, description and sustainable certification of Eligible Sustainable Projects to which the proceeds of the Sustainable financing have been allocated in accordance with the Sustainable Financing Framework
- Amount and date of Sustainable financing proceeds allocated to each project
- The remaining balance of unallocated proceeds yet to be earmarked
- Other relevant information such as information of temporary investment for unallocated proceeds

Any balance of issuance proceeds which are not yet allocated to Eligible Sustainable Projects will be held in accordance with the Issuer's liquidity guidelines for short term time deposits or investments. The Issuer commits not to invest unallocated proceeds to any high pollution activities or any projects that are in conflict with the eligibility criteria under the Sustainable Financing Framework.

During the life of the Sustainable financing issued, if the designated Eligible Sustainable Projects cease to fulfil the eligibility criteria, the net proceeds will be re-allocated to replacement Eligible Sustainable Projects that comply with the eligibility criteria, as soon as reasonably practicable. The Issuer strives to maintain an amount of Eligible Sustainable Projects at least equal of the total net proceeds of all Sustainable financing outstanding. The balance of the tracked proceeds will be adjusted to match allocation of eligible projects shortly after the need for allocation or as soon as reasonably practicable. The Maximum time for full allocation of proceeds will be 36 months.

Additionally, if any material and critical controversies emerge in relation to a specific project, the Issuer commits to substitute that project with an alternative Eligible Sustainable Project.

REPORTING

The Issuer will provide information at project level on the allocation of the net proceeds from each Sustainable financing and environmental and social benefits in the Issuer's Annual Report, ESG Report or website. Such information will be provided on an annual basis until fully all the net proceeds have been allocated and in the event of any material changes until the relevant maturity date.

Allocation Reporting

- Details of each Sustainable financing that is outstanding
- Aggregate amount of proceeds from each Sustainable financing that has been allocated to Eligible Projects and geographical distribution
- Balance of unallocated proceeds from each Sustainable financing and its temporary treatment
- A list of Eligible Projects to which proceeds from each Sustainable financing have been allocated, summary information on such projects, including information necessary to determine alignment with the Eligibility Criteria such as energy performance data
- Shares of financing or refinancing before each issuing
- Any material developments/issues/controversies related to the projects or assets

Impact Reporting

Eligible Project Categories

Impact Indicators

| | |
|---|--|
| Renewable Energy ... | <ul style="list-style-type: none"> • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) • Capacity of renewable energy plant(s) constructed or rehabilitated in MW |
| Energy Efficiency | <ul style="list-style-type: none"> • Annual energy savings in MWh/GWh • Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent |
| Wastewater Management and Pollution Prevention and Control | <ul style="list-style-type: none"> • Annual absolute (gross) water use before and after the project in m³ p.a., reduction in water use in % • Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m³ p.a. and as % • Annual Greenhouse Gas (GHG) emissions reduced/avoided in tonnes of CO₂ equivalent • Waste that is prevented, minimised, reused or recycled before and after the project in % of total waste and/or in absolute amount in tonnes p.a. • Waste that is separated and/or collected, and treated (including composted) or disposed of in an environmentally sound manner before and after the project • Waste reduced/avoided (tonnes) |

| Eligible Project Categories | Impact Indicators |
|---|--|
| Low Carbon Transportation..... | <ul style="list-style-type: none"> • CO₂ and other GHG avoided, in CO₂e where appropriate (in tonnes) • Tracks built/repared/modernised (in km) • Number of rolling stock, carriages/locomotives bought or repaired • Number of passengers carried/passenger trips |
| Affordable Basic Infrastructure..... | <ul style="list-style-type: none"> • Number of passengers subsidised • Type/Number of target population benefited • Type/Number of sanitation and healthcare equipment for staff/customers provided • Number/Area of accessible infrastructure/facilities built (GFA of buildings concerned) |

External Review

The Issuer engages as an external assessor to evaluate the appropriateness of the Sustainable Financing Framework, readiness of environmental credentials, and fulfilment with the Sustainable Bond Principles. The assessment result document(s) will be available on the Issuer's website.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated capitalisation and indebtedness of the Issuer as at 30 June 2022 on an actual basis and as adjusted to give effect to the issuance of the Bonds (before deducting commissions and other estimated expenses payable in connection with the offering of the Bonds). The summary consolidated financial information below should be read in conjunction with the Reviewed Consolidated Interim Financial Statements, including the notes thereto and the review report in respect of the Reviewed Consolidated Interim Financial Statements included elsewhere in this Offering Circular, and the sections entitled “Use of Proceeds” and “Summary Consolidated Financial Information”.

| | As at 30 June 2022 | |
|---|---------------------------------|-----------------------------------|
| | Actual | As adjusted |
| | (CNY) | (CNY) |
| | <i>(unaudited but reviewed)</i> | <i>(unaudited and unreviewed)</i> |
| Short-term indebtedness | | |
| Short-term borrowings | 9,666,933,695.89 | 9,666,933,695.89 |
| Notes payable | 1,361,420,000.00 | 1,361,420,000.00 |
| Current portion of non-current liabilities | 22,368,387,128.00 | 22,368,387,128.00 |
| Other current liabilities | 6,645,173,863.01 | 6,645,173,863.01 |
| Total short-term indebtedness | 40,041,914,686.90 | 40,041,914,686.90 |
| Long-term indebtedness | | |
| Long-term borrowings..... | 45,121,174,618.82 | 45,121,174,618.82 |
| Bonds payable | 26,241,504,471.45 | 26,241,504,471.45 |
| Lease liabilities..... | 3,251,465,423.52 | 3,251,465,423.52 |
| Long-term payables..... | 5,496,899,621.16 | 5,496,899,621.16 |
| Other non-current liabilities | 2,531,546,656.77 | 2,531,546,656.77 |
| Bonds to be issued ⁽¹⁾ | – | 1,100,000,000.00 |
| Total long-term indebtedness | 82,642,590,791.72 | 83,742,590,791.72 |
| Total indebtedness⁽²⁾ | 122,684,505,478.62 | 123,784,505,478.62 |
| Total owners’ equity | 28,071,436,899.16 | 28,071,436,899.16 |
| Total capitalisation⁽³⁾ | 150,755,942,377.78 | 151,855,942,377.78 |

Notes:

- (1) Total amount of Bonds to be issued before deducting commissions and other estimated expenses payable in connection with the offering of the Bonds.
- (2) Total indebtedness equals the sum of short-term indebtedness and long-term indebtedness.
- (3) Total capitalisation equals the sum of total indebtedness and total owners’ equity.

The Group has incurred a substantial amount of indebtedness (including short-term indebtedness and long-term indebtedness) since 30 June 2022. For example, the Group recorded increases in, among others, short-term borrowings and long-term borrowings as at 31 December 2022 and the Issuer has issued onshore debt securities (excluding perpetual securities) in an aggregate principal amount of approximately CNY3.9 billion and perpetual securities in an aggregate principal amount of approximately CNY1.26 billion since 30 June 2022.

Except as otherwise disclosed above, there has been no material adverse change in the consolidated capitalisation and indebtedness of the Group since 30 June 2022.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is principally engaged in the leasing business in the PRC and provides a diverse array of financial leasing and operating leasing services, primarily focusing on the aircraft, shipping, urban infrastructure and equipment sectors. It has also been actively expanding into the green leasing and ESG leasing markets in recent years. The Issuer was one of the first PRC leasing companies approved by MOFCOM and SAT. As at 30 June 2022, the Issuer was one of the leading leasing companies in the PRC and was one of the largest domestic leasing companies which provide both general aircraft and regional aircraft leasing services to its customers. In addition, the Issuer believes that the Group had one of the largest networks of airline customers in the PRC as at 30 June 2022.

As at 30 June 2022, AVIC indirectly held approximately 43.77 per cent. of the issued share capital of the Issuer. AVIC is one of the central state-owned enterprises directly supervised by SASAC, focusing on aerospace and defence. Through its subsidiaries and affiliates in the PRC and overseas, AVIC's businesses principally cover defence, transport aircraft, engines, helicopters, avionics and systems, general aviation, aviation research, flight test, trade and logistics, asset management, finance services, engineering planning and construction and automobile. As at 30 June 2022, AVIC's group consisted of a number of listed companies. AVIC had been named in the "Global 500" published by Fortune magazine for 14 consecutive years and ranked 144th on the list in 2022. As at the date of this Offering Circular, AVIC ranks the fourth among the industrial manufacturing enterprises owned by SASAC in the PRC. With its extensive customer base and supplier network, established relationship with local governments and other state-owned enterprises, in-depth industry knowledge, strong brand recognition and experienced management, AVIC provides the Group with valuable support for the development of its business. As at 30 June 2022, the Issuer was the only leasing platform operating under the financial services business segment of AVIC.

As at 30 June 2022, the Group's leased asset scale reached approximately CNY164.71 billion. As at 30 June 2022, the leased asset scale of the Group's operating leasing business and the Group's financial leasing business amounted to approximately CNY20.37 billion and CNY144.34 billion, respectively. In terms of leased asset scale, the Issuer ranked first and eighth among the domestic leasing companies (excluding Bohai Leasing Co., Ltd.) and all domestic and foreign leasing companies (excluding Bohai Leasing Co., Ltd.), respectively, in the PRC as at 30 June 2022.

For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, the Group reported total consolidated revenue from operations of approximately CNY10,076.85 million, CNY10,125.86 million, CNY10,303.45 million, CNY4,678.59 million and CNY4,693.84 million, respectively, and consolidated net profit of approximately CNY1,711.21 million, CNY1,974.09 million, CNY1,990.59 million, CNY995.66 million and CNY1,013.92 million, respectively. As at 1 January 2020, 1 January 2021, 31 December 2021 and 30 June 2022, the total consolidated assets of the Group amounted to approximately CNY148,755.70 million, CNY158,759.96 million, CNY167,583.66 million and CNY176,831.88 million, respectively.

Awards and Recognitions

In recognition of its achievements, the Issuer has received numerous awards which include the following:

- The Issuer was ranked 13th in terms of fleet value in the “Global Aircraft Leasing Companies Ranking” published by FlightGlobal in 2021.
- The Issuer was ranked 16th in the list of global top 50 lessors of 2021 published by Cirium in 2021.
- The Issuer was ranked 20th in the list of global top 50 lessors of 2020 published by Cirium in 2020.
- The Issuer was ranked 31st in terms of fleet value in the “Global Aircraft Leasing Companies Ranking” published by FlightGlobal in 2019.
- The Issuer was awarded the “Best Transaction Award” and “Ten Years Industry Promotion Award” in the seventh China Air Finance “Wan Hoo” Awards Presentation Ceremony in 2019.
- The Issuer was recognised as one of the first “five-star enterprises” in Dongjiang by the Dongjiang Free Trade Port Zone of Tianjin in 2018.
- The Issuer was awarded the “China Maritime Financing Star Award” at the fourth China Maritime Finance (Dongjiang) International Forum in 2018.
- The Issuer was awarded the “Industry Promotion Award” in the sixth China Air Finance “Wan Hoo” Awards Presentation Ceremony in 2018.
- The Issuer was awarded the “Financial Outstanding Contribution Award” by the People’s Government of Shanghai Pudong New Area in 2016, 2017 and 2018.
- The Issuer was awarded the “One Belt One Road and International Projects Development Award” in the fifth China Air Finance “Wan Hoo” Awards Presentation Ceremony in 2017.
- The Issuer was recognised as a “Shanghai City Five Star Integrity Enhancement Enterprise” by the Shanghai Financial Leasing Industry Association of the Organising Committee of the Shanghai Corporate Integrity Enhancement Campaign in 2015, 2016 and 2017.
- The Issuer was recognised as an “Outstanding Enterprise” by the Shanghai Leasing Trade Association in 2017.
- The Issuer was recognised as the “Pudong New Area Modern Service Industry Outstanding Contribution Award” by the People’s Government of Shanghai Pudong New Area in 2017.
- The Issuer was recognised as reaching the “Pudong Corporate Social Responsibility Standards” by the Office of Shanghai Pudong Corporate Social Responsibility in 2017.
- The Issuer was recognised as the “Best Risk Management Enterprise for Customer Experience in 2017” at the Financial Risk Management Leadership Forum 2018 and 2017 Financial Risk Management Awards Presentation Ceremony.
- The Issuer was recognised as the “Advanced Unit of Planned Financial Management” by AVIC in 2017.
- The Issuer was recognised as the “PRC Financial Leasing Enterprise of the Year” at the China Financial Leasing Annual Conference in 2012 and 2016.
- The Issuer’s direct financing arrangement with Export Development Canada (the “**EDC Direct Financing Arrangement**”) was awarded the “Innovation Award” in the third China Air Finance “Wan Hoo” Awards Presentation Ceremony in 2015.

- The Issuer was recognised as the “Most Influential Enterprise” by the Shanghai Financial Leasing Industry Association in 2014.
- The Issuer was awarded the “PRC Best Financial Innovation Award” by the Organising Committee of the sixth Beijing International Finance Expo in 2010.

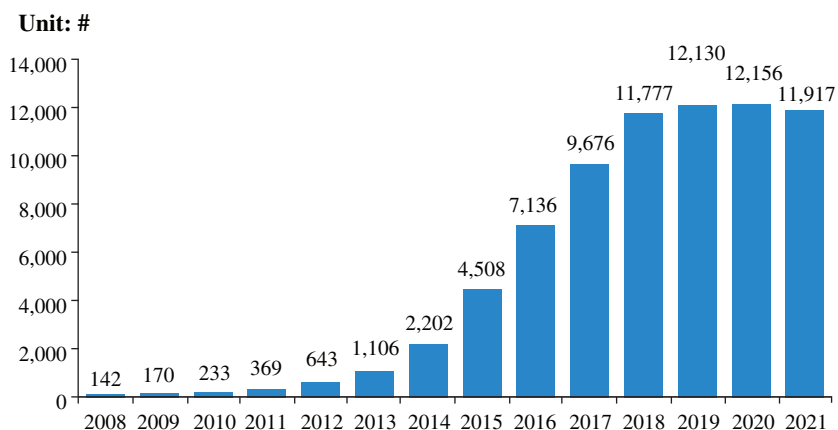
COMPETITIVE STRENGTHS

The Issuer believes that the Group has the following competitive strengths:

Significant growth potential in the PRC financial leasing industry.

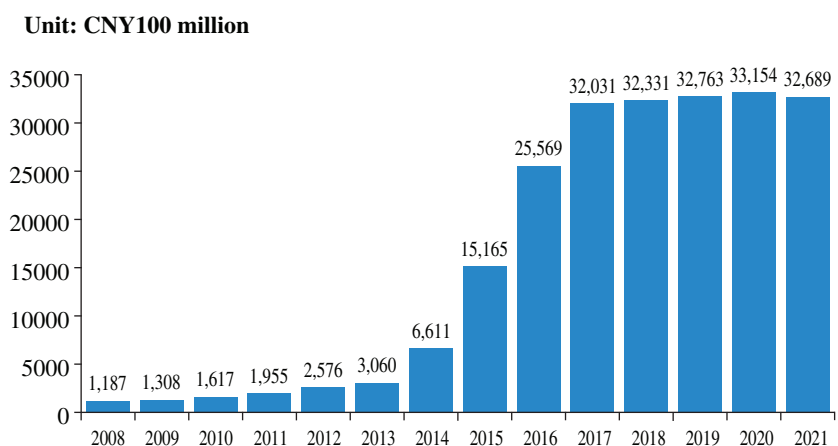
Upon experiencing approximately ten years of rapid growth and development, the PRC financial leasing industry entered into a phase of stable development in recent years. In 2022, the total number of financial leasing companies in the PRC and the business volume in the PRC financial leasing market remained to be relatively high.

The following chart sets forth the number of financial leasing companies in the PRC from 2008 to 2021:



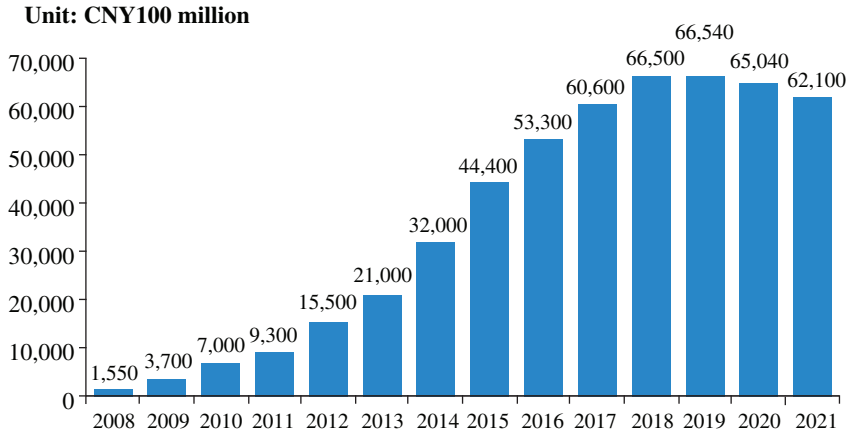
Source: China Leasing Alliance (中國租賃聯盟)

The following chart sets forth the registered capital of financial leasing enterprises in the PRC from 2008 to 2021:



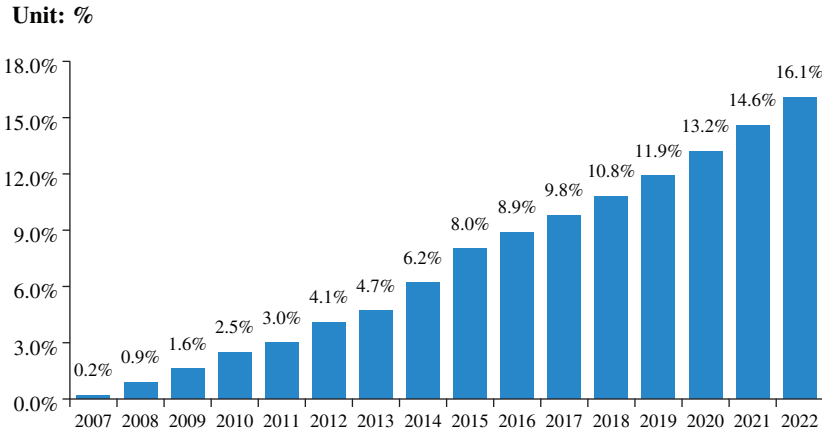
Source: China Leasing Alliance (中國租賃聯盟)

The following chart sets forth the outstanding financial leasing contracts balance in the PRC from 2008 to 2021:



Source: China Leasing Alliance (中國租賃聯盟)

The following chart sets forth the market penetration rate of the financial leasing industry in the PRC from 2007 to 2022:



Source: Qianzhan Industry Institute

As at the date of this Offering Circular, the PRC is the second largest financial leasing market in the world. However, the Issuer believes that the market penetration rate of the financial leasing industry in the PRC is still low as compared to other developed countries.

As at 30 June 2022, the Group’s leased asset scale reached approximately CNY164.71 billion. In terms of leased asset scale, the Issuer ranked first and eighth among the domestic leasing companies (excluding Bohai Leasing Co., Ltd.) and all domestic and foreign leasing companies (excluding Bohai Leasing Co., Ltd.), respectively, in the PRC as at 30 June 2022. The Issuer believes that the Group’s business has benefited, and will continue to benefit, from the development and growth of the PRC financial leasing industry.

Strong shareholder support from AVIC and AVIC Industry-Finance.

The Issuer's controlling shareholder, AVIC, is a central state-owned enterprise directly supervised by SASAC, focusing on aerospace and defence. AVIC had been named in the "Global 500" published by Fortune magazine for 14 consecutive years and ranked 144th on the list in 2022. As at the date of this Offering Circular, AVIC ranks the fourth among the industrial manufacturing enterprises owned by SASAC in the PRC. As a leading manufacturer of aircraft, aviation engines and helicopters in the PRC, AVIC has established and maintained strong long-term relationships with local governments and large corporations across the PRC, which has enabled the Group to benefit from numerous business opportunities and enhance its market share and reputation in the financial leasing industry. Leveraging AVIC's leading position and track record in the aircraft manufacturing business, the Issuer believes that the Group has a competitive advantage over its competitors in the provision of financial leasing services for domestically manufactured civil aircraft. The Issuer believes that the Group can continue to leverage support from, and its relationship with, AVIC and its subsidiaries and affiliates to further enhance its competitiveness and market share in the financial leasing industry by acquiring and sourcing suitable aircraft and other assets to meet its customers' needs, improving management capabilities and corporate governance and further strengthening its brand equity and credibility.

The Issuer also believes that the Group has a competitive advantage derived from the continued strong support from AVIC in terms of its brand name and expertise in the aviation industry, its network and resources as well as its supply of domestically manufactured civil aircraft which has also been paramount to the Group's businesses and development. AVIC has provided strong financial support to the Group in the form of loans and capital injection. For example, as at 30 June 2022, AVIC has provided various loans to the Group in the amount of approximately CNY22.2 billion. AVIC has also made several capital injections to the Group since 2006. The Issuer's registered capital was increased from CNY430 million in 2006 to CNY9.98 billion as at 30 June 2022. See "*Corporate History*" above for further information.

In light of AVIC's state-owned background, the Group has also received government support in the form of governmental subsidies to support the Group's overall business operations. For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, the Group received government grants of approximately CNY70.09 million, CNY22.85 million, CNY72.28 million, CNY30.00 million and CNY20.81 million, respectively.

In addition to strong financial support, AVIC has also continued to provide talent support to the Group. As at 30 June 2022, AVIC has appointed all of the Issuer's directors and recommended all of the Group's senior management and supervisors.

To promote the continual development of the PRC aviation industry, Chinese policy banks have also been supportive of AVIC and the Group on promoting the usage of domestically manufactured civil aircraft in the PRC. In November 2014, Okay Airways, the Issuer, Xi'an Aircraft Industry (Group) Co., Ltd. (西安飛機工業(集團)有限責任公司) and China Development Bank entered into a strategic cooperation agreement under which China Development Bank would provide financing of approximately CNY10 billion to support the usage of A-series aircraft in the PRC. In addition, the Group has entered into strategic cooperation agreements with China Development Bank, China Construction Bank, Postal Savings Bank of China, Ping An Bank and China Minsheng Bank, respectively. Also, in 2017, 14 banks have granted a U.S.\$200 million syndicated loan to the Group.

In addition, in 2016, AVIC Industry-Finance has provided credit support to the Group by giving a guarantee to a credit facility granted by The Export-Import Bank of China to the Issuer. In 2018, AVIC Industry-Finance has provided additional credit support to the Group by giving a guarantee to a U.S.\$1 billion credit facility granted by the Export-Import Bank of China to the Issuer. As at 30 June 2022, the total credit line granted by AVIC Industry-Finance to the Issuer amounted to approximately CNY22.2 billion. AVIC Industry-Finance was the first financial holding company in the PRC listed on the Shanghai Stock Exchange and was assigned a corporate rating of A3 and A- by Moody's and Fitch Ratings, Inc., respectively, as at the date of this Offering Circular.

In addition, the Issuer believes that the Group will continue to receive business resources and professional and technical support from AVIC and AVIC Industry-Finance, and benefit from the “single line of production, financing and marketing” (產、融、銷一條線) business structure of the AVIC's group as well as the crossover sales and referral of customers between the Group and other business units of the AVIC group.

Leading position in the PRC financial leasing industry with an extensive and diverse customer base.

The Group is recognised as one of the market leaders among the PRC financial leasing companies, in particular in relation to the aircraft sector. The Issuer was one of the first PRC leasing companies approved by MOFCOM and SAT. As at 30 June 2022, the Issuer was one of the leading leasing companies in the PRC and was one of the largest domestic leasing companies which provide both general aircraft and regional aircraft leasing services to its customers. As at 30 June 2022, the Issuer had 817 domestic customers and 55 overseas customers. In addition, the Issuer believes that the Group had one of the largest networks of airline customers in the PRC as at 30 June 2022. In 2019, the Issuer was awarded the “Best Transaction Award” and “Ten Years Industry Promotion Award” in the seventh China Air Finance “Wan Hoo” Awards Presentation Ceremony. In 2021, the Issuer was ranked 16th in the list of global top 50 lessors of 2021 published by Cirium and was ranked 13th in terms of fleet value in the “Global Aircraft Leasing Companies Ranking” published by FlightGlobal in 2021.

Throughout its approximately 19 years of operation, the Group has established and maintained a well-structured financial and operating leasing platform for both overseas and domestically manufactured civil aircraft, as well as for shipping, urban infrastructure and large-scale equipment. The Group operates one of the youngest aircraft fleets among major top-tier aircraft leasing companies in the PRC, comprising internationally renowned aircraft (including new generation Airbus, Boeing, Embraer and Bombardier aircraft) as well as domestically manufactured civil aircraft (including the ARJ21, Modern Ark MA60 and Y-12).

The Group's leading market position in the PRC financial leasing industry for aircraft is supported by both a well-established and an expanding customer base across the PRC with whom it has maintained strong long-term relationships. The Group's customer base for its aircraft leasing business comprises a number of domestic airline companies in the PRC and multinational airline companies in various countries in Asia and Europe, primarily including China Eastern Airlines, Air China, China Southern Airlines, Xiamen Airlines, Shenzhen Airlines, Hebei Airlines, Hainan Airlines, Tianjin Airlines, Juneyao Airlines, Okay Airways, China Express, Donghai Airlines, Qingdao Airlines, Vietnam Airlines, Turkish Airlines, Wizz Air, Indigo Airline, Spring Airways, Lion Air, Chengdu Airlines, Scandinavian Airlines, Myway Airlines, Loong Air, Kunming Airlines and Etihad Airways.

As at 30 June 2022, the Issuer had approximately 817 domestic customers and 55 overseas customers in respect of its aircraft leasing business. Leveraging AVIC's brand name and close relationships with local governments and large corporations across the PRC, the Group is able to develop business relationships with long-term customers of strong credit profile. Its customers have been selected under stringent risk management procedures based on factors such as the stability of their cash flows and/or asset values, industry reputation and track record performance. As testimony to its customers' satisfaction and reliance on its services, the Group also has a large number of repeat customers. The Group has also successfully tapped into its financial leasing customer base to provide extended value-added services in addition to providing its integrated financial services to new customers.

Diversified business portfolio.

The Group's business portfolio includes aircraft leasing, ship leasing, urban infrastructure leasing and equipment leasing. As at 30 June 2022, aircraft leasing, ship leasing, urban infrastructure leasing and equipment leasing business accounted for approximately 32.46 per cent., 13.11 per cent., 25.17 per cent. and 29.26 per cent. of the Group's total leased asset scale, respectively.

The Group's diversified business portfolio enables the Group to reduce the risks associated with reliance on limited portfolios of business and also mitigate any adverse impact resulting from price, supply and demand volatilities as well as geographical concentration risks relating to any single business portfolio. In particular, as at 30 June 2022, the Issuer was one of the leading leasing companies in the PRC and was one of the largest domestic leasing companies which provide both general aircraft and regional aircraft leasing services to its customers. As at 30 June 2022, the Group provided leasing for more than 30 different types of aircraft across the passenger, commercial and general aircraft spectrum. The Group also has an extensive vessel fleet including high-end vessels and operates a diverse portfolio of large-sized commercial vessels such as bulk carriers, container ships, liquid cargo ships and other vessels. In addition, the Issuer entered into a project cooperation agreement with SDTR Marine Pte. Ltd. and Dalian Shipbuilding Industry Co., Ltd. in January 2019 pursuant to which the Group would lease ten 85,000 DWT Super-Kamsarmax bulk carriers to SDTR Marine Pte. Ltd. As at 30 June 2022, the Group's number of vessels on lease reached 217. The Group's urban infrastructure leasing and equipment leasing businesses are also the Group's main sources of revenue.

The Issuer believes that the Group's diversified business portfolio will continue to enable the Group to equip itself for future growth and capture potential opportunities.

Diverse aircraft leasing services.

The Group provides diverse aircraft leasing services to its customers. It has a diversified and rapidly growing aircraft fleet comprising both overseas and domestically manufactured civil aircraft. As at 31 December 2019, 2020 and 2021 and 30 June 2022, the total number of aircraft on lease were 300, 313, 329 and 349, respectively. In addition, the Group has developed strategic relationships with Boeing and COMAC. The Group ordered 30 ARJ21 aircraft in 2016 and 30 C919 in 2017 from COMAC. As at 30 June 2022, the Group's aircraft on lease comprised 62 domestically manufactured aircraft, 172 mainstream passenger aircraft, 25 business jets and 90 general aircraft. The Group's fleet of domestically manufactured aircraft includes the ARJ21, Modern Ark MA60, Y-12, AC313 and LE-500; its fleet of mainstream passenger aircraft includes A350, B787, B777, A320, B737 and CRJ900; its fleet of business jets includes BBJ, Gulfstream GV, Challenger 850, Global Express 6000 and Falcon; and its fleet of general aircraft includes Cessna, King Air and Cirrus aircraft.

Able to provide customised and integrated financial services to its customers.

The Group has developed strong industry experience and expertise in the financial leasing business for the aircraft, shipping, urban infrastructure and equipment sectors. It has also been actively expanding into the green leasing and ESG leasing markets in recent years. In particular, it is able to provide professional, customised and integrated financial services to meet the ever-changing business requirements of its clients. It is also able to enhance its sales and marketing capabilities primarily through the following:

- the establishment of a dedicated sales team comprising former industry professionals with substantial industry knowledge and experience, as well as sales and marketing skills;
- the maintenance of close and regular contact with its customers by organising industry exhibitions and forums to create platforms for market information exchange among industry players and participating in industry specific associations to gain first-hand market information on the latest market trends within the target industries;
- the leveraging of its knowledge and experience in the relevant industry sectors and its established relationships with manufacturers and sales agents in order to source suitable aircraft, vessels, urban infrastructure equipment and other equipment at competitive prices to accommodate the business needs of its customers and enhance its competitiveness;
- the establishment and maintenance of the “single line of production, financing and marketing” business structure of the AVIC group as well as the crossover sales and share of customers between the Group’s financial leasing business sector and other business units of the Group;
- the maintenance of an advanced information technology system to improve the efficiency and quality of its services; and
- the provision of management training and on-going support services for its customers.

Access to multiple financing channels, strong balance sheet and prudent financial management.

The Group’s business growth and working capital requirements are primarily supported by internal funding sources, bank loans, debt issuances and equity. With the strong shareholder support from AVIC, the Issuer has a registered capital of CNY9.98 billion as at 30 June 2022, being one of the highest in the financial leasing industry.

Leveraging the support from, credibility of and relationship with AVIC, the Group maintains close relationships with a large number of systematically important banks, policy banks and domestic and international commercial banks. As at 30 June 2022, approximately 63 banks provided banking facilities to the Group to support its various funding needs, including The Export-Import Bank of China, China Development Bank, Agricultural Development Bank of China, Bank of China, Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China, Bank of Communications, DBS Bank Ltd., Export Development Canada, Deutsche Bank, Natixis, Commonwealth Bank of Australia and BNP Paribas with a total approved credit line of approximately CNY135.86 billion and unused credit line of approximately CNY73.01 billion. These relationships have allowed the Group to secure sustainable sources of financing to support its business growth and working capital requirements. In addition, the Group has been able to obtain long-term financing with favourable interest rates from national policy banks for the Group’s acquisition of domestically manufactured civil aircraft. Utilising its close relationships with the banks, the Group is able to secure bank financing at a cost efficient level.

The unique corporate structure of the Group also enables it to explore funding solutions in both domestic and international debt capital markets, such as issuing asset-backed securities or financial bonds, or issuing bonds in offshore markets via its offshore subsidiaries. As at 30 June 2022, approximately 75.66 per cent. and 24.34 per cent. of the Group's debt securities were issued in the domestic and international markets, respectively. For example, backed by an AAA corporate rating issued by China Chengxin International Credit Rating Company Limited, the Issuer issued bonds in the PRC in an aggregate principal amount of approximately CNY31.14 billion as at 30 June 2022, comprising medium term notes of approximately CNY9.47 billion, super and short-term commercial paper of approximately CNY4.2 billion, short-term commercial paper of approximately CNY2.4 billion, privately placed notes of approximately CNY2.5 billion and corporate bonds of approximately CNY12.57 billion. As at 30 June 2022, the Issuer obtained a quota to issue bonds in the aggregate amount of up to approximately CNY45.8 billion in the PRC, of which approximately CNY20.2 billion was unused. In addition, on 13 June 2014, Soar Rise Limited, an indirect wholly-owned subsidiary of the Issuer, issued CNY500,000,000 4.375 per cent. credit enhanced bonds due 2017 (the "2017 Bonds") which are unconditionally and irrevocably guaranteed by the China Aviation International Holding Co., Ltd. (a direct wholly-owned subsidiary of the Issuer) and have the benefit of a keepwell and liquidity support deed provided by the Issuer. Payments of principal and interest in respect of the 2017 Bonds also have the benefit of an irrevocable standby letter of credit issued by Agricultural Bank of China Limited, Singapore Branch. Also, the Issuer issued U.S.\$300,000,000 3.00 per cent. notes due 2020 under its U.S.\$500,000,000 medium term note programme in November 2017. In November 2018, May 2019, October 2019, November 2020, March 2021, August 2021, September 2021 and May 2022, Soar Wise Limited, an indirect wholly-owned subsidiary of the Issuer, issued U.S.\$350,000,000 4.625 per cent. guaranteed notes due 2021, U.S.\$450,000,000 3.50 per cent. guaranteed notes due 2022, U.S.\$200,000,000 3.45 per cent. guaranteed perpetual capital notes, U.S.\$200,000,000 3.425 per cent. guaranteed perpetual capital notes, U.S.\$500,000,000 1.75 per cent. guaranteed notes due 2024, EUR200,000,000 0.95 per cent. guaranteed notes due 2022, U.S.\$300,000,000 1.65 per cent. guaranteed notes due 2024 and U.S.\$450,000,000 4.05 per cent. guaranteed notes due 2025 which are unconditionally and irrevocably guaranteed by the Issuer, respectively, under its U.S.\$3,500,000,000 guaranteed medium term note and perpetual capital securities programme.

The Issuer believes the Group's access to diversified funding sources enables the Group to secure adequate and cost efficient funds to support the growth and expansion of its overall business operations and working capital requirements.

In addition, the Group has implemented prudent financial policies to ensure a strong balance sheet and a healthy financial position by maintaining gearing ratios at a level that the Group considers reasonable. The Group aims to closely manage the levels of gearing ratio to avoid any potential liquidity risk. By reference to the gearing ratios of main competitors in the PRC, the Issuer believes that the Group's gearing ratio has been maintained at reasonable levels. The Group has been able to secure sufficient equity and debt financing to match the expansion of its business operations and working capital requirements.

The Issuer believes that the Group's diversified access to financing channels, strong balance sheet and liquidity position and prudent financial policies enables the Group to undertake large-scale projects and further increase the size of its operating assets in accordance with the regulatory restrictions.

Comprehensive and robust risk management systems.

The Group has adopted a prudent risk management strategy and established a comprehensive internal control and risk management system to enhance its overall internal control and risk management capabilities, covering various areas such as financial management, financial planning, connected transactions, subsidiary management and investment management.

The internal control and risk management system was developed from, and is fully integrated with, the Group's overall internal control and risk management system. The Group's risk management is fully integrated into its approval process for each key business decision and project. At each stage of the approval process, all elements of risk, including credit risks, market risks, liquidity risks, asset risks, tax and accounting risks and legal and compliance risks, are carefully and independently assessed by the risk management team of the Group. The Group also has a dedicated risk management team to continuously monitor the risk level during the life cycle of each project and the creditworthiness of its lessee portfolio using its internal risk management system. Policies and procedures for managing risks across the Group are overseen by the Group's risk control committee. As at 1 January 2020, 1 January 2021, 31 December 2021 and 30 June 2022, the Group's consolidated impairment provision on lease receivables were approximately CNY2.50 billion, CNY3.24 billion, CNY4.11 billion and CNY4.36 billion, respectively, and the accumulated impairment provision represented approximately 2.00 per cent., 2.52 per cent., 3.06 per cent. and 3.11 per cent. of the Group's net lease receivables, respectively.

In addition, the Group targets to maintain a reasonable level of customer concentration. For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, the top five customers of the Group accounted for approximately 13.27 per cent., 11.61 per cent., 16.00 per cent., 14.70 per cent. and 15.98 per cent. of the Group's lease receivables, respectively.

Experienced management team.

Most members of the Group's management team have been with the Group since the Group's inception. As at 30 June 2022, approximately 9.49 per cent. of the Group's employees had been with the Group for over ten years, approximately 35.57 per cent. of the Group's employees had been with the Group for five to ten years, approximately 33.20 per cent. of the Group's employees had been with the Group for one to five years and approximately 21.74 per cent. of the Group's employees had been with the Group for less than one year. In addition, the Group's experienced management team has extensive knowledge in the leasing industry, strong asset management and disposition capability, and strong working relationships with the PRC government authorities and leading industry players. The Issuer believes that the Group's management team's strong industry knowledge and in-depth understanding of the relevant regulatory, legal and tax considerations and the needs and interests of the parties involved, enable the Group to successfully structure and execute the large-scale and sophisticated transactions that the Group enters into with clients and financing partners.

In addition, the Group is committed to motivating and developing its employees and creating a meritocratic system under which compensation is dependent on the satisfaction of attainable performance targets. It has fostered a distinct culture and set of core values which it seeks to reinforce with the Issuer's directors, senior management and employees. These core values embrace the spirit of continuous learning and innovation, integrity, discipline, a competitive spirit, harmony and cooperation. The Group is also committed to provide training and seminars for its employees to further develop their knowledge and expertise in the relevant industry.

BUSINESS STRATEGIES

The Issuer intends to implement the following principal strategies to support the further development of the Group's business:

To further strengthen the Group's leading market position in the aircraft leasing industry by acquiring aircraft in strong demand at competitive prices and by expanding its client base.

The Group intends to regularly review opportunities to acquire suitable aircraft, focusing on assets that are not only in strong demand but that also meet the Group's disciplined fleet portfolio mix criteria and leasing strategies. For example, the Group has introduced a variety of trunk and regional aircraft and high-end mainstream passenger aircraft. The core fleet comprises models that the Issuer believes will have operational longevity and that are capable of being easily transitioned between airlines to avoid potentially costly ground time between leases. The Group will only purchase aircraft models that the Issuer believes will remain in strong demand in the industry in the long run. As at 30 June 2022, the B737, A320, CRJ900, MA60 and ARJ21 were the Group's choice of narrowbody aircraft given their wide operator base, thus ensuring their marketability to airlines. The Group also leases wide body aircraft, such as the B787 and A350, to some of its key clients. In addition, the Group has developed strategic relationships with Boeing and COMAC. The Group ordered 30 ARJ21 aircraft in 2016 and 30 C919 in 2017 from COMAC. The Group will also continue to offer innovative and comprehensive financing solutions to meet the ever-changing needs of its customers to enhance its market share in the aircraft leasing industry, in particular, in relation to domestically manufactured civil aircraft.

Leveraging AVIC's in-depth knowledge of the aviation industry, the Group plans to further strengthen its supplier negotiation capabilities and targets to place aircraft order at competitive prices in order to maintain pricing advantages over its competitors.

In addition, the Group plans to further expand its customer base in both the PRC and overseas markets. Through its offshore entities, the Group plans to maintain its relationships and cooperation with internationally renowned airlines, aircraft manufacturers and aircraft leasing companies to explore business opportunities in overseas markets. The Group targets to achieve a diversified customer base to avoid over-exposure to any given geographical area and customer group.

To strive to be cost competitive and prudently promote its business in the ship leasing sub-sector.

The Group will continue to actively manage its capital structure and operating cost base to eliminate inefficiencies and minimise the costs of its service offering. In particular, the Group intends to lower its funding costs by exploring funding solutions in both domestic and international capital markets and lower its operating costs by further improving its centralised back office systems.

The Group will continue to focus on the quality of its leased assets and prudently promote its ship leasing business. Also, the Group will gradually focus on providing operating leasing services for shipping which generate stable and recurring income to improve its cash flows. In addition, the Issuer intends to further expand its client base in the United States and Europe.

To continue to strengthen the Group’s market position in the equipment leasing sub-sector.

The Group will continue to seize the opportunities provided by the on-going urbanisation and industrialisation in the PRC including: (i) the growing demand for alternative financing by large corporations and local governments, and (ii) substantial opportunities to help clients finance large-scale projects. The Group aims to expand its business in sectors that will have significant fixed asset investment growth with preferential national policy support under the PRC’s Fourteenth Five-Year Plan, such as transportation, logistics, energy, chemical, utilities and others. The Group will further strengthen its research on the leasing industry and select its major business areas by focusing on regions supported by favourable policies, fast-growing economy, and industry cluster effects. For example, Zhejiang, Jiangsu and Jiangxi provinces may be the key regions where the Group will further develop its business. The Group will continue to focus on local state-owned companies and listed corporations, and expand its level of cooperation with clients by providing diverse and customised services leveraging its full financial leasing licences and comprehensive business platforms. The Issuer believes the Group’s advantage of multiple business platforms will provide clients with more comprehensive and higher quality leasing services.

To explore business opportunities in other industries in the PRC.

The Issuer intends to continue exploring growth opportunities within other target industries in the PRC with growth potential and in industries which it believes the Group’s services can be competitive, so as to complement its existing businesses. For example, the Group has expanded into the railway and renewable energy industries in the PRC.

The Group is also exploring business opportunities in other industries in the PRC, such as high-end manufacturing industry, and may penetrate into these new industries only when suitable opportunities arise. While the Group does not have any existing timetable to expand into these new industries, the Issuer believes that the Group’s track record and extensive experience in the PRC financial leasing industry will provide the Group with sufficient insights into industry trends, customer needs and market potential, which will equip the Group with the required capabilities to pursue suitable expansion and penetration into these new industries.

To continue to diversify financing channels and optimise capital structure.

The Group will continue to broaden its access to multiple financing channels to support its business development with adequate and cost-efficient funding:

- bank borrowings will remain the main financing source to the Group. The Group intends to further enhance cooperation with existing and new banking partners;
- bond issuance will be the supplemental financing sources to the Group. The Group may issue onshore corporate bonds or financial bonds, or issue bonds in offshore capital markets; and
- asset-backed security will be a new financing source to the Group.

The Issuer believes that the Group's ability to access extensive and diversified sources of funding and to explore the option of funding the transactions with onshore or offshore debts may enable the Group to optimise its costs of funding. Utilising its adequate and cost-efficient funding, the Group will also continue to improve and maintain its financial performance.

To further leverage the Group's relationship with AVIC and the Issuer's subsidiaries and affiliates and the strong support from AVIC.

The Issuer plans to further leverage AVIC's brand name and the Group's close relationships with various provincial and local governments and large corporations to further expand the Group's aircraft leasing business in the PRC. In particular, by leveraging AVIC's aircraft manufacturing business and its experience in the aviation industry, the Group seeks to further enhance its market share in the aviation leasing business for domestically manufactured civil aircraft and promote the usage of domestically manufactured civil aircraft in the PRC. The Group will further leverage AVIC's network to enhance its negotiation capabilities and relationship with leasing assets suppliers. The Group will further seek technical support from AVIC when expanding its aircraft leasing business offshore. The Issuer also believes that AVIC will continue to provide strong financial talent, and other support to the Group in the form of loans and capital injection, which will enable the Group to support its overall business growth and working capital requirements.

To continue to strengthen risk management and corporate governance capabilities.

The Issuer intends to further enhance the Group's risk management and corporate governance capabilities by continuing to focus on implementing an integrated and dynamic risk management system and optimising prudent risk management systems to protect the long-term interests of its shareholders, customers and employees. The Issuer has upgraded the Group's information technology system to more closely monitor and control the status of assets, financing project management and overall asset monitoring of the Group. In addition, the Issuer intends to proactively streamline the procedures to enhance stringent selection process of suitable fundamental and sustainable industries, the segmentation of suitable target customers, customer credit assessment and approval procedures, as well as portfolio monitoring and management. Utilising more comprehensive and upgraded risk management systems, the Group is able to improve its selection process and valuation of its leasing assets, and hence to minimise downside risks such as credit default of its clients and asset price deflation. The Group will also maintain prudent investment policies that aim to achieve a balance between assets and liabilities, between investment returns and risk taking, and among its business segments.

CORPORATE HISTORY

The Issuer was incorporated in 1993 with a registered capital of U.S.\$5 million. Since the incorporation of the Issuer in 1993, the Issuer has successfully grown to become one of the leading leasing companies in the PRC and was one of the largest domestic leasing companies which provide both general aircraft and regional aircraft leasing services to its customers as at 30 June 2022. The following table sets forth the key corporate milestones of the Group:

| <u>Year</u> | <u>Event</u> |
|-------------|--|
| 2004..... | The Issuer was approved by MOFCOM to conduct financial leasing business. |
| 2006..... | Following restructuring, the Issuer’s registered capital was increased to CNY430 million. |
| 2009..... | The Issuer’s registered capital was increased to CNY850 million. |
| 2010..... | The Issuer was honoured as a “Top Ten Financial Leasing Enterprise” at the China Financial Leasing Annual Conference. The Issuer was awarded the “PRC Best Financial Innovation Award” by the Organising Committee of the Sixth Beijing International Finance Expo. The Issuer was awarded the “World Expo Honour Award” by the Organising Committee of the Shanghai World Expo. |
| 2011..... | The Issuer’s registered capital was increased to CNY1.5 billion and the Group’s leased asset scale reached approximately CNY14 billion. The Issuer was recognised as reaching the “Pudong Corporate Social Responsibility Standards” by the Office of Shanghai Pudong Corporate Social Responsibility. |
| 2012..... | The Issuer’s registered capital was increased to CNY2.00 billion. The Issuer was recognised as a “Integrity Enhancement Enterprise” by the Shanghai Financial Leasing Industry Association of the Organising Committee of the Shanghai Corporate Integrity Enhancement Campaign. The Issuer was honoured as the “PRC Financial Leasing Enterprise of the Year” at the 2012 China Financial Leasing Annual Conference. The shares of AVIC Industry-Finance were listed on the Shanghai Stock Exchange. |

| Year | Event |
|-------------|---|
| 2013..... | <p>The Issuer’s registered capital was increased to CNY2.73 billion.</p> <p>The Issuer was recognised as a “Shanghai Three Star Integrity Enhancement Enterprise” by the Shanghai Financial Leasing Industry Association of the Organising Committee of the Shanghai Corporate Integrity Enhancement Campaign.</p> <p>The Issuer was awarded the “Innovation and Pioneering Award” at the 2013 China Financial Leasing Annual Conference.</p> <p>The Issuer was awarded the “Innovation Award” jointly by the Dongjiang Free Trade Port Zone of Tianjin and the General Aviation Committee of China Air Transportation Association for the first leasing transaction for CRJ900 aircraft in the PRC.</p> |
| 2014..... | <p>The Issuer’s registered capital was increased to CNY3.79 billion.</p> <p>The Issuer was recognised as the “Most Influential Enterprise” by the Shanghai Financial Leasing Industry Association.</p> <p>The Issuer was recognised as a “Shanghai Four Star Integrity Enhancement Enterprise” by the Shanghai Financial Leasing Industry Association of the Organising Committee of the Shanghai Corporate Integrity Enhancement Campaign.</p> <p>The Issuer was awarded the “Innovation Award” jointly by the Dongjiang Free Trade Port Zone of Tianjin and the General Aviation Committee of China Air Transportation Association for the leasing transactions for B737-800 and B737-900ER aircraft.</p> <p>The Issuer was recognised as reaching the “Pudong Corporate Social Responsibility Standards” by the Office of Shanghai Pudong Corporate Social Responsibility.</p> |

| Year | Event |
|-------------|--|
| 2015..... | <p>The Issuer entered into the EDC Direct Financing Arrangement for its leasing transaction with China Express in respect of two CRJ900 aircraft and became the first leasing company in the PRC to enter into a direct financing arrangement with Export Development Canada.</p> <p>The Issuer was recognised as a “Shanghai Five Star Integrity Enhancement Enterprise” by the Shanghai Financial Leasing Industry Association of the Organising Committee of the Shanghai Corporate Integrity Enhancement Campaign.</p> <p>The EDC Direct Financing Arrangement was awarded the “Innovation Award” in the third China Air Finance “Wan Hoo” Awards Presentation Ceremony.</p> <p>The Group’s leased asset scale exceeded CNY50 billion.</p> |
| 2016..... | <p>The Issuer’s registered capital was increased to CNY4.94 billion.</p> <p>The Issuer was recognised as a “Shanghai City Five Star Integrity Enhancement Enterprise” by the Shanghai Financial Leasing Industry Association of the Organising Committee of the Shanghai Corporate Integrity Enhancement Campaign.</p> <p>The Issuer was awarded the “Financial Outstanding Contribution Award” by the People’s Government of Shanghai Pudong New Area.</p> <p>The Issuer was recognised as the “PRC Financial Leasing Enterprise of the Year” at the 2016 China Financial Leasing Annual Conference.</p> <p>The Group’s leased asset scale exceeded CNY60 billion.</p> |

| Year | Event |
|-----------|--|
| 2017..... | <p>The Issuer’s registered capital was increased to CNY7.47 billion.</p> <p>The Issuer was awarded the “Financial Outstanding Contribution Award” by the People’s Government of Shanghai Pudong New Area.</p> <p>The Issuer was recognised as a “Shanghai City Five Star Integrity Enhancement Enterprise” by the Shanghai Financial Leasing Industry Association of the Organising Committee of the Shanghai Corporate Integrity Enhancement Campaign.</p> <p>The Issuer was recognised as an “Outstanding Enterprise” by the Shanghai Leasing Trade Association.</p> <p>The Issuer was awarded the “One Belt One Road and International Projects Development Award” in the fifth China Air Finance “Wan Hoo” Awards Presentation Ceremony.</p> <p>The Issuer was recognised as the “Pudong New Area Modern Service Industry Outstanding Contribution Award” by the People’s Government of Shanghai Pudong New Area.</p> <p>The Issuer was recognised as reaching the “Pudong Corporate Social Responsibility Standards” by the Office of Shanghai Pudong Corporate Social Responsibility.</p> <p>The Issuer was recognised as the “Best Risk Management Enterprise for Customer Experience in 2017” at the Financial Risk Management Leadership Forum 2018 and 2017 Financial Risk Management Awards Presentation Ceremony.</p> <p>The Issuer was recognised as the “Advanced Unit of Planned Financial Management” by AVIC in 2017.</p> <p>The Group’s leased asset scale exceeded CNY80 billion.</p> |

| Year | Event |
|-----------|--|
| 2018..... | <p>The Issuer’s registered capital was increased to CNY9.98 billion.</p> <p>The Issuer was recognised as one of the first “five-star enterprises” in Dongjiang by the Dongjiang Free Trade Port Zone of Tianjin.</p> <p>The Issuer was awarded the “Industry Promotion Award” in the sixth China Air Finance “Wan Hoo” Awards Presentation Ceremony.</p> <p>The Issuer was awarded the “China Maritime Financing Star Award” at the fourth China Maritime Finance (Dongjiang) International Forum.</p> <p>The Issuer was awarded the “Financial Outstanding Contribution Award” by the People’s Government of Shanghai Pudong New Area.</p> <p>The Group’s leased asset scale exceeded CNY100 billion.</p> |
| 2019..... | <p>AVIC Investment Holding Co., Ltd. (中航投資控股有限公司) increased its capital and issued new shares to five strategic investors including but not limited to China Life Insurance Company Limited (中國人壽保險股份有限公司). Following such capital increase, AVIC Industry-Finance’s shareholding in AVIC Investment Holding Co., Ltd. decreased from 100 per cent. to approximately 73.56 per cent.</p> <p>The Issuer was ranked 31st in terms of fleet value in the “Global Aircraft Leasing Companies Ranking” published by FlightGlobal.</p> <p>The Issuer was awarded the “Best Transaction Award” and “Ten Years Industry Promotion Award” in the seventh China Air Finance “Wan Hoo” Awards Presentation Ceremony.</p> <p>The Group’s leased asset scale exceeded CNY141 billion.</p> |
| 2020..... | <p>The Issuer was ranked 20th in the list of global top 50 lessors of 2020 published by Cirium.</p> <p>The Group’s leased asset scale exceeded CNY149 billion.</p> |
| 2021..... | <p>The Issuer was ranked 16th in the list of global top 50 lessors of 2021 published by Cirium.</p> <p>The Issuer was ranked 13th in terms of fleet value in the “Global Aircraft Leasing Companies Ranking” published by FlightGlobal.</p> <p>The Group’s leased asset scale exceeded CNY158 billion.</p> |
| 2022..... | <p>As at 30 June 2022, the Group’s leased asset scale reached approximately CNY164.71 billion.</p> |

RECENT DEVELOPMENTS

The COVID-19 Pandemic.

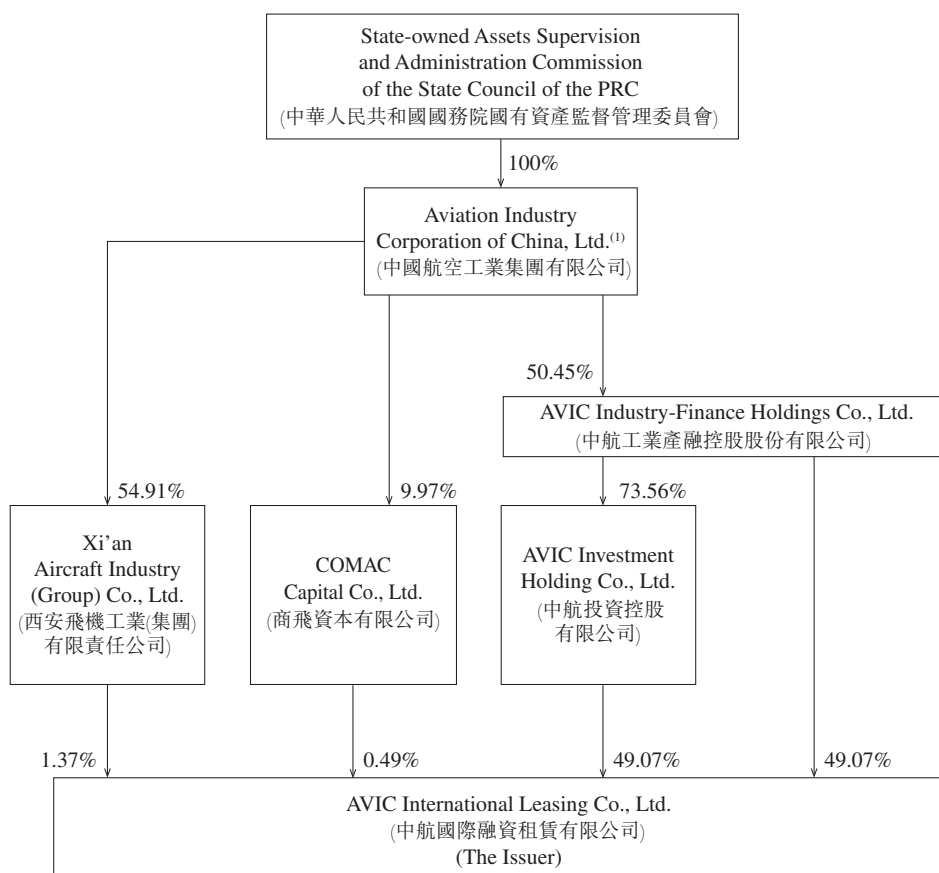
The COVID-19 pandemic has caused substantial disruptions in the PRC and international economies and markets as well as additional uncertainties in the Group's operating environment. Since late 2022, the PRC government has begun to relax its COVID-19 related restrictive measures in the PRC, including cancellation of lockdown and quarantine measures. Following the change of policy, there has been a spike in the number of COVID-19 cases across the PRC. The Group has been closely monitoring the impact of the COVID-19 pandemic on the Group's businesses and will keep its contingency measures and risk management under review as the situation evolves. See "*Risk Factors – Risks relating to the Group – The Group's business, financial condition, results of operations and prospects have been and may continue to be adversely affected by the COVID-19 pandemic*" and "*Risk Factors – Risks relating to the Group – The Group's operations are subject to force majeure events, political unrest or civil disobedience movements, natural disasters and outbreaks or pandemic of contagious diseases and other disasters*" for further information.

The Group has incurred a substantial amount of indebtedness since 30 June 2022.

The Group has incurred a substantial amount of indebtedness (including short-term indebtedness and long-term indebtedness) since 30 June 2022. For example, the Group recorded increases in, among others, short-term borrowings and long-term borrowings as at 31 December 2022 and the Issuer has issued onshore debt securities (excluding perpetual securities) in an aggregate principal amount of approximately CNY3.9 billion and perpetual securities in an aggregate principal amount of approximately CNY1.26 billion since 30 June 2022.

ORGANISATIONAL STRUCTURE

The following chart sets forth a simplified corporate structure of the Group, which shows the Issuer and its shareholders as at 30 June 2022:



Note:

- (1) As at 30 June 2022, Aviation Industry Corporation of China, Ltd. (中國航空工業集團有限公司) directly owned approximately 39.45 per cent. of the issued share capital of AVIC Industry-Finance Holdings Co., Ltd. (中航工業產融控股股份有限公司) and indirectly through its subsidiaries (other than Xi'an Aircraft Industry (Group) Co., Ltd. (西安飛機工業(集團)有限責任公司) and COMAC Capital Co., Ltd. (商飛資本有限公司)) owned approximately 11.00 per cent. of the issued share capital of AVIC Industry-Finance Holdings Co., Ltd. (中航工業產融控股股份有限公司).

BUSINESS DESCRIPTION

The Group is principally engaged in the leasing business in the PRC and provides a diverse array of financial leasing and operating leasing services, primarily focusing on the aircraft, shipping, urban infrastructure and equipment sectors. It has also been actively expanding into the green leasing and ESG leasing markets in recent years. The Group primarily focuses on large-scale projects and long-term customers of strong credit profile, which allow the Group to dedicate its resources to customised leasing products and value-added services to key clients in target industries, as well as to anticipate and adapt to shifting market conditions and changing customer needs. By concentrating on large-scale leasing businesses, the Group is able to achieve economies of scale and a market leading position in the leasing industry. Throughout its approximately 19 years of operation, the Group has established and maintained a well-structured financial and operating leasing platform for both overseas and domestically manufactured civil aircraft, as well as for shipping, urban infrastructure and large-scale equipment.

The Issuer was one of the first PRC leasing companies approved by MOFCOM and SAT. As at 30 June 2022, the Issuer was one of the leading leasing companies in the PRC and was one of the largest domestic leasing companies which provide both general aircraft and regional aircraft leasing services to its customers. In addition, the Issuer believes that the Group had one of the largest networks of airline customers in the PRC as at 30 June 2022.

As at 30 June 2022, AVIC indirectly held approximately 43.77 per cent. of the issued share capital of the Issuer. AVIC is one of the central state-owned enterprises directly supervised by SASAC, focusing on aerospace and defence. Through its subsidiaries and affiliates in the PRC and overseas, AVIC's businesses principally cover defence, transport aircraft, engines, helicopters, avionics and systems, general aviation, aviation research, flight test, trade and logistics, asset management, finance services, engineering planning and construction and automobile. As at 30 June 2022, AVIC's group consisted of a number of listed companies. AVIC had been named in the "Global 500" published by Fortune magazine for 14 consecutive years and ranked 144th on the list in 2022. As at the date of this Offering Circular, AVIC ranks the fourth among the industrial manufacturing enterprises owned by SASAC in the PRC. With its extensive customer base and supplier network, established relationship with local governments and other state-owned enterprises, in-depth industry knowledge, strong brand recognition and experienced management, AVIC provides the Group with valuable support for the development of its business. As at 30 June 2022, the Issuer was the only leasing platform operating under the financial services business segment of AVIC.

As at 30 June 2022, the Group's leased asset scale reached approximately CNY164.71 billion. As at 30 June 2022, the leased asset scale of the Group's operating leasing business and the Group's financial leasing business amounted to approximately CNY20.37 billion and CNY144.34 billion, respectively. In terms of leased asset scale, the Issuer ranked first and eighth among the domestic leasing companies (excluding Bohai Leasing Co., Ltd.) and all domestic and foreign leasing companies (excluding Bohai Leasing Co., Ltd.), respectively, in the PRC as at 30 June 2022.

For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, the Group reported total consolidated revenue from operations of approximately CNY10,076.85 million, CNY10,125.86 million, CNY10,303.45 million, CNY4,678.59 million and CNY4,693.84 million, respectively, and consolidated net profit of approximately CNY1,711.21 million, CNY1,974.09 million, CNY1,990.59 million, CNY995.66 million and CNY1,013.92 million,

respectively. As at 1 January 2020, 1 January 2021, 31 December 2021 and 30 June 2022, the total consolidated assets of the Group amounted to approximately CNY148,755.70 million, CNY158,759.96 million, CNY167,583.66 million and CNY176,831.88 million, respectively.

The following table sets forth the breakdown by product of the Group's consolidated revenue from operations for the periods indicated:

| Consolidated revenue from operations by products (CNY million, except percentages) | For the year ended 31 December | | | | | | For the six months ended 30 June | | | |
|---|--|-------------|------------------|-------------|------------------|-------------|----------------------------------|-------------|-----------------|-------------|
| | 2019 | Percentage | 2020 | Percentage | 2021 | Percentage | 2021 | Percentage | 2022 | Percentage |
| | Financial Leasing and Operating Leasing | 9,934.78 | 98.59% | 9,795.37 | 96.74% | 9,860.91 | 95.70% | 4,604.95 | 98.43% | 4,633.54 |
| Others | 142.07 | 1.41% | 330.49 | 3.26% | 442.54 | 4.30% | 73.65 | 1.57% | 60.30 | 1.28% |
| Total | 10,076.85 | 100% | 10,125.86 | 100% | 10,303.45 | 100% | 4,678.59 | 100% | 4,693.84 | 100% |

The following table sets forth the Group's income from financial leasing and operating leasing, expenses relating to financial leasing and operating leasing and net income from financial leasing and operating leasing for the periods indicated:

| | For the year ended 31 December | | | For the six months ended 30 June | |
|---|--------------------------------|----------|----------|-------------------------------------|----------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | (CNY million) | | | | |
| Income from financial leasing and operating leasing | 9,934.78 | 9,795.37 | 9,860.91 | 4,604.95 | 4,633.54 |
| Expenses relating to financial leasing and operating leasing ... | 5,579.39 | 5,074.40 | 6,142.35 | 2,441.73 | 3,008.88 |
| Net income from financial leasing and operating leasing ... | 4,335.38 | 4,720.97 | 3,718.56 | 2,163.22 | 1,624.66 |

The following table sets forth the breakdown of the Group's leased asset scale by the operating leasing and financial leasing businesses of each target industry as at the dates indicated:

| Leased asset scale by industries (CNY billion, except percentages) | As at 31 December | | | | | | As at 30 June | |
|---|-------------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|
| | 2019 | Percentage | 2020 | Percentage | 2021 | Percentage | 2022 | Percentage |
| | Aircraft | 42.31 | 29.90% | 45.86 | 30.74% | 53.43 | 33.76% | 53.47 |
| Shipping | 15.44 | 10.91% | 19.45 | 13.04% | 18.01 | 11.38% | 21.59 | 13.11% |
| Urban Infrastructure.... | 40.50 | 28.62% | 44.48 | 29.81% | 39.38 | 24.88% | 41.45 | 25.17% |
| Equipment | 43.27 | 30.57% | 39.41 | 26.42% | 47.43 | 29.97% | 48.20 | 29.26% |
| Total | 141.52 | 100% | 149.20 | 100% | 158.25 | 100% | 164.71 | 100% |

The following table sets forth the number of new lease agreements entered into by the Group and the total contracted amount of the relevant new lease agreements for the periods indicated:

| | For the year ended 31 December | | | For the six months ended 30 June | |
|---|--------------------------------|-------|-------|----------------------------------|-------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| Number of new lease agreements..... | 403 | 343 | 431 | 193 | 203 |
| Total contracted amount of new lease agreements (CNY billion) | 73.64 | 60.28 | 75.93 | 36.16 | 33.55 |

The following table sets forth the breakdown of the Group's leased asset scale by business model as at the dates indicated:

| Business model (percentage) | As at 31 December | | | As at 30 June |
|--------------------------------|-------------------|-------------|-------------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| Sale and lease-back | 65.97% | 64.13% | 60.65% | 61.17% |
| Direct financial leasing | 24.41% | 24.16% | 26.91% | 26.46% |
| Operating leasing | 9.62% | 11.71% | 12.44% | 12.37% |
| Total | 100% | 100% | 100% | 100% |

The following table sets forth the Group's rental recovery rate as at the dates indicated:

| | As at 31 December | | | As at 30 June |
|---|-------------------|--------|--------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| Rental recovery rate ⁽¹⁾ (percentage)..... | 99.27% | 98.90% | 99.31% | 99.32% |

Note:

- (1) The rental recovery rate means, for a relevant period, lease payments received divided by lease receivables multiplied by 100 per cent.

Aircraft Leasing

Overview

The Group is principally involved in the provision of financial leases and operating leases of domestic aircraft, mainstream passenger aircraft, business jets and general aircraft to airlines in the PRC and other Asia regions. Leveraging its track record, it has established long-term business relationships and cooperation arrangements with domestic and international aircraft manufacturers as well as suppliers, airlines and general aviation companies.

Business Model

The Group's aircraft leases primarily comprise financial leases and operating leases.

Under direct financial leases, the Group typically enters into a commercial arrangement with its clients pursuant to which: (i) the client, as the lessee, will select the required asset; (ii) the Group, as the lessor, will then purchase that asset; (iii) the lessee will be entitled to use that asset for the duration of the lease; (iv) the lessee will make a series of rental payments to the Group for the use of that asset during the lease term; (v) the Group will recover a majority or the entire costs of the asset and earn interest from the rental payments made by the lessee; and (vi) the lessee has the option to acquire ownership of the asset from the Group upon expiry of the lease term. Under direct financial leasing arrangements, substantially all of the risks and reward of ownership of the assets are transferred to the lessees.

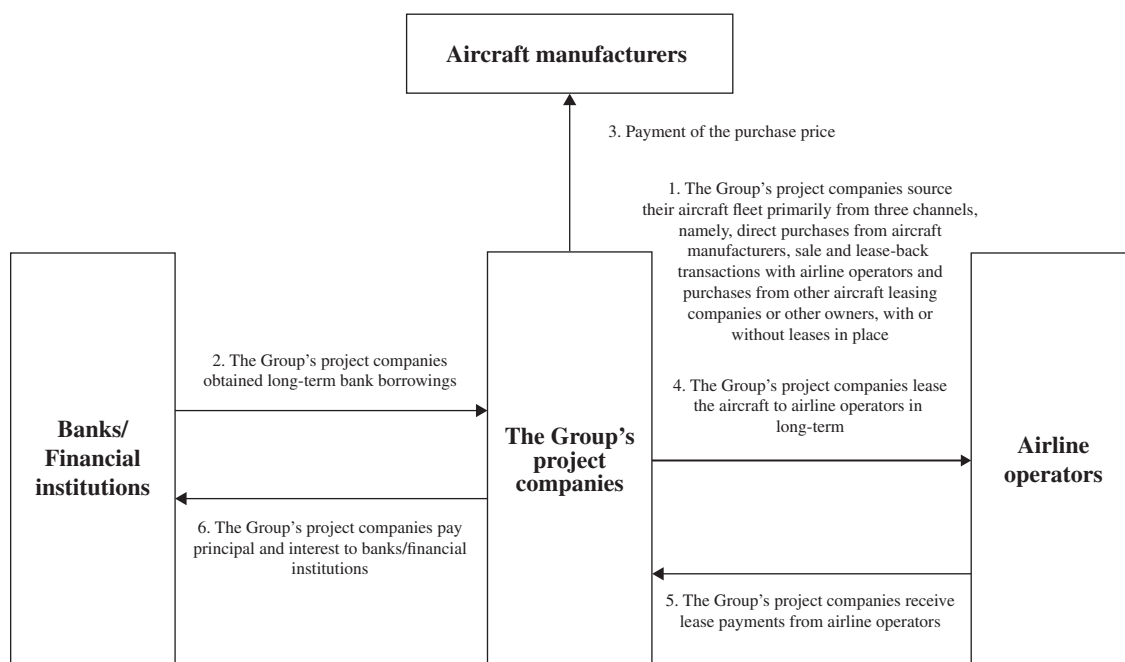
Under operating leases, the client, as the lessee, bears all of the risks and reward of the operation of the asset, while the Group, as a lessor, retains ownership and risks relating to the ownership of the asset. The lessee generally makes rental payments to the lessor in advance, and the lessor may require the lessee to pay a security deposit equivalent to an amount ranging from one to six months' rent. The lessee will be required to return the asset to the lessor at the end of the lease term in a pre-agreed acceptable condition that will allow the lessor to lease out the asset to another client rapidly upon expiry of the lease term, with compensation mechanics in place as an alternative.

Lease rentals are contracted on either a fixed rate or floating rate basis. For fixed rate leases, the rental is typically fixed in advance at the time of execution of lease contract or just prior to the delivery date by reference to a swap rate in line with the term of the lease. For floating rate leases, rental payments are typically reset periodically by reference to applicable benchmark interest rates.

During the full lease term, the Group, as the lessor, will require the airline lessees to undertake the required maintenance procedures and maintain full value insurance extending to the aircraft and its installed parts.

Since 2010, the Group has commenced using its project companies established in Ireland, the Dongjiang Free Trade Port Zone of Tianjin, the Shanghai FTZ and the Hainan Free Trade Zone to act as lessors to enter into aircraft leasing transactions with airline operators in the PRC. As at 30 June 2022, the Group had approximately 182 aircraft leasing special-purpose vehicle companies. The Group has also been exploring new and innovative business models. For example, the Issuer entered into the EDC Direct Financing Arrangement for its leasing transaction with China Express in respect of two CRJ900 aircraft in 2015 and became the first leasing company in the PRC to enter into a direct financing arrangement with Export Development Canada. The EDC Direct Financing Arrangement was awarded the "Innovation Award" in the third China Air Finance "Wan Hoo" Awards Presentation Ceremony in 2015. In addition, the Group utilised the JOLCO structure with certain European airline companies and cooperated with BNP Paribas with respect to one of the first aircraft project loans with embedded insurance structure.

The Group's project companies source their aircraft fleet primarily from three channels, namely, (i) direct purchases from aircraft manufacturers; (ii) sale and lease-back transactions with airline operators; and (iii) purchases from other aircraft leasing companies or other owners, with or without leases in place. The following diagram illustrates a simplified structure of an aircraft leasing transaction engaged by the Group's project companies:



The following table sets forth the breakdown of leased asset scale of the Group's aircraft leasing business by business model as at the dates indicated:

| Aircraft leasing – Business model (percentage) | As at 31 December | | | As at 30 June |
|---|-------------------|-------------|-------------|------------------|
| | 2019 | 2020 | 2021 | 2022 |
| Sale and lease-back | 6.80% | 5.65% | 3.87% | 3.90% |
| Direct financial leasing | 66.06% | 65.56% | 68.47% | 68.16% |
| Operating leasing | 27.14% | 28.79% | 27.66% | 27.94% |
| Total | 100% | 100% | 100% | 100% |

Aircraft Fleet

The Group has a diversified and rapidly growing aircraft fleet comprising both overseas and domestically manufactured civil aircraft. The Group operates one of the youngest aircraft fleets among major top-tier aircraft leasing companies in the PRC, comprising internationally renowned aircraft (including new generation Airbus, Boeing, Embraer and Bombardier aircraft) as well as domestically manufactured civil aircraft (including the ARJ21, Modern Ark MA60 and Y-12). The Group has also been actively participating in the carbon emission reduction initiatives implemented by airline companies. In particular, the Group has been upgrading its aircraft fleet with the aim to facilitate its airline customers' attainment of their annual ESG targets. As at 30 June 2022, the Group's aircraft fleet had an average age of approximately four years and comprised mainly modern, in-production fuel efficient aircraft types based around the B737, A320, CRJ900 and MA60 families of aircraft, with an emphasis on narrowbody aircraft.

Leveraging the support from, and its relationships with, AVIC and the Issuer's subsidiaries and affiliates, the Group also maintains strong business relationships with both domestic and international aircraft manufacturers and sales agents. The Group focuses on acquiring aircraft at attractive prices, sourcing suitable aircraft from AVIC and its subsidiaries and affiliates, sourcing external funding at competitive rates, maintaining an efficient operational structure with low overhead and minimising aircraft transition costs. In addition, the Group has developed strategic relationships with Boeing and COMAC. The Group ordered 30 ARJ21 aircraft in 2016 and 30 C919 in 2017 from COMAC.

The following table sets forth certain data about the Group's aircraft fleet as at or for the periods indicated:

| | As at or for the year ended | | | As at or |
|---|-----------------------------|------------------|------------------|-----------------|
| | 31 December | | | for the |
| | 2019 | 2020 | 2021 | six months |
| | | | | ended |
| | | | | 30 June |
| | | | | 2022 |
| Total number of aircraft contracted for delivery (for the periods indicated) | 44 | 57 | 54 | 13 |
| Total contracted amount of aircraft contracted for delivery (for the periods indicated) | CNY18.54 billion | CNY6.98 billion | CNY14.29 billion | CNY2.91 billion |
| Total number of aircraft delivered (for the periods indicated) | 33 | 50 | 52 | 21 |
| Total contracted amount in respect of aircraft delivered (for the periods indicated) | CNY15.24 billion | CNY10.18 billion | CNY14.38 billion | CNY3.38 billion |
| Total number of aircraft on lease (as at the dates indicated) | 300 | 313 | 329 | 349 |
| Aircraft type: | | | | |
| – Domestic aircraft | 53 | 52 | 62 | 62 |
| – Mainstream passenger aircraft | 130 | 150 | 171 | 172 |
| – Business jets | 22 | 24 | 26 | 25 |
| – General aircraft | 95 | 87 | 70 | 90 |

Customers

As at 30 June 2022, the Group's aircraft were primarily leased and delivered to aircraft operators in Asia and Europe with a lease term typically ranging from eight to 12 years. The Issuer believes that the contracted revenue generated from long-term leases combined with a high-quality lessee base provide the Group with a stable source of earnings and cash flows from year to year.

The Issuer believes that the Group had one of the largest networks of airline customers in the PRC as at 30 June 2022. The Group enjoys both a well-established and an expanding customer base across the PRC with whom it has maintained strong long-term relationships. The Group's customer base for its aircraft leasing business comprises a number of domestic airline companies in the PRC and multinational airline companies in various countries in Asia and Europe, primarily including China Eastern Airlines, Air China, China Southern Airlines, Xiamen Airlines, Shenzhen Airlines, Hebei Airlines, Hainan Airlines, Tianjin Airlines, Juneyao Airlines, Okay Airways, China Express, Donghai Airlines, Qingdao Airlines, Vietnam Airlines, Turkish Airlines, Wizz Air, Indigo Airline, Spring Airways, Lion Air, Chengdu Airlines, Scandinavian Airlines, Myway Airlines, Loong Air, Kunming Airlines and Etihad Airways. For the years ended 31 December 2019, 2020 and 2021 and the six

months ended 30 June 2021 and 2022, the top five customers of the Group’s aircraft leasing business accounted for approximately 11.29 per cent., 11.61 per cent., 16.00 per cent., 14.70 per cent. and 15.98 per cent. of the Group’s aircraft leasing assets, respectively.

As at 30 June 2022, the Group did not have any non-performing aircraft lease receivable.

Ship Leasing

Overview

The Group primarily provides ship leasing services to shipping companies established in the PRC or ultimately owned by PRC entities.

Business Model

The Group leases its vessels primarily via direct financial leasing, sale and lease-back arrangements and operating leasing. The business model for direct financial leasing is similar to that described under “– Business Description – Aircraft Leasing – Business Model” above. Under sale and lease-back transactions, the lessee purchases the asset first and then sells it to the Group. The asset is leased back by the Group to the lessee, who will subsequently make a series of rental payments for the use of the asset. Such an arrangement allows the lessee to make full use of the asset while not having capital tied up in the asset and, in some situations, to enjoy a tax benefit.

During the full lease term, the Group, as the lessor, will require the shipping lessees to undertake the required maintenance procedures and maintain full value insurance extending to the vessel and its installed parts.

The following table sets forth the breakdown of leased asset scale of the Group’s ship leasing business by business model as at the dates indicated:

| Ship leasing – Business model (percentage) | As at 31 December | | | As at 30 June |
|---|-------------------|-------------|-------------|------------------|
| | 2019 | 2020 | 2021 | 2022 |
| Sale and lease-back | 61.55% | 58.00% | 53.29% | 54.52% |
| Direct financial leasing | 28.12% | 23.15% | 23.58% | 23.74% |
| Operating leasing | 10.33% | 18.85% | 23.14% | 21.74% |
| Total | 100% | 100% | 100% | 100% |

The Group leverages its industry expertise within the shipping industry and provides customised ship financing services to provide effective and reliable funding support for its shipping customers. The Group’s specialised sales team is capable of providing comprehensive financing solutions and professional advisory services for its customers who request industry-specific financing advice for the purchase of their vessels. The Group has also been actively exploring green finance options such as ESG-linked green syndicated loans. The Issuer believes that the Group’s provision of an integrated and customised range of financial services to its shipping customers has enhanced its customers’ trust and reliance on its services and enabled it to establish its market presence within the ship financing market.

In addition, the Group's operations in the ship leasing market are categorised into the U.S. dollar financing business and the Renminbi financing business. Its U.S. dollar financing services are provided primarily to shipping companies operating on international shipping lines, and its Renminbi financing services are provided principally to shipping companies operating on domestic shipping lines. The Group also provides various advisory services to its shipping industry customers which include (i) vessel operation advisory services such as ship selection and purchasing timing analysis; (ii) industry competition analysis based on its cumulative industry expertise and market information; and (iii) finance consulting services such as working capital and cash flow management consulting based on an analysis of the customer's financial statements and operational status, profit projection and vessel value assessment.

Vessel Fleet

The Group has an extensive vessel fleet including high-end vessels and operates a diverse portfolio of large-sized commercial vessels, primarily including bulk carriers, container ships, liquid cargo ships (such as liquefied petroleum gas carriers, chemical tankers, asphalt carriers and heavy-lift ships) and other vessels (such as gas carriers, car carriers, passenger ships and cattle carriers). It has also deployed new energy vessels with the aim to enhance the environmental friendliness level of its vessel fleet. As at 30 June 2022, the Group's number of vessels on lease reached 217 and the average age of the Group's vessel fleet was approximately four years.

The following table sets forth certain data about the Group's vessel fleet as at or for the periods indicated:

| | As at or for the year ended 31 December | | | As at or for the six months ended 30 June |
|--|--|-----------------|------------------|---|
| | 2019 | 2020 | 2021 | 2022 |
| Total number of vessel contracted for delivery (for the periods indicated)..... | 62 | 26 | 48 | 36 |
| Total contracted amount of vessels contracted for delivery (for the periods indicated) | CNY9.15 billion | CNY4.78 billion | CNY8.02 billion | CNY7.86 billion |
| Total number of vessel delivered (for the periods indicated) | 53 | 42 | 52 | 39 |
| Total contracted amount in respect of vessels delivered (for the periods indicated) | CNY7.59 billion | CNY7.23 billion | CNY14.38 billion | CNY5.06 billion |
| Total number of vessel on lease (as at the dates indicated) | 216 | 248 | 194 | 217 |
| Vessel type: | | | | |
| – Bulk carriers | 102 | 112 | 89 | 123 |
| – Container ships | 34 | 38 | 15 | 17 |
| – Liquid cargo ships | 42 | 50 | 42 | 62 |
| – Other vessels | 38 | 48 | 48 | 15 |

Customers

As at 30 June 2022, part of the Group's vessels were leased and delivered to shipping companies established in the PRC or ultimately owned by PRC entities, including other members of AVIC's group, with a lease term ranging from five to ten years. The Group has also developed business relationships with customers in the United States, Greece, Switzerland and the United Kingdom. As at 30 June 2022, the Group's key customers included China COSCO Shipping Corporation Limited, China Merchants Group, China State Shipbuilding Corporation, SUMEC Group Corporation, China Shipbuilding Industry Corporation, Jianlong Group, Trawind Shipping Logistics, Taizhou Maple Leaf Shipbuilding Co., Ltd., Wide Shine Development Limited, Mediterranean Shipping Company, Golden Union Shipping Co. S.A., Navig8 Limited, Seanergy Maritime Holdings Corp., Scorpio Tankers Inc. and Interlink Maritime Corp. In addition, pursuant to the project cooperation agreement between the Issuer, SDTR Marine Pte. Ltd. and Dalian Shipbuilding Industry Co., Ltd. entered into in January 2019, the Group would lease ten 85,000 DWT Super-Kamsarmax bulk carriers to SDTR Marine Pte. Ltd. The Group intends to further expand its overseas customer base. For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, the top five customers of the Group's ship leasing business accounted for approximately 4.80 per cent., 5.10 per cent., 3.23 per cent., 4.43 per cent. and 4.13 per cent. of the Group's ship leasing assets, respectively.

As at 30 June 2022, none of the Group's shipping customers was in material default or breach of their leasing contracts with the Group.

Urban Infrastructure Leasing

The Group operates a diverse portfolio of, and provides financial leasing services for, urban infrastructure equipment, primarily covering public transport related equipment, water supply, sewage disposal and water-environmental protection machinery, construction machinery, gas and heat supply equipment and agricultural machinery. It has also commenced the green leasing business via providing leasing services for electric vehicles and green public transportation facilities. As at 30 June 2022, the lease term of the Group's urban infrastructure leasing typically ranges from three to five years.

The Group promotes urban infrastructure construction in the key cities in the PRC by providing urban infrastructure leasing services primarily to infrastructure construction and operation management companies in the PRC, including Zhenjiang Transportation Industry Group. The Group also provides financial leasing services to tourism companies in the PRC, such as Dengfeng Songshan Shaolin Culture Tourism Co., Ltd. and Wuzhen International Tourism Group. Leveraging on its established relationship with local governments and other state-owned enterprises, the Group has close relationships with agencies or entities owned, controlled by or otherwise associated with local governments, including local government financing vehicles, in the PRC and has assisted these organisations in a variety of urban infrastructure or public utilities construction projects. For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, the top five customers of the Group's urban infrastructure leasing business accounted for approximately 3.16 per cent., 2.98 per cent., 2.44 per cent., 2.57 per cent. and 2.23 per cent. of the Group's urban infrastructure leasing assets, respectively.

The urban infrastructure financial leasing business primarily involves sale and lease-back services. The business model for sale and lease-back is similar to those described under "*Business Description – Ship Leasing – Business Model*" above.

Equipment Leasing

The Group provides financial leasing services for large-scale equipment to various manufacturers in a wide range of industries, including the machinery, iron and steel, chemical and transportation and logistics industries. The Group targets to develop its equipment leasing business towards the national industrial policies and various ESG principles. The Group's equipment leasing business primarily focuses on the technological transformation of equipment used in the aviation industry. In addition, the Group has established a presence in the environmental protection industry by providing equipment leasing services to the new energy, energy saving and environmentally-friendly machinery and modern agricultural sectors. As at 30 June 2022, the lease term of the Group's equipment leases typically ranges from three to five years.

The following table sets forth the breakdown of leased asset scale of the Group's equipment leasing business by industry as at the dates indicated:

| Leased asset scale Industry (percentage) | As at 31 December | | | As at 30 June |
|---|-------------------|-------------|-------------|------------------|
| | 2019 | 2020 | 2021 | 2022 |
| Papermaking..... | 3.79% | 3.45% | 1.51% | 1.84% |
| Iron and Steel | 12.72% | 16.47% | 13.83% | 16.06% |
| Machinery | 25.52% | 26.77% | 33.22% | 27.83% |
| Chemical..... | 17.96% | 15.58% | 10.24% | 9.06% |
| Renewable Energy..... | 3.99% | 6.16% | 13.21% | 22.63% |
| Transportation and Logistics..... | 11.87% | 5.59% | 6.23% | 5.26% |
| Other Equipment ⁽¹⁾ | 24.14% | 25.98% | 21.76% | 17.32% |
| Total | 100% | 100% | 100% | 100% |

Note:

- (1) Other equipment includes aviation equipment, energy saving and environmentally-friendly machinery and modern agricultural equipment.

The Group serves these sectors by providing equipment leasing services to various manufacturers, satisfying the financing and investment needs of its clients, optimising its clients' financial structures, and promoting technological advancement and upgrade of its clients' industrial equipment. The Group has close relationships with state-owned companies, listed companies and large-scale privately-owned enterprises across the PRC, including Chengdu Chengfa Science & Energy Power Engineering Co., Ltd., AVIC SAC Commercial Aircraft Company Limited, Shanghai Aviation Aero – Engine Manufacturing Co., Ltd., Beijing Enterprises Clean Energy Electric Power Limited, China Sinogy Electric Engineering Company Limited and Wuhan Metro Group Company Limited and has assisted these organisations in a variety of equipment leasing projects. For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, the top five customers of the Group's equipment leasing business accounted for approximately 2.06 per cent., 2.34 per cent., 1.94 per cent., 1.91 per cent. and 2.27 per cent. of the Group's equipment leasing assets, respectively.

The large-scale equipment financial leasing business involves a variety of services including sale and lease-back, direct financial leasing and financial advisory services. The business models for direct financial leasing and sale and lease-back are similar to those described under “– Business Description – Aircraft Leasing – Business Model” and “– Business Description – Ship Leasing – Business Model” above, respectively.

The following table sets forth the breakdown of leased asset scale of the Group’s equipment leasing business by business model as at the dates indicated:

| Equipment leasing – Business model (percentage) | As at 31 December | | | As at 30 June |
|--|-------------------|-------------|-------------|------------------|
| | 2019 | 2020 | 2021 | 2022 |
| Sale and lease-back | 93.69% | 94.74% | 94.72% | 94.27% |
| Direct financial leasing | 5.20% | 3.74% | 3.71% | 4.20% |
| Operating leasing | 1.11% | 1.52% | 1.57% | 1.52% |
| Total | 100% | 100% | 100% | 100% |

The Group also provides financial advisory service in equipment leasing according to the clients’ need for sale or purchase of equipment, financial statement optimisation and business restructuring.

COMPREHENSIVE AND ROBUST RISK MANAGEMENT

The Group’s risk management principle is to implement an integrated and dynamic risk management system and continue to optimise its risk management system to protect the long-term interests of shareholders, customers and employees.

The Group has implemented its prudent risk management system across three dimensions:

Business model dimension. The Group’s business is organised and operated with an industry-focused approach. Such a business model helps manage systematic risks through established procedures, primarily comprising (i) a stringent selection process of suitable, fundamental and sustainable industries; (ii) segmentation of suitable targeted customers; (iii) customer credit assessment and approval procedures; and (iv) portfolio monitoring and management. The Issuer believes these established procedures enable it to maintain relatively low overall risk.

Strategic dimension. The Group’s risk management initiatives at the strategic level are led by its board of directors and senior management under the supervision of its risk management committee, with a focus on risks arising from strategic planning, business operations, corporate credit environment, finance and accounting, and the financial markets. The Group has established a vertical reporting procedure involving relevant functional departments in its strategic risk management system, and a risk reporting framework has been established to monitor the overall risk balance at the corporate level and to regularly oversee the Group’s risk management system at a strategic level.

Operational dimension. The Group’s risk management initiatives at the operational level primarily focus on the management of its credit risks (which includes risks arising from new industry selection, new customer selection, customer credit assessment and approval, as well as portfolio monitoring and management), operational risks, liquidity risks and interest rate risks. The Group has established “three lines of defence” at the operational level:

- (i) in terms of credit risk and operational risk management, the Group has been (a) complying strictly with rules and regulations imposed on financial leasing companies by CBIRC and other statutory and regulatory bodies, (b) controlling project risks by ensuring strict adherence to internal credit facility standards and preliminary screening guidelines, (c) assessing credit risks

of new customers and projects through standardised credit evaluation procedures before entering into any business contract, (d) strengthening its internal authorisation and approval policies and procedures, and (e) establishing effective supervision and monitoring measures during post-transaction portfolio management;

- (ii) in terms of liquidity risk management, the Group has been managing its balance sheet to match the durations of its assets and liabilities; and
- (iii) in terms of interest rate risk management, the Group has been hedging its interest rate risks by matching its lease pricing mechanisms with interest on its borrowings.

Through its comprehensive in-house risk management system, the Group carries out reviews of all existing lessees to monitor lessees' compliance with obligations under leases and to detect warning signs of potential delinquencies so that corrective measures can be taken in a timely manner.

CUSTOMERS

As at 30 June 2022, the Group had 872 customers.

The following table sets forth the breakdown by industry of the Group's customers as at 30 June 2022:

| Customers by industries | As at 30 June 2022 | |
|--------------------------------|---------------------------|-------------------|
| | Number | Percentage |
| Aircraft | 73 | 8.37% |
| Shipping..... | 59 | 6.77% |
| Urban Infrastructure | 321 | 36.81% |
| Equipment..... | 419 | 48.05% |
| Total | 872 | 100% |

The Group's main customer base consists of local state-owned companies and listed corporations. The Group has established comprehensive systems adopting certain criteria for its customer selection process, including their track record and business scale, with the aim of selecting long-term customers with strong profitability potential, long-term financing demands, stable cash flows and a sound financial base. The Issuer believes that the Group's customers' satisfaction and reliance on its services is demonstrated by a large number of repeat customers.

INSURANCE

As at 30 June 2022, the Group maintained a range of insurance cover on its fixed assets underlying its leases. The Group maintains asset insurance for the assets underlying its leases to cover significant loss or damage to such assets during the leasing period. The insurance payments are generally paid by its customers in line with leasing industry practice and the Group is usually the beneficiary of such insurance. As at 30 June 2022, the Group did not maintain credit insurance for its lease receivables.

The Group provides social security insurance for its employees as required by PRC social security regulations, such as pension insurance, unemployment insurance, work injury insurance, maternity insurance and medical insurance.

See “*Risk Factors – Risks relating to the Group – The Group’s operations may be adversely affected by operational risks, which may cause the Group to incur uninsured losses*” for a discussion of the risks associated with the Group’s insurance coverage.

LEGAL AND REGULATORY PROCEEDINGS

The Group is involved, from time to time, in legal or regulatory proceedings arising in the ordinary course of its operations. See “*Risk Factors – Risks relating to the Group – The Group may be subject to legal or regulatory proceedings*”. A majority of these legal proceedings involve claims initiated by it to recover payment of leasing receivables from its customers.

Except as otherwise disclosed in this Offering Circular, as at 30 June 2022, none of the Issuer or its subsidiaries was involved in any litigation or arbitration proceedings which could have a material adverse effect on its business, financial condition and results of operations nor is the Issuer aware of any such litigation or proceedings pending or threatened against it or any of their respective subsidiaries which is material in the context of the offering of the Bonds.

EMPLOYEES

As at 30 June 2022, the Group had approximately 253 employees. The Issuer believes that the Group has a high-quality workforce possessing specialised industry expertise, with approximately 37.55 per cent. of its employees having attained bachelor’s degrees and approximately 58.89 per cent. having attained master’s degrees or above as at 30 June 2022.

The Group’s ability to attract, retain and motivate qualified personnel is critical to its success. The Issuer believes that the Group offers employees competitive compensation, that the Group is able to attract and retain qualified personnel and that the Group has maintained a stable core management team. The Group’s remuneration packages are generally structured by reference to market rates and individual merit. Salaries are normally reviewed annually, based on performance appraisals and other relevant criteria.

In accordance with PRC regulations, the Group has established an employee labour union, in which all of its employees are eligible for participation. The labour union organises various activities for its employees, such as charity fund raising activities to help employees in poor economic condition due to serious illnesses. The labour union has established a labour dispute committee to assist its employees in dealing with their potential labour disputes with the Group.

As at the date of this Offering Circular, the Group has not experienced any major disputes with, nor has there been any major labour action taken by, the labour union which has had a material effect on its business.

DIRECTORS AND SENIOR MANAGEMENT OF THE ISSUER

DIRECTORS

The directors of the Issuer as at 28 February 2023 were as follows:

| <u>Name</u> | <u>Position</u> |
|--------------------------|--|
| Zhou Yong (周勇)..... | Chairman of the board of directors, secretary of the party committee and general manager |
| Zhou Qinye (周勤業)..... | Director |
| Cai Mingsheng (蔡明生)..... | Director |
| Li Jun (李竣)..... | Director and deputy general manager |
| Li Fengli (李峰立)..... | Director |
| Yang Xueru (楊雪茹)..... | Director |
| Xia Wu (夏武)..... | Director |

The biographies of the Issuer's directors as at 28 February 2023 were as follows:

Zhou Yong

Mr. Zhou was the chairman of the board of directors, the secretary of the party committee and the general manager of the Issuer. He previously served as the chairman of the board of directors and the secretary of the party committee of China Aviation Industry Shanghai Asset Operations and Management Co., Ltd. (中航工業上海資產經營管理有限公司), an executive director, a deputy general manager and a manager of the Finance Department of Shanghai Guoyi Aviation Industry Company (上海國翼航空工業公司) and a deputy general manager, the general manager, the vice chairman of the board of directors and the chairman of the board of directors of Shanghai Xinsheng Aviation Industry Investment and Development Co., Ltd. (上海欣盛航空工業投資發展有限公司). He also worked at the Aviation Industry Pudong Development Centre (航空工業浦東開發中心), Shanghai Aviation Electric Co., Ltd. (上海航空電器有限公司), AVIC and China Aviation Medical Industry Management Co., Ltd. (中航醫療產業管理有限公司). Mr. Zhou held a postgraduate degree.

Zhou Qinye

Mr. Zhou was a director of the Issuer. He previously served as the chief accountant and a deputy general manager of the Shanghai Stock Exchange and an independent director of a number of companies, including Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司), Industrial Bank Co., Ltd. (興業銀行股份有限公司) and SAIC Motor Corporation Limited (上海汽車集團股份有限公司). He also served as a member of the Accounting Standards Committee of MOF, a member of the Auditing Standards Committee of the Chinese Institute of Certified Public Accountants and a deputy director of Shanghai University of Finance and Economics (上海財經大學). Mr. Zhou held a postgraduate degree.

Cai Mingsheng

Mr. Cai was a director of the Issuer. He was also the chairman of the board of directors and the general manager of Avic Capital International Holding Co., Limited (中航資本國際控股有限公司). He previously served various positions at Beihang University (北京航空航天大學). Mr. Cai held a doctoral degree.

Li Jun

Mr. Li was a director and a deputy general manager of the Issuer. He previously served various positions at Yangtze River International Leasing Co., Ltd. (揚子江國際租賃有限公司) and Sanya Phoenix International Airport Co., Ltd. (三亞鳳凰國際機場有限責任公司). Mr. Li held a master's degree.

Li Fengli

Mr. Li was a director of the Issuer. He previously served various positions at Aviation Trust Investment Co., Ltd. (航空信託投資有限公司), Aviation Securities Co., Ltd. (航空證券有限公司), Rising Securities Co., Ltd. (日信證券有限公司), AVIC Securities Co., Ltd. (中航證券有限公司), AVIC Industry-Finance and Aviation Finance and Aviation Industry Equity Investment Management (Tianjin) Co., Ltd. (航融航空產業股權投資管理(天津)有限公司). Mr. Li held a postgraduate degree and was a senior economist.

Yang Xueru

Ms. Yang was a director of the Issuer. She previously served various positions at AVIC Landing Gear Advanced Manufacturing Corporation (中航飛機起落架有限責任公司) and AVIC Xi'an Aircraft Industry Group Company Ltd. (中航西安飛機工業集團股份有限公司). Ms. Yang held a postgraduate degree.

Xia Wu

Mr. Xia was a director of the Issuer. He previously served various positions at Beihang University, China Aviation Industry Corporation II (中國航空工業第二集團公司), AVIC, AviChina Industry & Technology Company Limited (中國航空科技工業股份有限公司) and AVIC Rongfu Fund Management Co., Ltd. (中航融富基金管理有限公司). Mr. Xia held a postgraduate degree.

SENIOR MANAGEMENT

The senior management of the Issuer as at 28 February 2023 were as follows:

| <u>Name</u> | <u>Position</u> |
|--------------------------|--|
| Zhou Yong (周勇)..... | Chairman of the board of directors, secretary of the party committee and general manager |
| Li Jun (李竣)..... | Director and deputy general manager |
| Wang Guojun (王國軍)..... | Deputy general manager |
| Ju Yunbo (居雲波)..... | Deputy general manager |
| Zhang Xiaoxu (張曉旭)..... | Deputy general manager and chief financial officer |
| Chen Zhongwei (陳中璋)..... | Deputy general manager |
| Wang Minghao (王昺昊)..... | Deputy general manager |

The biographies of the Issuer's senior management as at 28 February 2023 were as follows:

Zhou Yong

Please refer to the profile of Mr. Zhou in “– Directors” above.

Li Jun

Please refer to the profile of Mr. Li in “– *Directors*” above.

Wang Guojun

Mr. Wang was a deputy general manager and the general legal counsel of the Issuer. He previously served various positions at the Primary People’s Court of Chongming County of Shanghai Municipality (上海市崇明縣人民法院), the Intermediate People’s Court of Shanghai Municipality (上海市中級人民法院) and the High People’s Court of Shanghai Municipality (上海市高級人民法院). Mr. Wang held a postgraduate degree.

Ju Yunbo

Ms. Ju was a deputy general manager and the secretary of the board of directors of the Issuer. She previously served as a deputy general manager of the Manager Department and the general manager of the General Management Department of the Issuer. Ms. Ju held an undergraduate degree.

Zhang Xiaoxu

Mr. Zhang was a deputy general manager and the chief financial officer of the Issuer. He previously served as the general manager of the Asset Management Department, the general manager of the Legal and Auditing Department, a deputy manager of the Risk Management Department and a project manager of the Ship Leasing Department of the Issuer. He also worked at Shanghai Yuanmeng Investment Management Co., Ltd. (上海遠盟投資管理有限公司) and a subsidiary of Shanghai AJ Group Co., Ltd. (上海愛建集團股份有限公司). Mr. Zhang held a postgraduate degree.

Chen Zhongwei

Mr. Chen was a deputy general manager of the Issuer. He previously served as a supervisor, the general manager of the General Management Department and a deputy general manager of the Second Leasing Department of the Issuer. Mr. Chen held a postgraduate degree.

Wang Minghao

Mr. Wang was a deputy general manager of the Issuer. He previously served as a supervisor, the chief risk officer, the general manager of the Sixth Leasing Department and a risk manager of the Risk Management Department of the Issuer. He also worked at PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) (普華永道中天會計師事務所(特殊普通合夥)). Mr. Wang held a postgraduate degree.

PRC REGULATIONS

This section is a high-level overview of the PRC legal system and a summary of the principal PRC laws and regulations relevant to the issue of the Bonds by the Issuer. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. In general, PRC court judgments do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC ("NPC") and NPCSC are empowered by the PRC Constitution to exercise the legislative power of the State. NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil, criminal and other matters. NPCSC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by NPC. In the event that a conflict arises, NPCSC has the power to annul such administrative rules, regulations, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local rules and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes or in order to enforce the law. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by NPC or NPCSC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in NPCSC. The Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

THE PRC JUDICIAL SYSTEM

Under the PRC Constitution and the Law of Organization of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts.

The local courts are comprised of the basic courts, the intermediate courts and the higher courts. The basic courts are organised into civil, criminal, economic, administrative and other divisions. The intermediate courts are organised into divisions similar to those of the basic courts, and are further organised into other special divisions, such as the intellectual property division. The higher level courts supervise the basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the next higher level. Second judgments or orders given at the next higher level and the first judgments or orders given by the Supreme People's Court are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment which has been given by any court at a lower level, or the president of a court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried in accordance with the judicial supervision procedures.

The Civil Procedure Law, which was adopted on 9 April 1991 and amended on 28 October 2007, 31 August 2012, 27 June 2017 and 24 December 2021, respectively, and implemented on 1 January 2022, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the district, municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgment, order or award. The time limit imposed on the right to apply for such enforcement is two years. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by any party to the action, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognised and enforced by a PRC court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination in accordance with the principal of reciprocity, unless the court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. SAFE, under the authority of PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to 31 December 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through PBOC or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centres. The exchange rates used by swap centres were largely determined by the demand for, and supply of, the foreign currency and Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap centre had to obtain the prior approval of SAFE.

On 28 December 1993, PBOC, under the authority of the State Council, promulgated the Notice of PBOC Concerning Further Reform of the Foreign Currency Control System, effective from 1 January 1994. The Notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centres. On 26 March 1994, PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (the "**Provisional Regulations**"), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organisations and social organisations in the PRC.

On 1 January 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which was determined by demand and supply of Renminbi. Pursuant to such system, PBOC set and published the daily Renminbi-U.S. dollar exchange rate. Such exchange rate was determined with reference to the transaction price for Renminbi-U.S. dollar in the inter-bank foreign exchange market on the previous day. Also, PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by PBOC.

On 29 January 1996, the State Council promulgated the Regulations for the Control of Foreign Exchange of the PRC (“**Control of Foreign Exchange Regulations**”) which came into effect from 1 April 1996. The Control of Foreign Exchange Regulations classifies all international payments and transfers into current account items and capital account items. Most current account items are subject to the approval by relevant banks that are duly authorised by SAFE to do so, while capital account items are still subject to SAFE approval directly. The Control of Foreign Exchange Regulations was subsequently amended on 14 January 1997. Such amendment affirms that the State shall not restrict international current account payments and transfers. On 1 August 2008, the Control of Foreign Exchange Regulations were further amended pursuant to a resolution of the State Council and came into effect on 5 August 2008 (the “**New Forex Regulation**”). Under the New Forex Regulation, foreign currency received under current account by onshore entities will not be asked to be settled into Renminbi automatically, while foreign currency under capital account may also be maintained upon approval. Renminbi will be convertible for current account items (including the distribution of dividends, interest and royalties payments, and trade and service-related foreign exchange transactions) upon presentation of valid receipts and proof certifying the purposes of the conversion of Renminbi into foreign currency to the designated foreign exchange banks. Conversion of Renminbi into foreign exchange and remittance of foreign exchange funds outside of PRC for capital account items, like direct investment, loan, loan guarantee, securities investment, capital contribution and repatriation of investment, is still subject to restriction, and prior approval from SAFE or its competent branch.

On 20 June 1996, PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (the “**Settlement Regulations**”) which came into effect on 1 July 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. Domestic entities seeking to enter into foreign exchange transactions are required to open up foreign exchange accounts for current account or capital account transactions (as the case may be) at banks involved in foreign exchange business. Interest payments for foreign debts may be made from a foreign exchange account of a domestic entity or using foreign exchange purchased at designated foreign exchange banks after the verification of the bona fide nature of the transaction by SAFE. Domestic entities may apply to SAFE for approval to purchase foreign exchange by presenting valid documents required by the Settlement Regulations for repayment of foreign debt principal and such payment can be made upon the approval of SAFE.

On 25 October 1998, PBOC and SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swap Business pursuant to which and with effect from 1 December 1998, all foreign exchange swap business in the PRC for foreign-invested enterprises was discontinued, while the trading of foreign exchange by foreign-invested enterprises was to be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On 21 July 2005, PBOC announced that, beginning from 21 July 2005, the PRC will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollar only. PBOC will announce the closing price of a foreign currency such as the U.S. dollar traded against Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of Renminbi on the following business day.

On 11 August 2015, PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate for the last trading date. It is possible that the PRC government could adopt a more flexible currency policy in the future, which could result in further and more significant revaluations of Renminbi against the U.S. dollar or any other foreign currency. Any future exchange rate volatility relating to Renminbi or any significant revaluation of Renminbi may materially and adversely affect the Group's cash flows, revenue, earnings and financial position, as well as the value of any distributions payable to the Issuer by its PRC subsidiaries.

REGULATIONS REGARDING OVERSEAS INVESTMENT AND ACQUISITION ACTIVITIES

NDRC Supervision

According to the Administrative Measures for the Overseas Investment by Enterprises issued on 26 December 2017 and effective from 1 March 2018, which repeals the Measures for the Administration of Approval and Filing of Overseas Investment Projects, the approval administration and filing administration shall be respectively applied to different overseas investment projects. Specifically, if the project is related to the sensitive countries, regions or industries, regardless of the investment amount, the projects shall be subject to the approval of NDRC. The list of sensitive industries applicable to the Administrative Measures for the Overseas Investment by Enterprises have been further updated in the Catalogue of Sensitive Industries for Outbound Investment (Fa Gai Wai Zi [2018] No. 251) promulgated by NDRC on 31 January 2018 and effective from 1 March 2018. Non-sensitive projects shall be subject to the filing administration. Specifically, overseas investment projects carried out by enterprises under central management (or enterprises directly subordinate to the administration by the State Council or its subordinate organ), and those carried out by local enterprises in which the amount of Chinese investment reaches or exceeds U.S.\$300 million shall be subject to the record-filing by NDRC. Those carried out by local enterprises in which the amount of Chinese investment is below U.S.\$300 million shall be subject to the record-filing by competent development and reform authority of the provincial government.

According to the Notice on Issues Concerning the Implementation of Measures for the Administration of Approval and Filing of Overseas Investment Projects, the Circular of NDRC on Properly Handling the Delegation of Approval Authority over Outbound Investment Projects to Lower-level Authorities was terminated.

On 4 August 2017, NDRC, MOFCOM, PBOC and the Ministry of Foreign Affairs jointly issued the Guiding Opinions on Further Orienting and Regulating Outbound Investment (the “**Guiding Opinion**”), which classifies outbound investment into three groups: encouraged, restricted, and prohibited. The Guiding Opinion provides that the government will support enterprises to actively engage in outbound investment projects which promote the ‘One Belt, One Road’ strategy; deepen cooperation in international production capacity; promote the transfer of quality domestic production capacity, equipment, and applicable technologies overseas; enhance China’s technology R&D, production, and manufacturing capacity; help resolve the country’s energy shortage problems; and promote industrial upgrade.

Under the Guiding Opinion, the encouraged group includes:

- Projects that promote outbound investment in construction in the areas covered under the ‘One Belt One Road’ initiative, and basic infrastructure construction in the surrounding areas.
- Projects that steadily promote outbound investment that can facilitate the transfer of quality domestic production capacity, equipment, and applicable technology standards overseas.
- Projects that enhance investment cooperation with overseas high-tech and advanced manufacturing enterprises, and encourage domestic companies to set up R&D centres overseas.
- Projects that encourage domestic companies to actively participate in the exploration and development of oil, gas, and mineral projects overseas on the condition that a prudent assessment of economic benefits and interests has been conducted.
- Projects involving cooperation in agriculture.
- The government will promote outbound investment in trade and commerce, and culture and logistics, and support qualified financial institutions to establish branches and service networks overseas to carry out business lawfully.

The groups subject to restrictions include:

- Outbound projects in sensitive countries and regions that have no diplomatic relations with China; are currently at war with it; or have restrictions imposed in bilateral or multilateral agreements or conventions with China.
- Real estate, hotel, cinema, entertainment, and sports clubs.
- A stock investment fund or investment platform that does not invest in any real business overseas.
- Adopting technology standards that fall short of the required standards in the host country to manufacture production equipment.
- Failure to comply with the environmental protect, energy consumption or safety standards of the host country.

Investments falling into the first three areas listed above shall be subject to verification and approval by NDRC and other competent authorities in charge of outbound investment.

The prohibited category includes:

- Projects involving the export of core military technologies and products without the approval of the Chinese government.
- Projects involving the use of technologies, techniques, or products that are prohibited for exports.

- Projects involving gambling or pornography.
- Projects involving breach of international conventions to which China is a signatory.
- Other outbound investment projects that may endanger or potentially endanger national security.

Also, further measures will be taken to improve guidance on different types of outbound investments, including:

- Further raising government service levels to support outbound investment – such as in taxation, foreign exchange, insurance, customs, and information areas.
- Providing guidance and timely alerts to domestic enterprises on their intended investment in the restricted areas overseas.
- Imposing substantial control and regulation to prevent outbound investments in prohibited areas.

MOFCOM Supervision

MOFCOM issued the new version of Measures for Administration of Overseas Investment on 6 September 2014, effective from 6 October 2014 (the “**New Overseas Investment Rules**”). Under the New Overseas Investment Rules, a domestic enterprise intending to carry out any overseas investment shall report to the competent department of commerce for verification or filing and shall, with regard to an enterprise so verified or filed, issue thereto an Enterprise Overseas Investment Certificate. If two or more enterprises make joint investment to establish an overseas enterprise, the larger (or largest) shareholder shall be responsible for the verification or filing procedure after soliciting written consent of other investing parties.

An enterprise that intends to invest in a sensitive country or region or a sensitive industry shall apply for the verification by MOFCOM. “**Sensitive countries and regions**” mean those countries without a diplomatic relationship with the PRC, or subject to the UN sanctions or otherwise under the list of verified countries and regions published by MOFCOM from time to time. “**Sensitive industries**” mean those industries involving the products and technologies which are restricted from being exported, or affecting the interests of more than one country (or region). In accordance with the New Overseas Investment Rules, a Central Enterprise shall apply to MOFCOM for verification and MOFCOM shall, within 20 working days of accepting such application, decide whether or not the verification is granted.

For a local enterprise, it shall apply through the provincial department of commerce to MOFCOM for such verification. The provincial department of commerce shall give a preliminary opinion within 15 working days of accepting such local enterprise’s application and report all application documents to MOFCOM, while MOFCOM shall decide whether or not the verification is granted within 15 working days of receipt of such preliminary opinion from the provincial department of commerce. Upon verification, the Enterprise Overseas Investment Certificate shall be issued to the investing enterprise by MOFCOM.

Other than those overseas investments subject to MOFCOM verification as described above, all other overseas investments are subject to a filing requirement. The investing enterprise shall fill complete the filing form through the Overseas Investment Management System, an online system maintained by MOFCOM and print out a copy of such filing form for stamping with the company chop, and then submit such stamped filing form together with a copy of its business licence, for filing at MOFCOM (for a Central Enterprise) or the provincial department of commerce (for a local enterprise) respectively. MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within three working days of receipt of such filing form. The investing enterprise must carry out the investment within two years of the date of the relevant Enterprise Overseas Investment Certificate, otherwise such Certificate will automatically expire and a new filing or verification application has to be made by the investing enterprise after such expiry. In addition, if any item recorded in such Certificate is changed, the investing enterprise shall handle an updating process at MOFCOM or the provincial department of commerce (as the case may be).

If an overseas invested company carries out a reinvestment activity offshore, the investing enterprise shall report such reinvestment activity to MOFCOM or the provincial department of commerce (as the case may be) after the investment is completed offshore. The investing enterprise shall fill in and print out a copy of the Overseas Chinese-invested Enterprise Reinvestment Report Form from the Overseas Investment Management System and stamp and submit such Report Form to MOFCOM or the provincial department of commerce.

The New Overseas Investment Rules specifically provide that an overseas invested company cannot use the words of “China” (“中國” or “中華”) in its name, unless otherwise approved.

MOFCOM also promulgated the Notice on the Promulgation of Provisional Measures on the Reporting for Filing (Approval) of Outbound Investments on 18 January 2018, which came into effect on the same day, together with PBOC, SASAC, SAFE and several other government agencies. On 16 May 2019, MOFCOM issued the Implementation Rules for Filing (Approval) Reports on Outbound Investment, which came into effect on 1 July 2019. The measures and implementation rules set out the mechanism for information collection and sharing among various government authorities and the roles of various government authorities on the filing and approval of overseas investments by domestic enterprises.

Foreign Exchange Administration

SAFE issued the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment on 13 February 2015, abolishing the verification and approval of foreign exchange registration of overseas direct investment. The banks shall directly examine and handle foreign exchange registration of overseas direct investment. SAFE and its branches shall conduct indirect regulation of foreign exchange registration of overseas direct investment via banks.

State-owned Assets Supervision

The Interim Measures for Administration of Overseas State-owned Property Rights of Central Enterprises and the Interim Measures for the Supervision and Administration of Overseas State-owned Assets of Central Enterprises also apply to overseas investment projects. Where overseas enterprises wholly owned or controlled by Central Enterprises and their subsidiaries at all levels are involved in contribution with nonmonetary assets, they shall retain a professional agency with the corresponding qualifications, professional experiences and good reputation to evaluate or value subject matters, and the evaluation items or valuation results shall be submitted to SASAC for record-filing or approval.

If the domestic enterprise is a Central Enterprise, it shall establish and perform investment decision-making procedures and management control system, shall establish and improve administration systems and submitted to SASAC for record-filing, and shall establish annual investment plan and submit it to SASAC and make a copy of the project approval documents to SASAC.

Overseas enterprises which have completed overseas registration shall make state-owned assets ownership registration with SASAC.

EIT LAW

Prior to 1 January 2008, under the then applicable PRC law and regulations, entities established in the PRC were generally subject to a 33 per cent. enterprise income tax. However, entities that satisfied certain conditions enjoyed preferential tax treatment. In accordance with the tax laws and regulations effective until 31 December 2007, foreign invested manufacturing enterprises scheduled to operate for a period no less than ten years were exempted from paying state income tax for two years starting from its first profit making year and were allowed a 50 per cent. reduction in its tax rate in the third, fourth and fifth years (“**two-year exemption and three-year reduction by half**”).

On 16 March 2007, NPC enacted the EIT Law, which came into effect on 1 January 2008 and was amended on 24 February 2017 and 29 December 2018. The EIT Law, together with its implementation rules, imposes a single uniform income tax rate of 25 per cent. on all Chinese enterprises, including foreign-invested enterprises, and eliminates or modifies most of the tax exemptions, reductions and preferential treatments available under the previous tax laws and regulations. On 26 December 2007, the State Council issued a Notice on the Implementation of the Transitional Preferential Tax Policies, or Circular 39. Further, as at 1 January 2008, the enterprises that previously enjoyed “two-year exemption and three-year reduction by half” of enterprise income tax and other preferential treatments in the form of tax deductions and exemptions within specified periods may, after the implementation of the EIT Law, continue to enjoy the relevant preferential treatments until the expiration of the time period. However, if such an enterprise has not enjoyed the preferential treatments yet because of its failure to make profits, its preferential time period shall be calculated from 2008.

After the implementation of the EIT Law, the preferential tax treatment for encouraged enterprises located in western China and certain industry-oriented tax incentives are still available. Pursuant to the Notice on Tax Policy Issues Concerning Further Implementing the Western China Development Strategy, effective from 1 January 2011, the enterprises within the state-encouraged industry located in western China are taxed at a preferential income tax rate of 15 per cent. for years from 1 January 2011 to 31 December 2020 after being approved by the competent tax authority. According to the Announcement of MOF, SAT and NDRC on Extending the Enterprise Income Tax Policies for Western China Development which was promulgated on 23 April 2020, the aforementioned preferential tax policies on enterprise income tax have been extended to 31 December 2030.

VALUE-ADDED TAX

Under Circular 36 issued by MOF and SAT on 23 March 2016, (a) business tax has been completely replaced by value-added tax in PRC from 1 May 2016; (b) value-added tax is applicable where entities or individuals provide taxable services related to value-added tax within the PRC; (c) the services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC; (d) the services which are subject to value-added tax include the provision of financial services which refers to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments; (e) “loan processing” refers to the activity of lending capital for another’s use and receiving the interest income thereon; (f) among others, the interest (principle-guaranteed gains, remunerations, fund occupation fees and compensations, which refer to investment returns whose principal can be fully recovered upon maturity as explicitly committed under the relevant contract) obtained during the holding period (including upon maturity) of financial products shall be treated as interest income related to loan processing and thus shall be subject to value-added tax while such gains, remunerations, fund occupation fees and compensations obtained during the holding period (including upon maturity) of financial products shall not be treated as interest income or income in the nature of interest related to loan processing if their principal is not guaranteed and shall thus not be subject to value-added tax; and (g) the applicable value-added tax rate for provision of financial services is six per cent.

According to the Tentative Regulations on the Value-added Tax of the PRC which was revised by the State Council on 10 November 2008 and came into effect on 1 January 2009, and revised by the Decision of the State Council on Amending Certain Administrative Regulations promulgated by the State Council on 6 February 2016 and further revised on 19 November 2017, and the Detailed Implementation Rules of the Tentative Regulations on the Value-added Tax of the PRC promulgated by MOF which came into effect on 1 January 2009 and was amended on 28 October 2011, organisations or individuals who sell commodities, provide processing, repairing or replacement services, or import commodities within the PRC’s territories are subject to value-added tax, and shall pay the value-added tax accordingly. The rate of the value-added tax shall be 17 per cent. or 13 per cent., depending on the commodities being sold. For taxpayers exporting commodities, the tax rate shall be zero per cent. The Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to Value-added Tax Rates (財政部、國家稅務總局關於調整增值稅稅率的通知), which was promulgated by MOF and SAT on 4 April 2018 and came into effect on 1 May 2018, reduced the applicable value-added tax rates for general value-added taxpayers to 16 per cent., ten per cent. and six per cent., respectively. The Announcement on Policies for Deepening the Value-added Tax Reform (關於深化增值稅改革有關政策的公告), which was promulgated by MOF, SAT and the General Administration of Customs on 20 March 2019 and came into effect on 1 April 2019, further reduced the applicable value-added tax rates for general value-added taxpayers with respect to value-added taxable sales or imported goods to 13 per cent. and nine per cent., respectively.

FOREIGN EXCHANGE ADMINISTRATION

According to Circular of the State Administration of Foreign Exchange on Further Improving and Revising the Foreign Exchange Control Policy on Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知), corporations, enterprises or other economic organisations (domestic investors) that have been permitted to make outbound investment shall go through the procedures of registration to the Foreign Exchange Bureau (外匯管理機構). The Foreign Exchange Bureau shall issue the Foreign Exchange Registration Certificate (外匯登記證) for overseas direct investment or an IC card to the domestic institution. The domestic institution shall go through the

formalities for outward remittance of funds for overseas direct investment at a designated foreign exchange bank by presenting the approval document issued by the department in charge of overseas direct investment and the Foreign Exchange Registration Certificate for overseas direct investment. The scope of foreign exchange funds for overseas direct investment of domestic institutions includes their own foreign exchange funds, domestic loans in foreign currencies in compliance with relevant provisions, foreign exchange purchased with Renminbi, material objects, intangible assets and other foreign exchange funds approved by the Foreign Exchange Bureaus for overseas direct investment. The profits gained from overseas direct investment of domestic institutions may be deposited in overseas banks and used for overseas direct investment.

According to the Administrative Measures for Foreign Debt Registration and its operating guidelines, effective as at 13 May 2013, issuers of foreign debts are required to register with SAFE. Issuers other than banks and financial departments of the government shall go through registration or record-filing procedures with the local branch of SAFE within 15 business days of entering into a foreign debt agreement. If the receipt and payment of funds related to the foreign debts of such issuer is not handled through a domestic bank, the issuer shall, in the event of any change in the amount of money withdrawn, principal and interest payable or outstanding debt, go through relevant record-filing procedures with the local branch of SAFE.

On 12 January 2017, PBOC issued the Cross-border Financing Circular, which came into effect on the same day. The Cross-border Financing Circular established a mechanism aimed at regulating cross-border financing activities based on the capital or net asset of the borrowing entities using a prudent management principle on a macro nationwide scale.

THE MEASURES FOR FINANCE LEASING ENTERPRISES

The Measures for Finance Leasing Enterprises (融資租賃企業監督管理辦法) was promulgated by MOFCOM on 18 September 2013 and came into effect on 1 October 2013 to strengthen regulation over both domestic and foreign-invested finance leasing enterprises.

According to the Measures for Finance Leasing Enterprises, MOFCOM and the provincial-level commerce authorities are in charge of the supervision and administration of finance leasing companies. A finance leasing company shall, according to the requirements of MOFCOM, report the relevant data in a timely and truthful manner through the National Finance Leasing Enterprise Management Information System (全國融資租賃企業管理信息系統). Specifically, a finance leasing company shall, within 15 working days after the end of each quarter, submit the statistics on and summary of its operations in the preceding quarter, and prior to 30 April of each year, submit the statistics on and summary of its operations in the preceding year as well as its financial and accounting report (including the notes appended thereto) audited by an audit body for the preceding year. In the event of a change of name, relocation to another region, increase or decrease of registered capital, change of organizational form, adjustment of ownership structure or other changes, a finance leasing company shall report to the competent provincial-level commerce authority in advance. A foreign-invested finance leasing company that undergoes the said changes shall go through approval and other procedures in compliance with relevant provisions. A finance leasing company shall, within five working days after completing registration changes with the State Administration for Industry and Commerce of the PRC or its delegated authority at the provincial, municipal or other local level, log into the National Finance Leasing Enterprise Management Information System to modify the relevant information.

The Measures for Finance Leasing Enterprises explicitly stipulate the business scope of a finance leasing company. A finance leasing company may conduct its finance leasing activities by way of a direct lease, sublease, leaseback, leveraged lease, entrusted lease and joint lease within the limits of applicable laws, regulations and rules. A finance leasing company shall operate finance leasing and other leasing businesses as its main business, and may engage in the purchase of leased properties, disposal of residual value of leased properties, maintenance of leased properties, lease transaction consultancy and guarantee services, assignment of accounts receivable to a third party institution, receiving lease deposits and other businesses approved by the competent authority. A finance leasing company shall not engage in deposit taking (吸收存款), lending (發放貸款), entrusted lending (受託發放貸款), and without the approval of the competent authority, shall not engage in inter-bank borrowing.

The Measures for Finance Leasing Enterprises also require the finance leasing companies to strengthen their internal risk controls, to establish good systems for classifying at-risk assets, and to adopt a credit appraisal system for the lessee, an ex post recovery and disposal system and a risk alert mechanism. A finance leasing company shall also establish an affiliated transaction management system, and exclude related parties from the voting or decision making process of affiliated transactions. In the event of a purchase of equipment from an affiliated production enterprise, the settlement price for such equipment shall not be evidently lower than the price offered by such enterprise to any third party for such equipment or for equipment of the same batch. A finance leasing company shall manage its assets under trust lease and assets under sublease separately and keep separate accounts therefor. A finance leasing company shall strengthen the management of its major lessees, limit the proportion of business with a single lessee and with lessees that are affiliates, and pay attention to the prevention and diversification of operational risks.

The Measures for Finance Leasing Enterprises also contain regulatory provisions specifically on sale-leaseback transactions. The subject matter of a sale-leaseback transaction shall be properties that can give play to their economic functions and produce continuous economic benefits. A finance leasing company shall not accept any property to which a lessee has no disposal rights, or on which any mortgage has been created, or which has been sealed or seized by any judicial organs, or whose ownership has any other defects as the subject matter of a sale-leaseback transaction. A finance leasing company shall give adequate consideration to and objectively evaluate assets leased back, set reasonable purchase prices for them in compliance with accounting principles, and shall not purchase any asset at a price in excess of its value.

On 8 May 2018, the General Office of MOFCOM issued the 2018 Notice, according to which the authority of rule-making on operation and regulation of finance leasing companies, factoring companies and pawnshops shall be transferred to CBIRC. Although the competent authority has changed, the relevant governing laws and regulations of the finance leasing industry are still in force in the PRC.

The Interim Measures for the Supervision and Administration of Finance Leasing Companies (融資租賃公司監督管理暫行辦法) (the “**The Interim Measures for Finance Leasing Enterprises**”) was promulgated by CBIRC on 26 May 2020 and came into effect on 26 May 2020 to implement regulatory responsibilities, standardised supervision and administration, guide compliant operations of finance leasing companies, and promote standardised development of the finance leasing industry. The Interim Measures for Finance Leasing Enterprises stipulate that the total amount of risk assets of finance leasing companies shall not exceed eight times of their net assets.

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 Bonds. Prospective Bondholders 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 controls imposed under PRC law. However, as at the date of this Offering Circular, there are certain differences in the foreign exchange controls that apply within the Shanghai FTZ compared with those that apply to other parts of the PRC, as further set out in the section entitled “Foreign Exchange Controls in the Shanghai FTZ” below.

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. Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became legally permissible nationwide as from July 2011.

Since July 2013, the procedures for cross-border Renminbi trade settlement under current account items have been simplified, further, since June 2015, trades through e-commerce can also be settled under in Renminbi under the current regulatory regime. A cash pooling arrangement for qualified multinational enterprise group companies was introduced in late 2014, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. In addition, the eligibility requirements for multinational enterprise groups have been lowered and the cap for net cash inflow has been increased in September 2015.

PBOC also permits enterprises in the Shanghai FTZ to establish an additional cash pool in the local scheme in the Shanghai FTZ, but each onshore company within the group may only elect to participate in one cash pooling programme. In November 2016, PBOC Shanghai Headquarters further allowed banks in Shanghai to provide multinational enterprise groups with services of full-function onshore cash pooling, which will enable broader scope for utilising pooled cash.

The regulations referred to above are 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.

Until recently, settlement of capital account items, for example, the capital contribution of foreign investors to foreign-invested enterprises in the PRC, was generally required to be made in foreign currencies. Under progressive reforms, foreign enterprises are now permitted to use Renminbi to settle all capital account items that can be settled in foreign currencies. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements specifically for capital account payments in Renminbi are being removed gradually.

PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as “**foreign debt**”) and lend Renminbi-denominated loans to foreign borrowers (which are referred to as “**outbound loans**”), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in Renminbi and make Renminbi payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as “**cross-border security**”). Under current rules promulgated by SAFE and PBOC, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC 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. After piloting in the free trade zones, PBOC and SAFE launched a nation-wide system of macro-prudential management on cross-border financing in 2016, which provides for a unified regime for financings denominated in both foreign currencies and Renminbi.

Since September 2015, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group. Enterprises within the Shanghai FTZ may establish another cash pool under the Shanghai FTZ rules to extend inter-company loans, although Renminbi funds obtained from financing activities may not be pooled under this arrangement.

The securities markets, specifically the qualified foreign investor regime and the China Interbank Bond Market, have been further liberalised for foreign investors. PBOC has expanded the list of eligible foreign investors in the China Interbank Bond Market, removed quota restrictions and granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risks).

Interbank foreign exchange market is also opening-up. In January 2016, CFETS set forth qualifications, application materials and procedure for foreign participating banks (which needs to have a relatively large scale of Renminbi purchase and sale business and international influence) to access the inter-bank foreign exchange market.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There can be no assurance that the PRC government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future. The relevant regulations are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Further, 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.

FOREIGN EXCHANGE CONTROLS IN THE SHANGHAI FTZ

On 18 September 2013, the State Council issued the Circular on the Framework Plan for the China (Shanghai) Pilot Free Trade Zone (Guo Fa [2013] No. 38) (國務院關於印發中國(上海)自由貿易試驗區總體方案的通知(國發[2013]38號)) which approved the establishment of the Shanghai FTZ. On 2 December 2013, PBOC issued its opinion on supporting the financial sector for the China (Shanghai) Pilot Free Trade Zone (中國人民銀行關於金融支持中國(上海)自由貿易試驗區建設的意見), and subsequently on 28 February 2014 the Shanghai Branch of SAFE issued implementation regulations (支持中國(上海)自由貿易試驗區建設外匯管理實施細則) relaxing certain foreign exchange controls in respect of qualified entities in the Shanghai FTZ; on 21 May 2014 the Shanghai Branch of SAFE issued the Detailed Implementation Rules for Separate Accounting in the China (Shanghai) Pilot Free Trade Zone (for Trial Implementation) (中國(上海)自由貿易試驗區分賬核算業務實施細則(試行)) and the Detailed Rules for the Prudential Management of Risks in Separate Accounting in the China (Shanghai) Pilot Free Trade Zone (for Trial Implementation) (中國(上海)自由貿易試驗區分賬核算業務風險審慎管理細則(試行)); furthermore, on 10 July 2019, the Shanghai Branch of SAFE issued the Circular of the Shanghai Administration of Foreign Exchange on Issuing the Implementing Rules for Reforming Foreign Exchange Administration in the China (Shanghai) Pilot Free Trade Zone (4.0 version) (國家外匯管理局上海市分局關於印發《進一步推進中國(上海)自由貿易試驗區外匯管理改革試點實施細則(4.0版)》的通知).

Further, on 28 January 2022, the Shanghai Branch of SAFE promulgated the Implementation Rules for the Pilot Reform on High-level Opening up of Foreign Exchange Administration for Cross-border Trade and Investment in Lin-gang Special Area of China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區臨港新片區開展跨境貿易投資高水平開放外匯管理改革試點實施細則).

Enterprises incorporated within the Shanghai FTZ and overseas enterprises (for the purposes hereunder including Hong Kong, Macau and Taiwan) may open FTZ Accounts with qualified banks in the Shanghai FTZ. A FTZ Account is a special account capable of receiving both Renminbi and foreign currencies on a separate accounting basis. Entities incorporated within the Shanghai FTZ may open a FTZ Account (a “FTE”) with a bank based in the Shanghai FTZ. An overseas entity may also open FTZ Account (a “FTN”) with a bank based in the Shanghai FTZ. The qualified financial institutions within the Shanghai FTZ or incorporated out of PRC may also open FTZ Account (a “FTU”).

Transactions in Renminbi and in foreign currencies can freely flow among FTEs, FTNs and FTUs, and to overseas bank accounts without being subject to approval or registration relating to foreign exchange controls. However, the flow of funds between FTZ Accounts and non-FTZ Accounts (except for certain special types of non-resident accounts) generally remain subject to cross-border foreign exchange controls. Where payments of principal and interest under the Bonds are paid into FTZ Accounts, such amounts will be subject to restrictions on foreign exchange conversion and/or offshore remittance which apply to such FTZ Accounts.

Foreign-invested entities in the Shanghai FTZ are able to freely convert their funds in their FTZ Accounts between Renminbi and foreign currencies at their discretion after settlement of foreign exchange conversion with a bank based in the Shanghai FTZ. In addition, in calculating the exchange rate for converting funds in an FTZ Account, where desirable, the account holder may choose to adopt the offshore Renminbi market exchange rates (CNH) or the onshore Renminbi reference exchange rates (CNY) established by PBOC.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds 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 discussion 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 Bonds 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 advice on the tax position of any Bondholder or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. There are uncertainties regarding the interpretation and application of current and future PRC taxation laws and regulations and there can be no assurance that the relevant PRC regulatory authorities will not take a view that is contrary to the opinion of the Issuer. Persons considering the purchase of the Bonds should consult their own advisers concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

PRC

The following summary accurately describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of China for PRC tax purposes. These beneficial owners are referred to as non-PRC Bondholders in this “Taxation – PRC” section. In considering whether to invest in the Bonds, investors should consult their individual tax advisers 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. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Income Tax

Pursuant to the EIT Law, the IIT Law and the implementation regulations in relation to both the EIT Law and the IIT Law, PRC income tax at a rate of ten per cent. or 20 per cent. is normally applicable to PRC-source income derived by non-resident enterprises or individuals, respectively, subject to adjustments under applicable tax treaties. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of ten per cent. for non-resident enterprise Bondholders and at a rate of 20 per cent. for non-resident individual Bondholders, unless any specific exemptions or any lower treaty rates apply.

Such income tax if applicable would be withheld by the Issuer that is acting as the obligatory withholder and the Issuer shall withhold the tax amount from each payment. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-PRC resident Bondholders. Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative

organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remain uncertainties as to whether the gains realised on the transfer of the Bonds by enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, under the IIT Law, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has lived within the territory of the PRC for less than 183 days cumulatively within a tax year, shall pay individual income tax for any income derived from sources within the PRC. Pursuant to the implementation regulations of the IIT Law, unless otherwise stipulated by the finance authority and the tax department of the State Council, the income derived from transfer of properties in the PRC shall be deemed derived from sources within the PRC, regardless of the place of payment. Since the transfer of the Bonds will be conducted through the system of CCDC by holders, under the IIT Law and its implementation regulations, the gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the ten per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied. However, as there are no specific regulations or guidelines relating to the taxation of the issuance of cross-border debt securities in the Shanghai FTZ, there are uncertainties as to whether or not enterprise investors in the Shanghai FTZ or individual investors who have a domicile in the Shanghai FTZ, or individuals who do not have a domicile in the Shanghai FTZ but have resided in the Shanghai FTZ for 183 days or more cumulatively within a tax year of the PRC (together, “**Shanghai FTZ resident investors**”) would be treated as non-resident enterprises or individuals for PRC tax purposes.

In the event that Shanghai FTZ resident investors holding the Bonds are treated as PRC tax residents, such holders may be subject to additional PRC taxes (or higher PRC tax rates) in relation to any interest income or gains realised on the transfer of the Bonds. Shanghai FTZ resident investors should further consult their own legal and tax advisers in relation to their enterprise income tax and individual income tax obligations.

Capital Gains

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “**non-resident enterprise**” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by enterprise holders would be treated as income derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, under the IIT Law, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile in China and does not live in China for more than 183

days in aggregate within a tax year shall pay individual income tax for any income obtained within the PRC. There is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the ten per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

Value-added Tax

On 23 March 2016, MOF and SAT issued Circular 36, which was subsequently amended on 11 July 2017, 25 December 2017 and 20 March 2019, introducing a new value-added tax from 1 May 2016 for entities and individuals providing services within the PRC in certain industries. On 19 November 2017, the State Council promulgated the Decision on Abolishing the Provisional Regulations of the People's Republic of China on Business Tax and Revising the Provisional Regulations of the People's Republic of China on Value-added Tax (國務院關於廢止《中華人民共和國營業稅暫行條例》和修改《中華人民共和國增值稅暫行條例》的決定). On the same day, the State Council amended the Provisional Regulations of the People's Republic of China on Value-added Tax (中華人民共和國增值稅暫行條例) (the “**Value-added Tax Provisional Regulations**”), which was initially issued on 1 January 2009 and subsequently amended on 5 November 2008, 6 February 2016 and 19 November 2017. The Value-added Tax Provisional Regulations further requires that the business tax shall be completely replaced by value-added tax where the entities or individuals provide services within the PRC. The operating income generated from the provision of taxable sale of services by entities and individuals, such as financial services, shall be subject to PRC value-added tax if the seller or buyer of the services is within PRC. In the event that foreign entities or individuals do not have a business establishment in the PRC, the purchaser of services shall act as the withholding agent. According to the Explanatory Notes to Sale of Services, Intangible Assets and Real Property attached to Circular 36, financial services refer to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, and the value-added tax rate is six per cent. Accordingly, the interest and other interest like earnings received by a non-PRC resident Bondholder from the Issuer and profits on the transfer of the Bond will be subject to PRC value-added tax at the rate of six per cent. The Issuer or the withholding agent will be obligated to withhold value-added tax of six per cent. and certain surcharges on value-added tax for payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. As the withholding agent, the Issuer shall calculate the withholding tax according to the following formula: $\text{withholding tax} = \text{price paid by the purchaser} \div (1 + \text{tax rate}) \times \text{tax rate}$. Pursuant to the Municipal Maintenance Tax Law of the PRC (中華人民共和國城市維護建設稅法) promulgated by NPCSC on 11 August 2020 and came into effect on 1 September 2021, Interim Provisions on the Collection of Educational Surcharges (徵收教育費附加的暫行規定(2011修訂)), and Notice of the Ministry of Finance on the Relevant Matters regarding Unifying the Policies on Local Education Surcharges (財政部關於統一地方教育附加政策有關問題的通知), certain surcharges are levied on such interest payments and are calculated as a percentage of the value-added tax. However, there are uncertainties as to whether gains derived from a sale or exchange of Bonds consummated outside of the PRC between non-PRC

resident Bondholders will be subject to PRC value-added tax. Value-added tax is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there are uncertainties as to the applicability of value-added tax if either the seller or buyer of Bonds is located inside the PRC. However, as there are no specific regulations or guidelines relating to the taxation of the issuance of cross-border debt securities in the Shanghai FTZ, there are uncertainties as to whether or not the issuance and transfer of the Bonds are deemed to be outside the PRC by Chinese Tax authorities. In the event that the issuance and transfer of the Bonds are treated as within the PRC, such Bondholders may be subject to PRC value-added tax on the transfer of the Bonds, unless any specific exemptions apply. Investors should further consult their own legal and tax advisers in relation to their value-added tax obligations. As Circular 36 together with other laws and regulations pertaining to value-added tax are relatively new and given the limited volume of published decisions, the interpretation and enforcement of these laws and regulations involve uncertainties.

However, despite the withholding of the PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Bonds so that holders of the Bonds would receive the full amount of the scheduled payment, as further set out in “*Terms and Conditions of the Bonds*”.

Stamp Duty

According to the PRC Stamp Duty Law, enterprises or individuals which conclude or receive any of the instruments specified in the PRC Stamp Duty Law within the territory of PRC or to the extent that any such instruments have legally binding effect within the territory of PRC and are protected under PRC laws shall be obliged to pay relevant stamp duties in accordance with the provisions therein. A taxpayer shall calculate the amount of stamp duty payable according to the nature of the taxable instruments.

According to the PRC Stamp Duty Law, the parties shall be obliged to pay stamp duties for the sale, inheritance, gift, exchange or division of instruments of transfer of property rights, including instruments of transfer of property titles, copyright, exclusive right of use of trademarks, patents and proprietary technology usage rights. As of the date of issuance of this Offering Circular, due to the lack of specific law and regulations, there is no clear basis to deem the Bonds or other cross-border debt securities issued in the Shanghai FTZ as taxable instruments of transfer of property rights for the purposes of stamp duties.

While PRC law may consider the Bonds to be a type of loan contracts, the PRC taxation authority currently takes the view that taxable loan contracts are limited to contracts entered into by banks and other financial institutions in conducting their more conventional credit business, such as loan contracts for replenishing working capital or mortgages, as detailed in the Specific Provisions on the Applicability of Loan Contracts by the State Administration of Taxation ((1988) Guoshuidi Zidi No. 30) (“**Specific Provisions**”). Unless expressly specified as taxable loan contracts under Specific Provisions or other specific notices, regulations or guidelines clarifying the application and implementation of the PRC Stamp Duty Law, there is no clear basis to deem the Bonds or other cross-border debt securities issued in the Shanghai FTZ as taxable instruments within the scope for levying stamp duties.

There is currently no clear and specific regulations or guidelines relating to the taxation of the issuance of cross-border debt securities in the Shanghai FTZ. Accordingly, the Issuer believes that the issuance and transfer of debt instruments will not be imposed upon stamp duty in accordance with PRC laws as at the effective date hereto.

However, there can be no assurance that PRC laws will not be revised or there will not be further rules or regulations promulgated specifying that the Bonds or similar debt instrument shall be treated (for purposes of stamp duty obligations) in the same way as loan contracts entered between banks or other financial institutions and borrowers, or otherwise as taxable instruments of transfer of property rights in the PRC. In that event, both the borrower and lender (i.e. the Issuer and the investor purchasing the Bonds, respectively) at the time of the issuance of the Bonds would be subject to PRC stamp duty of 0.005 per cent. of the amount borrowed, or any other rate applicable at the time of the issuance or transfer of the Bonds in question (or such higher rate if local governments impose additional requirements). There can be no assurance that PRC laws will not be revised or there will not be further rules or regulations promulgated deeming the Bonds or similar debt instrument as instruments of transfer of property rights for purposes of stamp duty obligations. According to the effective PRC Stamp Duty Law, instruments of transfer of property rights, including instruments of transfer of property titles, copyright, exclusive right of use of trademarks, patents and proprietary technology usage rights, shall be subject to stamp duty of 0.05 per cent. or 0.03 per cent. of the stated value, and to be paid by the parties who initiated the contract.

The Issuer undertakes in the Terms and Conditions that to the extent any PRC stamp duty is payable on initial issuance of the Bonds, it will bear such relevant PRC stamp duties for itself and the Bondholders. The taxation authorities may impose a fine if a person subject to such PRC stamp duty is found to have failed to attach, or have attached insufficient number of stamps to a taxable instrument. However, any failure or delay in attaching sufficient number of stamps or payment of fines will not affect the validity, legality and enforceability of the Bonds under the PRC laws.

Investors should further consult their own legal and tax advisers in relation to their PRC stamp duty obligations and liabilities in relation to any transfer of the Bonds.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

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 Bonds 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 Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (b) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (c) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (d) interest on the Bonds 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 IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the corporation of its business in Hong Kong from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax. 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 IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has 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 Bonds are acquired and disposed of.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 (Cap. 112) of Hong Kong (the “**Amendment Ordinance**”) came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Bonds and gains from the sale, disposal or redemption of Bonds accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong are regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when they are received in Hong Kong. The Amendment Ordinance also provides 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

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

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 (the “**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 (the “**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, 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 Bonds, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining “foreign passthru payment and Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Bonds.

SINGAPORE

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the Inland Revenue Authority of Singapore (the “**IRAS**”) and the Monetary Authority of Singapore (the “**MAS**”) in force as at the date of this Offering Circular and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis. These laws, guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Offering Circular are intended or are to be regarded as advice on the tax position of any holder of the Bonds or of any person acquiring, selling or otherwise dealing with the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Bonds and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Prospective holders of the Bonds are advised to consult their own tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Bonds, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of the Issuer, the Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners and any other person involved with the offer and issue of the Bonds accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Bonds.

Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the ITA, the following payments are deemed to be derived from Singapore:

- (a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or
- (b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15 per cent. final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17 per cent. The applicable rate for non-resident individuals is 22 per cent. prior to the year of assessment 2024, and 24 per cent. thereafter. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15 per cent. The rate of 15 per cent. may be reduced by applicable tax treaties.

However, certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

- (a) interest from debt securities derived on or after 1 January 2004;
- (b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and
- (c) prepayment fee, redemption premium and break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

It was announced in the Singapore Budget Statement 2023 that the requirement that qualifying debt securities (“**QDS**”) have to be substantially arranged in Singapore will be rationalised, such that for all debt securities that are issued on or after 15 February 2023, such debt securities must be substantially arranged in Singapore by a financial institution holding a specified licence (the “**Relevant Licence Holder**”), instead of a relevant Financial Sector Incentive Company. In this regard, a Relevant Licence Holder is intended to mean an entity which:

- (i) is any bank or merchant bank licensed under the Banking Act 1970 of Singapore;
- (ii) is any finance company licensed under the Finance Companies Act 1967 of Singapore; or

- (iii) holds a capital markets services licence under the Securities and Futures Act 2001 of Singapore for dealing in capital markets products – securities or advising on corporate finance.

The MAS will be providing further details by 31 May 2023.

In addition, on the basis that the Issuer is not a “Singapore-based issuer” (as defined in the Income Tax (Qualifying Debt Securities) Regulations) and more than half of the Bonds issued under the issue are distributed by Financial Sector Incentive (Standard Tier) Company(ies) or Financial Sector Incentive (Capital Market) Company(ies) (as defined in the ITA) who are also Relevant Licence Holders at such time, and the Bonds are issued as debt securities prior to 31 December 2023, the Bonds would be QDS for the purposes of the ITA, to which the following treatment shall apply:

- (a) subject to certain prescribed conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Bonds in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Bonds as the MAS may require, and the inclusion by the Issuer in all offering documents relating to the Bonds of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost is derived from the Bonds by any person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities shall not apply if the non-resident person acquires the Bonds using the funds and profits of such person’s operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the “**Qualifying Income**”) from the Bonds paid by the Issuer and derived by a holder who is not resident in Singapore and who (i) does not have any permanent establishment in Singapore or (ii) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Bonds are not obtained from such person’s operation through a permanent establishment in Singapore, are exempt from Singapore tax;
- (b) subject to certain conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Bonds in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Bonds as the MAS may require), Qualifying Income from the Bonds paid by the Issuer and derived by any company or body of persons (as defined in the ITA) in Singapore is subject to income tax at a concessionary rate of ten per cent. (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and
- (c) subject to:
 - (i) the Issuer including in all offering documents relating to the Bonds a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Bonds is not exempt from tax shall include such income in a return of income made under the ITA; and
 - (ii) the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Bonds in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Bonds as the MAS may require,

payments of Qualifying Income derived from the Bonds are not subject to withholding of tax (if applicable) by the Issuer.

Notwithstanding the foregoing:

- (A) if during the primary launch of the Bonds, the Bonds are issued to less than four persons and 50 per cent. or more of the issue of the Bonds is beneficially held or funded, directly or indirectly, by related parties of the Issuer, the Bonds would not qualify as QDS; and
- (B) even though the Bonds are QDS, if, at any time during the tenure of the Bonds, 50 per cent. or more of the Bonds which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income derived from the Bonds held by:
 - (I) any related party of the Issuer; or
 - (II) any other person where the funds used by such person to acquire the Bonds are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax as described above.

All foreign-sourced income received in Singapore by Singapore tax resident individuals will be exempted from tax, provided such foreign-sourced income is not received through a partnership in Singapore.

The term “**related party**”, in relation to a person (A), means any person (a) who directly or indirectly controls A; (b) who is being controlled directly or indirectly by A; or (c) who, together with A, is directly or indirectly under the control of a common person;

The terms “prepayment fee”, “redemption premium” and “break cost” are defined in the ITA as follows:

“**prepayment fee**”, in relation to debt securities or qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities;

“**redemption premium**” in relation to debt securities or qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity; and

“**break cost**”, in relation to debt securities or qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption.

References to “prepayment fee”, “redemption premium” and “break cost” in this Singapore tax disclosure have the same meaning as defined in the ITA.

Where interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) is derived from any of the Bonds by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for QDS under the ITA (as mentioned above) shall not apply if such person acquires such Bonds using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) derived from the Bonds is not exempt from tax is required to include such income in a return of income made under the ITA.

It was also announced in the Singapore Budget Statement 2023 that the QDS scheme will be extended until 31 December 2028, and the scope of qualifying income under the QDS scheme will be streamlined and clarified such that it includes all payments in relation to early redemption of QDS. The MAS will be providing further details by 31 May 2023.

Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Bonds will not be taxable in Singapore. However, any gains from the sale of the Bonds which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Bonds who apply or are required to apply Singapore Financial Reporting Standard (“FRS”) 39, FRS 109 or Singapore Financial Reporting Standard (International) 9 (“SFRS(I) 9”) (as the case may be) may, for Singapore income tax purposes, be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Bonds, irrespective of disposal, in accordance with FRS 39, FRS 109 or SFRS(I) 9 (as the case may be). Please see the section below on “Adoption of FRS 39, FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes”.

Adoption of FRS 39, FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes

Section 34A of the ITA provides for the tax treatment for financial instruments in accordance with FRS 39 (subject to certain exceptions and “opt-out” provisions) to taxpayers who are required to comply with FRS 39 for financial reporting purposes. The IRAS has also issued a circular entitled “Income Tax Implications Arising from the Adoption of FRS 39 – Financial Instruments: Recognition & Measurement”.

FRS 109 or SFRS(I) 9 (as the case may be) is mandatorily effective for annual periods beginning on or after 1 January 2018, replacing FRS 39. Section 34AA of the ITA requires taxpayers who comply or who are required to comply with FRS 109 or SFRS(I) 9 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions. The IRAS has also issued a circular entitled “Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 – Financial Instruments”.

Holders of the Bonds who may be subject to the tax treatment under Sections 34A or 34AA of the ITA should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Bonds.

Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Managers dated 28 March 2023 (the “**Subscription Agreement**”), pursuant to which, and subject to certain conditions contained therein, the Issuer has agreed to sell to the Managers, and the Managers have agreed to, severally but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for the aggregate principal amount of the Bonds set forth opposite its name below:

| | Principal amount of the Bonds to be subscribed <hr style="width: 100%; border: 0.5px solid black;"/> (CNY) |
|--|---|
| Bank of Communications Co., Ltd. Hong Kong Branch | 26,330,000 |
| DBS Bank Ltd..... | 616,060,000 |
| Haitong Bank, Macau Branch..... | 26,330,000 |
| Hua Xia Bank Co., Limited Hong Kong Branch..... | 26,330,000 |
| ICBC International Securities Limited..... | 26,330,000 |
| Industrial and Commercial Bank of China (Asia) Limited | 26,330,000 |
| Industrial and Commercial Bank of China Limited, Singapore Branch | 26,330,000 |
| Industrial and Commercial Bank of China (Macau) Limited..... | 26,330,000 |
| Industrial Bank Co., Ltd. Hong Kong Branch..... | 26,330,000 |
| Luso International Banking Limited | 26,330,000 |
| Oversea-Chinese Banking Corporation Limited | 26,330,000 |
| Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch | 26,330,000 |
| ABCI Capital Limited | 26,330,000 |
| BOSC International Company Limited | 26,330,000 |
| CEB International Capital Corporation Limited..... | 26,330,000 |
| China Securities (International) Corporate Finance Company Limited | 26,330,000 |
| Guosen Securities (HK) Capital Company Limited..... | 10,000,000 |
| Guotai Junan Securities (Hong Kong) Limited | 26,330,000 |
| Haitong International Securities Company Limited..... | 26,330,000 |
| Shenwan Hongyuan Securities (H.K.) Limited..... | 26,330,000 |
| Total | 1,100,000,000 |

The Subscription Agreement provides that the Managers and their respective affiliates, directors, officers and employees will be indemnified against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent, and entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Managers and their respective subsidiaries or affiliates have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with, the Issuer and/or its subsidiaries, from time to time, for which they have received customary fees and expenses. The Managers and their respective subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Issuer and/or its subsidiaries in the ordinary course of business.

In connection with the offering of the Bonds, the Managers and/or their respective affiliates may act as an investor for its own account and may take up Bonds in the offering and in that capacity may

retain, purchase or sell for its own account such securities and any securities of the Issuer and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Bonds being offered should be read as including any offering of the Bonds to the Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. The Managers or their respective affiliates may purchase the Bonds for its own account or for the accounts of their customers and enter into transactions, including credit derivative, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of ours or our subsidiaries or associates at the same time as the offer and sale of the Bonds 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 Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

In connection with the issue of the Bonds, any of the Managers appointed and acting in its capacity as a stabilisation manager (the “**Stabilisation Manager**”) or any person acting on behalf of the Stabilisation Manager may, to the extent permitted by applicable laws and regulations, over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer, provided that Haitong Bank, Macau Branch and Industrial Bank Co., Ltd. Hong Kong Branch shall not be appointed and acting in such capacity. However, there can be no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager will undertake any stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Bonds is made and, if begun, may be ended at any time, and must end no later than the earlier of 30 days after the Issue Date of the Bonds and 60 days after the date of the allotment of the Bonds. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Stabilisation Manager.

GENERAL

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer or the Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Issuer or the Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer or the Managers. If a jurisdiction requires that an offering of Bonds be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the Managers or such affiliate on behalf of the Issuer in such jurisdiction.

UNITED STATES

The Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered and sold outside of the United States in reliance on Regulation S. In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

UNITED KINGDOM

Each of the Managers has represented, warranted and agreed that:

- (i) 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 Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

HONG KONG

Each of the Managers has represented, warranted and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any rules made under the SFO; or (b) 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
- (ii) 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 Bonds, 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 the Bonds 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.

PRC

Each of the Managers has represented, warranted and agreed that the Bonds 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 or any other applicable laws or regulations of the PRC. However, in respect of the special arrangement in the Shanghai FTZ, the Bonds are allowed to be offered or sold, directly or indirectly, in the Shanghai FTZ to the extent that such offer or sale is permitted by the securities laws or any other applicable laws or regulations of the PRC, or approved by the relevant PRC regulatory authorities.

SINGAPORE

Each of the Managers has acknowledged that this Offering Circular has not been registered as a prospectus with the MAS. Accordingly, each of the Managers has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds 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 Bonds, 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, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the "SFA" is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

MACAU

The Bonds have not been and will not be promoted, distributed, sold or delivered in Macau, or any document relating to the Bonds be distributed or circulated in Macau, except under the terms of and in compliance with the Macau Financial System Act and any other laws in Macau that may apply to the offer and sale of the Bonds in Macau. The Bonds have not been and will not be registered or otherwise authorised for public offer under the Financial System Act of Macau, thus may not be offered or sold in Macau, unless such offer is made by Macau licensed entities according to the Macau Financial System Act and upon their communication to the Macau Monetary Authority, in observation of the guidelines and recommendations issued by the Macau local regulatory authority from time to time.

JAPAN

The Bonds 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 “**Financial Instruments and Exchange Act**”). Accordingly, each of the Managers has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT – IMPORTANT NOTICE TO CMIS (INCLUDING PRIVATE BANKS)

This notice to CMIs (including private banks) is a summary of certain obligations the Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the offering and are subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the Managers accordingly.

CMIIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language set out elsewhere in this Offering Circular.

CMIIs 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 CMIIs). CMIIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information should be provided to the 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. CMIIs should not place “X-orders” into the order book.

CMIIs 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.

CMIIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The 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 Managers in control of the order book should consider disclosing order book updates to all CMIIs.

When placing an order for the Bonds, 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 Code. Private banks should be aware that placing an order on a “principal” basis may require the Managers to apply the “proprietary orders” requirements of the Code to such order and will require the Managers to apply the “rebates” requirements of the Code (if applicable) to such order.

In relation to omnibus orders, when submitting such orders, CMIIs (including private banks) that are subject to the 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 Code);
- Whether any underlying investor order is a “Proprietary Order” (as used in the Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: dcm@bankcomm.com.hk; DCMOmnibus@dbs.com; DCM.Macau@haitongib.com; project_skyline2023@icbci.icbc.com.cn; liguige.isabelle@icbcasia.com; AM_DCMDepartment@mc.icbc.com.cn; xizi.chen@sg.icbc.com.cn; shuhong.ye@sg.icbc.com.cn; abcic.dcm@abci.com.hk; BOSCI_DCM@boscinational.com; dcm@lusobank.com.mo; dcm-ct@cebi.com.hk; DCM_HK@csci.hk; guosendcm@guosen.com.hk; dcm.soar3@gtjas.com.hk, project.skyline.2022@htisec.com and dcm@swhyhk.com.

To the extent information being disclosed by CMI's and investors is personal and/or confidential in nature, CMI's (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 Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the Code, for the purpose of complying with the Code, during the bookbuilding process for this offering. CMI's that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The relevant Managers may be asked to demonstrate compliance with their obligations under the Code, and may request other CMI's (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 CMI's (including private banks) are required to provide the relevant Manager with such evidence within the timeline requested.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The Group's Consolidated Financial Statements included in this Offering Circular were prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications. between PRC GAAP and IFRS. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Issuer. The Issuer is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there can be no assurance regarding the completeness of the financial information and related footnote disclosure between PRC GAAP and IFRS and no attempt has been made to quantify such differences. Had any such quantification or reconciliation been undertaken by the Issuer, other potentially significant accounting and disclosure differences may have required that are not identified below. In addition, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future.

GOVERNMENT GRANT

Under PRC GAAP, an assets-related government grant is only required to be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. However, under IFRS, such assets-related government grants are allowed to be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Under PRC GAAP, the relocation compensation for public interests is required to be recognised as special payables. The income from compensation attributable to losses of fixed assets and intangible assets, related expenses, losses from production suspension incurred during the relocation and reconstruction period and purchases of assets after the relocation shall be transferred from special payables to deferred income and accounted for in accordance with the government grants standard. The surplus reached after deducting the amount transferred to deferred income shall be recognised in capital reserve. Under IFRS, if an entity relocates for reasons of public interests, the compensation received shall be recognised in profit and loss.

REVERSAL OF IMPAIRMENT LOSS

Under PRC GAAP, once an impairment loss is recognised for a long term asset (including fixed assets, intangible assets and goodwill, etc.), it shall not be reversed in any subsequent period.

Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

RELATED PARTY DISCLOSURES

Under PRC GAAP, government-related entities are not treated as related parties.

Under IFRS, government-related entities are still treated as related parties.

FIXED ASSETS AND INTANGIBLE ASSETS

Under PRC GAAP, only the cost model is allowed.

Under IFRS, an entity can choose either the cost model or the revaluation model as its accounting policy.

GENERAL INFORMATION

1. **Central Depository:** The Bonds will initially be issued in registered uncertificated book-entry form entered in CCDC.
2. **CCDC Code:** G238078.
3. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Deed of Covenant and the Agency Agreement. The issue of the Bonds was authorised by the resolutions of the board of directors of the Issuer on 24 April 2022 and by the resolutions of the shareholders' meeting of the Issuer on 24 April 2022.
4. **No Material and Adverse Change:** Except as otherwise disclosed in this Offering Circular, there has been no material adverse change, or any development or event involving a prospective change, in the general affairs, financial condition, results of operations or prospects of the Issuer or the Group, which is material and adverse in the context of the issue and offering of the Bonds since 30 June 2022.
5. **Litigation:** None of the Issuer or any member of the Group is involved in any litigation or arbitration proceedings which could have a material and adverse effect on their businesses, results of operations and financial condition nor is the Issuer aware that any such proceedings are pending or threatened. The Issuer may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of its business.
6. **Available Documents:** From the Issue Date and so long as any Bond is outstanding, copies of the Historical Financial Statements, the Deed of Covenant and the Agency Agreement relating to the Bonds will be available for inspection by the Bondholders at all reasonable times during usual business hours (being 9:00 a.m. (Hong Kong time) to 4:00 p.m. (Hong Kong time), Monday to Friday (other than public holidays)) at the principal place of business of the Issuer (being at the date of this Offering Circular at 15th Floor, No. 1481 Guo Zhan Road, Pudong New Area, Shanghai, China) following prior written request and proof of holding and identity satisfactory to the Issuer.
7. **Financial Statements:** The 2020 Audited Consolidated Financial Statements, which are included elsewhere in this Offering Circular, have been audited by ZSZH as stated in its report thereon. The 2021 Audited Consolidated Financial Statements, which are included elsewhere in this Offering Circular, have been audited by DH as stated in its report thereon. The Reviewed Consolidated Interim Financial Statements, which are included elsewhere in this Offering Circular, have been reviewed by DH as stated in its report thereon.
8. **Listing of Bonds:** Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. For so long as any Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, such Bonds, if traded, will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies).

For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that any global certificate that may be issued in respect of the Bonds (the “**Global Certificate**”) is exchanged for definitive certificates. In addition, in the event that any Global Certificate is exchanged for definitive certificates, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore.