

China Financial Leasing Industry Report, 2010-2011

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3.1 Industry Development

3.1.1 China's Position in Global Financial Leasing Market

According to the statistics of World Leasing Yearbook 2011, the total financial leasing value of the Top 10 countries arrived at US\$** billion in 2009, hereinto, China contributed US\$** billion, ranking the 4th. Influenced by the financial crisis in 2009, the growth rate of the financial leasing value of Top 10 nations sharply dropped, yet China characterized the powerful growth momentum by **%.

Top 10 Countries by Leasing Revenue, 2009

Ranking	Country	Revenue (US\$ bn)	Growth Rate (%)
1	USA	173.90	-14.8
2	Germany	55.30	-26.0
3	Japan	53.25	-18.7
4	China	**	**
5	France	31.84	-19.8
6	Italy	26.78	-32.3
7	Brazil	23.31	-48.5
8	UK	14.69	-31.2
9	Canada	13.05	-12.9
10	Russia	8.87	-60.4

Source: World Leasing Yearbook 2011

3.1.3 Penetration Rate

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Comparison between China and Other Countries in Financial Leasing Market Penetration, 2009



Source: World Leasing Yearbook 2011

3.2 Operation

3.2.1 Quantity, Type, and Market Access of Companies

Currently, the financial leasing companies under the relevant supervisions in China fall into three categories:

1. the financial leasing companies supervised by China Banking Regulatory Commission (CBRC);
2. The domestic financial leasing pilot enterprises jointly approved by Ministry of Commerce of the People's Republic of China and State Administration of Taxation;
3. The foreign-funded financial leasing companies approved by Ministry of Commerce and local bureaus of commerce.

Remark: the statistics in this report are based on the above mentioned statistical definitions

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Number of Financial Leasing Institutions in China by Type, 2007-2010



Source: ResearchInChina

The fore mentioned three categories of financial leasing companies are respectively in accordance with different market entries and standards, applicable to different laws and regulations, and approved and supervised by Ministry of Commerce and CBRC, respectively...

3.2.2 Total Leasing Fund

During the 11th Five-Year Plan period (2006-2010), Chinese financial leasing industry took on the geometric growth...

Year 2007 is the actual turning point of explosive growth for Chinese financial leasing industry...

During the as short as 3 years, the transaction value of bank-based financial leasing companies expanded rapidly by virtue of the solid capital strength and client channel advantage, and the growth rate was far higher than the average one within the industry. Up to the end of 2010, the total leasing fund had occupied **% of the industrial total.

3.2.4 Ranking of Chinese Financial Leasing Companies in 2010

At the end of July 2010, the Top 10 financial leasing enterprises of the three categories by registered capital are listed as follows:

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4. Key Sectors of China Financial Leasing Industry

4.1 Financial Leasing in Aviation Industry

4.1.1 Development of Air Transport Industry

China's sustained economic growth has brought rapid development of air transport industry. Calculated by the total transportation turnover, as of the end of 2010, China ranked second among the members of the International Civil Aviation Organization, and became the world's second largest air market only after the United States.

Business Volume of Chinese Civil Aviation Airports, 2006-2010

	Passenger Throughput		Cargo and Mail Throughput (ton)		Take-offs and Landings	
	Completed (Mln passengers)	YoY (%)	Completed (Mln tons)	YoY (%)	Completed (mIn)	YoY (%)
2010	**	16.1%	**	**	**	**
2009	486.1	**	**	**	**	**
2008	405.8	**	**	**	**	**
2007	387.6	16.8%	8.6	14.3%	3.9	13%
2006	332.0	--	7.5	--	3.5	--

Source: Civil Aviation Administration of China

Number of Civil Aircrafts Operated by China, 2010

Type	Number	Share
Boeing Aircrafts (including Boeing and McDonnell Douglas models)	777	52%
Airbus Aircrafts	**	**
Aircrafts of Other Manufacturers	**	**
Total	1486	100%

Source: Civil Aviation Administration of China

4.1.2 Leasing Market

Market Scale in 2010: Chinese airlines were reluctant to lease aircrafts in the past, but now they have gradually accepted the idea, and tried many leasing types in the past two years.

China's Aircraft Financing Structure



Source: ResearchInChina

Market Prospect

Driven by factors like the urbanization, economic growth and increasing wealth of people....

Forecasted Demand for Airplanes in China

	Forecasted Demand	Share
Jumbo Aircraft	**	**
Twin-aisle Aircraft	**	**
Single-aisle Aircraft	**	**
Regional Aircraft	290	6%
Total	2,880	100%

Source: Civil Aviation Administration of China

In accordance with the above projections, by 2025, these new aircrafts will be worth about USD** billion, and if **% of which are leased, China's civil aircraft leasing market capacity will exceed USD130 billion in the next 15 years.

Competition: As the market capacity is huge and the asset security is relatively high, 17 aircraft financial leasing companies have emerged in China.

4.1.3 Aircraft Leasing of Airlines

Air China: Air China Limited (Air China) was founded on July 1, 1988 with registered capital of RMB1.5 billion and total assets of RMB35.9 billion.

Comparisons between Self-owned and Leased Airplanes of Air China, 2010

Type	Quantity of Aircrafts			
	Own	Financial leasing	Operating lease	Subtotal
Passenger Aircraft	**	**	**	**
Of Which: Boeing Aircraft	**	**	**	**
Airbus Aircraft	**	**	**	**
Cargo Aircraft	**	**	**	**
Business Aircraft	**	**	**	**
Total	184	84	125	393

Source: Annual Report of Air China; ResearchInChina

As of December 31, 2010, Air China obtained three A321 aircrafts and one A320 aircraft from Air Macau and six B737-800 aircrafts from Shandong Airlines Co., Ltd. through wet leasing.

4.2 Financial Leasing in Shipping Industry

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4.3 Financial Leasing of Construction Machinery

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4.4 Financial Leasing of Medical Devices

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4.5 Financial Leasing of Printing Equipment

4.6 Financial Leasing of Rail Transport Equipment

4.7 Financial Leasing in Telecom and IT Industries

5. Key Enterprises in China Financial Leasing Industry

5.1 CDB Financial Leasing Co., Ltd.

CDB Financial Leasing Co., Ltd. (hereinafter referred to as "CDB Leasing") was restructured in May 2008 from Shenzhen Financial Leasing Co., Ltd., with the investment of RMB7 billion from China Development Bank, which holds 95% stake. Other shareholders include HNA Group and Xi'an Aircraft Industry (Group). Headquartered in Shenzhen, CDB Leasing is the largest financial leasing company in China, with total assets of RMB58.8 billion by the end of 2010.

In the field of air leasing, CDB Leasing focuses on aircraft financial leasing, operating leasing, rental aircraft assets acquisition, air material and airport equipment leasing businesses; in the field of non-air leasing, CDB Leasing gives priority to shipping, infrastructure, commercial vehicle, rail transit and other equipment leasing businesses.

On December 1st, 2010, CDB Leasing was approved by China Banking Regulatory Commission (CBRC) to establish project companies engaged in financial leasing business in domestic bonded areas.

On August 19th, 2010, CDB Leasing was approved by Shanghai Headquarters of the People's Bank of China to get access to domestic interbank lending market, with a maximum borrowing or lending quota of RMB8 billion, and a maximum borrowing term of three months.

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5.2 ICBC Financial Leasing Co., Ltd.

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5.3 BOC Aviation Pte. Ltd.

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5.4 CCB Financial Leasing Co., Ltd.

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5.5 Minsheng Financial Leasing Co., Ltd.

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5.6 Bank of Communications Finance Leasing Co., Ltd.

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5.7 CMB Financial Leasing Co., Ltd.

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5.8 China Huarong Financial Leasing Co., Ltd.

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5.9 Jiangsu Financial Leasing Co., Ltd.

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5.10 Far East Horizon Limited**5.10.1 Profile**

Far East Horizon Limited was set up in 1991. It's subject to the state-owned enterprise Sinochem Group. It's a professional finance company engaged in financial leasing. It's headquartered in Jin Mao Tower, Pudong District, Shanghai, with nearly 400 employees. It currently has seven offices in Shenyang, Beijing, Changsha, Shenzhen, Jinan, Chengdu and Wuhan. On March 30, 2011, it went public on Hong Kong Stock Exchange, with stock code 3360.HK.

5.10.2 Operation

Far East Horizon Limited has four major business divisions: Division I is mainly engaged in financial leasing of ships and construction machinery, as well as medium and long-term leasing; Printing System Division is mainly engaged in leasing and import of medical equipment; Division III is mainly engaged in leasing of industrial equipment and high-end corporate financing; Medical System Division was separated from Division I and it is engaged in medical equipment leasing.

Financial Indicators of Far East Horizon Co., Ltd., 2007-2010

USD1,000	2007	2008	2009	Jan-Sep 2010
Financial Leasing (Interest Income)	54304	**	**	**
Consulting Services (Service Income)	30140	**	**	**
Net Profit	90883	**	**	**

Source:

Total Proceeds of Far East Horizon Co., Ltd. by Sector, 2007-2010

USD1,000	2007	2008	2009	Jan-Sep 2010
Medical	39409	59524	63643	61305
Education	**	**	**	**
Infrastructure	**	**	**	**
Shipping	**	**	**	**
Printing	**	**	**	**
Industrial Equipment	**	**	**	**
Others	3177	3400	2188	8104
Total	93946	159726	**	**

Source:

As of December 31, 2010, about 70% of contracts signed by Far East Horizon Limited and its clients had lasted three years. Far East Horizon Limited has over 3,200 clients in Bohai Rim, Yangtze River Delta, Pearl River Delta and other economically developed regions.

The company has a large number of regular customers accounting for 68% of the company's leasing business. Generally, when a contract expires, the relationship between the client and the company will have generally lasted about four years. The advantage of the company is that it provides not only financial leasing service, but also high value-added consulting service which contributed 42% to the total revenue in the first nine months of 2010.

5.11 Hebei Financial Leasing Co., Ltd.

5.12 New Century Finance Leasing Co., Ltd.

5.13 Golden Bridge United Financial Leasing Co., Ltd.

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