

**SILVER ARROW CHINA  
MERCEDES-BENZ LEASING CO., LTD. 2022-1 ASSET BACKED NOTES**

**OFFERING CIRCULAR**

**Total Registration Amount: RMB 25,000,000,000.00**

**Series Amount: RMB 5,349,665,524.32**

**Originator: Mercedes-Benz Leasing Co., Ltd.**

**Underlying Assets: Leasehold Claims and Leased Property Repurchase Claims**

**Lead Underwriter and Bookrunner: Bank of China Limited**

**Joint Lead Underwriter: Industrial and Commercial Bank of China Limited**

**Issuer Administrator: China Foreign Economy and Trade Trust Co., Ltd.**

Product	Rating	Issue Size (RMB)	Percentage of Total Issue Size	Expected Maturity Date	Weighted Average Life (Year)	Amortization Type	Interest Type
Senior Notes	AAA <sub>sf</sub> (Lianhe)  AAA <sub>spc(sf)</sub> (S&P Global (China) Ratings)	4,500,000,000.00	84.12%	26 April 2024	0.96	Pass-through	Fixed
Subordinated Notes	Unrated	849,665,524.32	15.88%	26 May 2024	2.00	Pass-through	Fixed

**Date: May 2022**

## DECLARATION

The issuance of this series of Asset-Backed Notes (“ABN”) has been registered with the National Association of Financial Market Institutional Investors (“NAFMII”), and registration does not represent any assessment of the value of the investment of this issuance by NAFMII, nor does it represent any judgment on the investment risk of this issuance. Investors that invest in the ABN should carefully read the Offering Circular and relevant information disclosure documents, make independent analysis on the authenticity, accuracy, integrity and timeliness of the information disclosure, make independent judgment of investment value, and assume any investment risks associated with it.

The Originator's Board of Directors has approved the Offering Circular, and all of the Originator's Directors of the Board commit to the absence of false records, misleading statements or major omissions, and assume individual and joint liability for its authenticity, accuracy, completeness, and timeliness.

The chief executive and the head of the accounting department and organization of the Originator certify that the financial information mentioned in the Offering Circular is true, accurate, complete and up to date.

Any purchase and holding of the ABN issued through the subscription, resale or other legal means shall be regarded as a voluntary acceptance by the relevant investor of the rights and obligations defined by this Offering Circular.

The Originator and the relevant intermediaries undertake to fulfill their obligations based on the terms of the Offering Circular and in compliance with the stipulations of relevant laws and regulations, and accept the supervision of investors.

As at the date of the signing of the Offering Circular, other than the information disclosed, there are no other significant matters affecting the solvency of the Originator.

The Notes issued through the Issuer Administrator include the Senior Notes and the Subordinated Notes, which represent the respective beneficial rights in the Trust and will not constitute obligations of the Originator, the Trustee or any other person. The Notes do not represent interests in the Originator, the Servicer, the Trustee, the Account Bank, the Registrar, the Paying Agent, the Lead Underwriter, the Joint Lead Underwriter or any of their affiliates. The Notes represent limited recourse obligations payable only from the Trust Assets. The Originator has no obligation to pay the interest or principal on the Notes to the investors and, apart from its obligations as Originator under the Trust Agreement and as Servicer under the Servicing Agreement, the Originator assumes no obligation or responsibility for any losses on the Notes.

This series is issued under the law of the People's Republic of China, which shall apply to all relevant terms, including the interpretation and disputes resolution.

*This English translation of this Offering Circular is being provided for the convenience of certain investors only. The official Offering Circular has been prepared in Chinese and potential investors shall rely on the Chinese Offering Circular. If there is any conflict between the English translation of the Chinese Offering Circular and the Chinese Offering Circular, the Chinese Offering Circular shall prevail.*

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## CHAPTER 1 DEFINITIONS

In this Offering Circular, unless otherwise specified in the context, the following terms shall have the meaning ascribed to them as follows:

### 1.1 RELEVANT PARTIES

#### 1.1.1 Parties to the Trust

1. MBLC/Grantor/Originator: Mercedes-Benz Leasing Co., Ltd.
2. FOTIC/Trustee: China Foreign Economy and Trade Trust Co., Ltd.
3. Noteholders: the Senior Noteholders and the Subordinated Noteholders.
4. Senior Noteholders: the holders of the Senior Notes.
5. Subordinated Noteholders: the holders of the Subordinated Notes.

#### 1.1.2 Transaction Parties

6. Issuer Administrator: China Foreign Economy and Trade Trust Co., Ltd.
7. BOC/Lead Underwriter/Bookrunner/Administration Institution during Term of Notes: Bank of China Limited.
8. ICBC/Joint Lead Underwriter: Industrial and Commercial Bank of China Limited
9. Syndication: all companies responsible for underwriting the Senior Notes in accordance with the Syndication Agreement.
10. Underwriter: one or more or all companies responsible for underwriting the Senior Notes in accordance with the Syndication Agreement.
11. Servicer: MBLC or at any time the Person then authorised pursuant to the Servicing Agreement to service, administer and collect the Entrusted Lease Receivables.
12. Account Bank: Industrial and Commercial Bank of China Limited Beijing Municipal Branch or any permitted successor or assignee in accordance with the Bank Account Agreement.
13. Registrar/Paying Agent/SCH: Shanghai Clearing House.
14. Rating Agencies: China Lianhe Credit Rating Co., Ltd. (Lianhe) and S&P Ratings (China) Co., Ltd. (S&P Global (China) Ratings).
15. Legal Counsel/FenXun: FenXun Partners.

16. Accounting Advisor: KPMG Huazhen LLP.
17. Interbank Funding Centre: the National Interbank Funding Centre.

### **1.1.3 Relevant Institutions**

18. CBIRC: China Banking and Insurance Regulatory Commission, formerly China Banking Regulatory Commission and China Insurance Regulatory Commission.
19. PBOC: the People's Bank of China.
20. NAFMII: National Association of Financial Market Institutional Investors.

## **1.2 TRANSACTION DOCUMENTS**

21. Transaction Documents: the Trust Agreement (including the Conditions), the Master Definitions and Common Terms Agreement, the Bank Account Agreement, the Servicing Agreement, the Offering Circular, the Fee Letters and the Underwriting Agreement.
22. Trust Agreement: the trust agreement between the Originator, the Issuer Administrator and the Trustee on or about the Signing Date.
23. Conditions: the terms and conditions set out in Schedule 7 to the Trust Agreement.
24. Master Definitions and Common Terms Agreement: the master definitions and common terms agreement on or about the Signing Date and entered into by and between each of the Transaction Parties.
25. Common Terms: the provisions set out in to the Master Definitions and Common Terms Agreement.
26. Master Definitions Schedule: Schedule 1 to the Master Definitions and Common Terms Agreement.
27. Bank Account Agreement: the agreement dated on or about the Signing Date by and among the Trustee, the Account Bank and the Servicer, governing the opening, operation and custody of the Issuer Account and the funds therein.
28. Servicing Agreement: the servicing agreement entered into between the Issuer Administrator, the Trustee and the Servicer on or about the Signing Date.
29. Offering Circular: the offering circular dated on the announcement date prepared by the Originator and the Issuer Administrator in connection with the issue of the Notes.

30. Fee Letters: the Trustee Fee Letter, the Servicer Fee Letter (if applicable), and the Account Bank Fee Letter.
31. Trustee Fee Letter: the fee letter of the Trustee for the Trustee Fee and other relevant expenses for the entrusted services under the Transaction Documents.
32. Servicer Fee Letter: the fee side letter entered into between the Servicer and the Issuer Administrator.
33. Account Bank Fee Letter: the fee letter in relation to the fees payable to the Account Bank for the services which it provides under the Bank Account Agreement.
34. Underwriting Agreement: the underwriting agreement entered into by and between the Issuer Administrator, the Lead Underwriter, the Joint Lead Underwriter and the Originator on or about the Signing Date, under which the Lead Underwriter and the Joint Lead Underwriter have agreed, subject to certain customary issue conditions to subscribe for the Senior Notes.
35. Syndication Agreement: the syndication agreement between, inter alia, the Lead Underwriter, the Joint Lead Underwriter and the other Underwriters in relation to the underwriting of the Senior Notes.
36. SCH Agreement: the agency agreement entered into by the Trustee/Issuer Administrator and the Paying Agent/Registrar on or about the Signing Date, under which the Issuer has appointed the Paying Agent and the Registrar to act as paying agent and registrar with respect to the Notes and to forward payments to be made by the Issuer Administrator under the Notes to the Noteholders.

### **1.3 UNDERLYING ASSETS AND TRUST**

#### **1.3.1 Underlying Assets**

37. Underlying Assets: the following assets that are entrusted to the Issuer Administrator by the Originator in accordance with the Trust Agreement for the purpose of establishing the Trust:
  - (a) the Entrusted Lease Receivables and all Ancillary Interests in relation to such Entrusted Lease Receivables; and
  - (b) the rights, interests and benefits of the Consideration payable by the Fund Trust under the Vehicle Purchase Agreement.
38. Entrusted Lease Receivables: the Lease Receivables entrusted by the Originator to the Trustee on the Closing Date under the Trust Agreement.
39. Ancillary Interests: any security or other right, interest and benefit (if any) created for the benefit of the Originator (or the assignee of the Entrusted

Lease Receivables) in relation to the Entrusted Lease Receivables and the Leased Vehicles, including but not limited to mortgage, pledge, guarantee, liquidated damages, overdue fine, damages, prepayment charges, insurance policies related to the Leased Vehicles and the insurance proceeds, compensation and other benefits generated therefrom.

40. Consideration: in accordance with the Vehicle Purchase Agreement, the consideration payable by the Fund Trust for the purchase of the Relevant Vehicle, the amount of which shall be equivalent to the Final Instalment of such Relevant Vehicle.
41. Originator Lease Receivables Warranties: the warranties given by the Originator in respect of the Entrusted Lease Receivables as set out in the Appendix of Schedule 3 of the Master Definitions and Common Terms Agreement.
42. Eligibility Criteria: in respect of any Entrusted Lease Receivable as of the Cut-Off Date (unless otherwise specified below):
  - (a) such Lease Receivable has been originated by the Originator pursuant to a Lease Agreement governed by PRC Law;
  - (b) each Lease Receivable has been originated in the PRC in the ordinary course of the Originator's business in compliance with the Credit and Collection Policy;
  - (c) each Lessee to which such Lease Receivable relates is a resident of the PRC;
  - (d) the Originator is the sole legal owner of the Leased Vehicles, and the Leased Vehicles are free of mortgage, pledge or any other security interests or encumbrances (other than security interests or encumbrances granted in favour of the Originator);
  - (e) the Lease Receivables are free of mortgage, pledge or any other security interests or encumbrances;
  - (f) the Lessees as mortgagor and the Originator as mortgagee have entered into mortgage agreements in respect of the relevant Leased Vehicles, and such mortgages have been duly registered with the relevant registration authorities;
  - (g) the vehicle registration certificate of each Leased Vehicle is held by the Originator;
  - (h) such Lease Receivable may be segregated and identified at any time for the purpose of leasing contractual relationship and at any time be identified as a Lease Receivable;
  - (i) such Lease Receivable can be and by the Closing Date will have been validly entrusted to the Issuer according to the relevant Lease

Agreement, such entrustment is not subject to any legal restriction which prevents the valid transfer thereof to the Issuer;

- (j) such Lease Receivable is free of third party rights, including any set-off rights, any defence, retention or revocation rights of the relevant Lessee;
- (k) such Lease Receivable constitutes the legal, valid and binding obligations of the Lessee(s), enforceable against the Lessee(s) in accordance with its terms;
- (l) such Lease Receivables are denominated in RMB;
- (m) the Leased Vehicles are Mercedes-Benz or smart brand vehicles, and such Leased Vehicles are new at the time of the commencement of the leasing;
- (n) the relevant Lessee has the obligation to make monthly rent payments in accordance with the schedule as specified in the relevant Lease Agreement;
- (o) the interest rate applicable to each Lease Receivable is fixed;
- (p) the Originator has paid the Vehicle Sale Price for the relevant Leased Vehicles, and the Leased Vehicles have been delivered to the relevant Lessees;
- (q) each Lease Receivable has a seasoning above or equal to one (1) month;
- (r) according to the Originator's records, the Lessee is not insolvent;
- (s) each Lease Receivable is classified as "Stage 1" according to the Originator's internal classification;
- (t) at origination, the relevant Lessee is not an employee of the Originator;
- (u) for each Lease Receivable, the Outstanding Lease Principal Balance as of the Cut-Off Date is no more than 80% of the Vehicle Sale Price;
- (v) As of the Cut-Off Date, no Lease Receivable is overdue and no Lease Receivable has been delinquent for more than thirty (30) consecutive days;
- (w) each Lease Agreement has a specific repayment schedule;
- (x) the lease term under each Lease Agreement is no more than sixty (60) months;
- (y) the remaining lease term of each Lease Agreement as of the Cut-Off Date is more than four (4) months;
- (z) no security deposit is payable by the Lessees to the Originator under the Lease Agreements; and

- (aa) neither the Lease Receivables nor the Leased Vehicles are related to national defense, military project or other State's secrets.
43. Lease Receivable: lease receivables claims by the Originator against the relevant Lessee for the payment of principal and interest (including the Final Instalment payable should the Lessee elect to repurchase the Leased Vehicle pursuant to the Lease Agreement) under a Lease Agreement, but excluding any fee, compensation, fines or other amounts payable by the Lessee in connection with the return of the Leased Vehicle following a Lessee Return Event.
44. Performing Lease Receivable: an Entrusted Lease Receivable that is neither a Defaulted Lease Receivable, nor an Entrusted Lease Receivable in respect of which all instalments have been paid, nor an Entrusted Lease Receivable that was repurchased on a Payment Date relating to any prior Collection Period.
45. Defaulted Lease Receivable: any Entrusted Lease Receivable in respect of which (i) the Lessee is in arrears with any instalment (or portion thereof) for more than 180 days; or, if earlier, (ii) the Entrusted Lease Receivable has been declared defaulted in accordance with the Credit and Collection Policy of the Servicer.
46. Aggregate Outstanding Lease Principal Amount: on the Cut-Off Date or on any Calculation Date (as the case may be) the aggregate of the Outstanding Lease Principal Amounts of all Entrusted Lease Receivables.
47. Lease Agreement: any lease agreement (as may be amended, supplemented and/or extended from time to time) between the Originator in its capacity as Lessor and an Lessee in relation to the Leased Vehicle(s), in particular, including in the form of standard business terms governing the Originator's relationship with the respective Lessee.
48. Leased Vehicle: any vehicle leased under the Lease Agreement.
49. Relevant Vehicle: a Leased Vehicle which the Fund Trust becomes obliged to purchase from MBLC pursuant to the Vehicle Purchase Agreement.
50. Lessee: in respect of a Lease Receivable, a Person (including private consumer and business owner) to whom the Originator leases vehicles on the terms of the relevant Lease Agreement.
51. Security Provider: a Person that provides a guarantee or other security to secure the performance of the Lessees' obligations under the Entrusted Lease Receivables and the Ancillary Interests.
52. Insurer: such insurance company acceptable to the Originator with which the insurances in relation to the Leased Vehicles are maintained.

53. Insurance Claims: any claims against any Insurer in relation to any damaged Leased Vehicle to which the Originator or the Issuer Administrator (as the case may be) is entitled.
54. Vehicle Purchase Agreement: the vehicle purchase agreement entered into between MBLC as the seller and FOTIC (in the capacity as the trustee of the Fund Trust) as the buyer on or about the Signing Date.
55. Fund Trust Agreement: the Trust Agreement for FOTIC - MB Leasing No. 4 Single Fund Trust dated 27 April 2022 between MBLC as the grantor and FOTIC as the trustee.
56. Fund Trust: the FOTIC - MB Leasing No. 4 Single Fund Trust established pursuant to the Fund Trust Agreement.
57. Final Instalment: in respect of a Lease Agreement, the "final instalment" as stated in such Lease Agreement.
58. Permitted Investments: any amount standing to the credit of the Issuer Accounts invested by the Issuer Administrator, provided that:
  - (a) any such investment must be denominated and payable in RMB; and
  - (b) any such investment may only be made:
    - (i) in deposits with Permitted Entities; or
    - (ii) in national bonds; or
    - (iii) in interbank policy-driven financial bonds; and
  - (c) any such investment shall mature no later than the next following Account Bank Transfer Date; and
  - (d) the Issuer Administrator shall not purchase any of the Notes.

For the avoidance of doubt, no such investment shall be made, in whole or in part, actually or potentially, in tranches of other asset-backed securities, credit linked notes, swaps or other derivatives instruments, or synthetic securities.

59. Assets List: in respect of the Underlying Assets as of the Cut-Off Date, a list prepared by the Originator setting out the relevant information related to each Entrusted Lease Receivable in form and substance satisfactory to the Trustee, which can be provided in the format of electronic document, compressed films or such other form acceptable to the Trustee (and further described in Schedule 2 to the Trust Agreement).
60. Portfolio Information: a file of information sent by the Originator and/or the Servicer to the Issuer Administrator, including the non-encrypted and non-personal information in respect of the Entrusted Lease Receivables as set out in Schedule 2 to the Trust Agreement.

61. Vehicle Purchase Price: in respect of each Entrusted Lease Receivable, the purchase price payable by the Originator for the relevant Leased Vehicle pursuant to the relevant Lease Agreement.

### 1.3.2 Trust and Trust Assets

62. Trust: the special purpose trust known as "Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2022-1 Asset Backed Notes Trust" set up under the Trust Agreement.
63. Trust Assets: the sum of all Underlying Assets entrusted by the Originator to the Trustee under the Trust Agreement, and assets arising from the management, utilisation, disposal or other circumstances of the aforesaid Underlying Assets, as more specifically described and referred to in clause 2 (The Trust) of the Trust Agreement.
64. Collections: for each Collection Period:
- (a) the Interest Collections, the Principal Collections and the Recovery Collections in respect of the Entrusted Lease Receivables;
  - (b) any Repurchase Price related to the relevant Entrusted Lease Receivables to be repurchased on the respective Payment Date; and
  - (c) Consideration paid by the Fund Trust under the Vehicle Purchase Agreement.
65. Principal Collections: the sum of:
- (a) all collections of principal (including Final Instalment) under the Performing Lease Receivables that have been paid during the Collection Period;
  - (b) all collections of principal (including Final Instalment) under the Performing Lease Receivables that have been prepaid during the Collection Period; and
  - (c) the Considerations that have been paid during the Collection Period, but excluding Recovery Collections received by the Servicer during the Collection Period and excluding any Repurchase Price relating to the Collection Period.
66. Interest Collections: the sum of all Collections during the relevant Collection Period under the Performing Lease Receivables other than (i) amounts received relating to third party fees/charges, (ii) the Principal Collections, (iii) the Recovery Collections and (iv) any Repurchase Price.
67. Recovery Collections: all amounts received by the Servicer during the relevant Collection Period in respect of, or in connection with, any Entrusted Lease Receivable on or after the date such Entrusted Lease Receivable became a Defaulted Lease Receivable (*provided that* such Defaulted Lease Receivable



has not been written off in total) including, for the avoidance of doubt, principal, interest and fees (other than amounts received relating to third party fees/charges) in line with the Credit and Collection Policy of the Servicer.

68. Outstanding Lease Principal Amount: with respect to an Entrusted Lease Receivable at any Calculation Date, the amount of principal owed by the Lessee under such Entrusted Lease Receivable (assuming relevant Lessee elects to pay the Final Instalment and repurchase the Leased Vehicle at the end of lease term), provided, however, that (i) the Outstanding Lease Principal Amount of a Defaulted Lease Receivable will be zero as of the last day of the Collection Period during which it became a Defaulted Lease Receivable and (ii) the Outstanding Lease Principal Amount of an Entrusted Lease Receivable that is repurchased on a Repurchase Date will be zero as of the last day of the Collection Period relating to such Repurchase Date.
69. Repurchase Price: the repurchase price payable by the Originator to the Issuer Administrator pursuant to clause 4 or 5 of the Trust Agreement.
70. Account Records: all books, records and information prepared and retained by the Account Bank in relation to the Issuer Accounts.
71. Available Distribution Amount: with respect to a Payment Date, the sum of:
  - (a) the Collections;
  - (b) any investment earnings on the General Reserve Account, and the Operating Account received during the relevant Collection Period;
  - (c) the General Reserve Draw Amount;
  - (d) the Commingling Reserve Draw Amount; and
  - (e) amounts standing to the credit of the Operating Account transferred from  
the previous Collection Period due to rounding of the Principal Distribution Amount to the Senior Notes.
72. Priority of Payments: either the Pre-enforcement Priority of Payments or the Post-enforcement Priority of Payments (as applicable).
73. Pre-enforcement Priority of Payments: the priority of payments set out in Schedule 10 to the Trust Agreement.
74. Post-enforcement Priority of Payment: the priority of payments set out in Schedule 11 to the Trust Agreement.
75. Clean-Up Call: the Originator's right to exercise a clean-up call when the Clean-Up Call Conditions are satisfied. In case of execution of Clean-Up Call, the Legal Maturity Date of the Notes shall be moved forward to the settlement date of the Clean-Up Call.

76. **Clean-Up Call Conditions:** means, on any Payment Date on which (after giving effect to payments made on such Payment Date) (1) the Aggregate Outstanding Note Principal Amount is reduced to less than 10% of the Aggregate Outstanding Note Principal Amount on the Closing Date, or (2) the Senior Notes have been fully repaid, the Originator will have the option under the Trust Agreement to acquire all outstanding Entrusted Lease Receivables (together with any related Ancillary Interests) against payment of the Repurchase Price subject to the following requirements:
- (a) the Repurchase Price should, together with funds credited to the General Reserve Account and the Operating Account, be at least equal to the sum of (i) the Aggregate Outstanding Note Principal Amount of all Notes plus (ii) accrued interest thereon plus (iii) all claims ranking prior to the claims of the Noteholders according to the applicable Priority of Payments;
  - (b) the Originator shall have notified the Issuer Administrator of its intention to exercise the Clean-Up Call at least 30 days prior to the contemplated settlement date of the Clean-Up Call; and
  - (c) the earliest settlement date of the Clean-Up Call by the Originator shall be the Payment Date following such Payment Date.
77. **Issuer Accounts:** the following separate interest-bearing accounts of the Issuer Administrator opened on or before the Closing Date with the Account Bank:
- (a) Operating Account;
  - (b) General Reserve Account; and
  - (c) Commingling Reserve Account.
78. **Operating Account:** an account of the Issuer Administrator opened on or before the Closing Date with the Account Bank (with account details as set out in Schedule 10 of the Master Definitions and Common Terms Agreement) or any successor account bank, bearing an interest rate as separately agreed between the Account Bank and the Issuer Administrator and into which the Servicer transfers all Collections received by it on behalf of the Issuer Administrator in accordance with the Servicing Agreement.
79. **General Reserve Account:** the general reserve account of the Issuer Administrator for the purpose of the securitisation and opened on or before the Closing Date with the Account Bank (with account details as set out in Schedule 10 of the Master Definitions and Common Terms Agreement) or any successor account bank, bearing an interest rate as separately agreed between the Account Bank and the Issuer Administrator.
80. **Commingling Reserve Account:** the commingling reserve account of the Issuer Administrator opened on or before the Closing Date with the Account Bank (with account details as set out in Schedule 10 of the Master Definitions and Common Terms Agreement) or any successor account bank, bearing an

interest rate as separately agreed between the Account Bank and the Issuer Administrator.

81. Commingling Reserve Draw Amount: the amount standing to the credit of the Commingling Reserve Account (up to the Commingling Reserve Required Amount) upon the occurrence and the continuation of a Servicer Termination Event, to the extent necessary to cover any Servicer Shortfall.
82. Servicer Shortfall: a shortfall in respect of on-payments of Collections due and payable by the Servicer to the Issuer Administrator pursuant to the terms of the Servicing Agreement.
83. Commingling Reserve Required Amount: as of any Payment Date upon the occurrence and the continuance of a Commingling Reserve Trigger Event an amount equal to the amount of instalments scheduled to be received by the Servicer on the Entrusted Lease Receivables during the next Collection Period and otherwise zero.

The Commingling Reserve Required Amount as of the Closing Date will be RMB 0.

Any excess of the amount standing to the credit of the Commingling Reserve Account over the Commingling Reserve Required Amount as calculated on each Calculation Date will be paid on each following Payment Date directly by the Issuer Administrator to the Originator outside of the Priority of Payments. For the avoidance of doubt, the Commingling Reserve Required Amount becomes zero on the Payment Date on which the Aggregate Outstanding Note Principal Amount of the Notes is reduced to zero.

84. General Reserve Amount: for any Payment Date, the amount standing to the credit of the General Reserve Account and available for withdrawal from the General Reserve Account.
85. General Reserve Deposit: an amount equal to 0.5% of the Aggregate Outstanding Lease Principal Amount as of the Cut-Off Date.
86. General Reserve Draw Amount: for any Payment Date, the lesser of:
  - (a) the amount, if any, by which the amounts to be applied to items (i) to (iv) of the Priority of Payments for that Payment Date exceeds the Available Distribution Amount (excluding the General Reserve Draw Amount) for that Payment Date; and
  - (b) the General Reserve Amount for that Payment Date;

provided, however, that, the General Reserve Draw Amount for the Payment Date on which the Aggregate Outstanding Note Principal Amount of the Senior Notes is reduced to zero, will equal the General Reserve Amount for that Payment Date.

87. General Reserve Required Amount:
- (a) for the Closing Date 0.5% of the Aggregate Outstanding Lease Principal Amount as of the Cut-Off Date;
  - (b) for any Payment Date on which the Aggregate Outstanding Note Principal Amount is greater than zero, 0.5% of the Aggregate Outstanding Lease Principal Amount as of the Cut-Off Date; and
  - (c) if the Notes have been paid in full, zero,

provided however, that at all times, the General Reserve Required Amount may not exceed the Aggregate Outstanding Note Principal Amount.

### 1.3.3 Trust Beneficial Interests and the Asset Backed Notes

88. Trust Beneficial Interests: all rights of the Trust beneficiaries under the Trust, including Senior Trust Beneficial Interests and Subordinated Trust Beneficial Interests.
89. Senior Trust Beneficial Interests: the trust beneficial interests ranking prior to Subordinated Trust Beneficial Interests and distributed from the Trust, represented by the Senior Notes.
90. Subordinated Trust Beneficial Interests: the trust beneficial interests which rank secondary to the Senior Trust Beneficial Interests that are distributed from the Trust, represented by the Subordinated Notes.
91. Asset Backed Notes or Notes: the structured securitization financing instruments issued to investors or self-retained by the Originator through the Trust in accordance with the Trust Agreement for financing purposes, supported by cash flow from the Underlying Assets, the earnings of which are paid by way of repayment of principal and interest or otherwise as agreed. The Notes, including Senior Asset Backed Notes and Subordinated Asset Backed Notes, are documentary evidence of the entitlement of the Noteholders to the corresponding Trust Beneficial Interests under the Trust.
92. Class: as the context may require, the senior class or the subordinated class of the Notes.
93. Senior Notes or Senior Asset Backed Notes: the fixed rate senior notes representing the Senior Trust Beneficial Interests issued in accordance with the Trust Agreement and the Offering Circular, in an initial Aggregate Outstanding Note Principal Amount of RMB 4,500,000,000.00, and divided into 45,000,000 senior notes, each in an initial amount of RMB 100.
94. Senior Interest Amount: in respect of any Interest Period, the product of: (i) the Aggregate Outstanding Note Principal Amount of the Senior Notes as of the beginning of such Interest Period and (ii) the Senior Interest Rate and (iii) the actual number of days elapsed during such Interest Period divided by 365, rounded to the nearest cent.

For the avoidance of doubt, any shortfall in the Senior Interest Amount according to the applicable Priority of Payments on a Payment Date will not be payable on that Payment Date but will become payable on subsequent Payment Dates if and to the extent that the relevant Available Distribution Amount may be used for this purpose in accordance with the applicable Priority of Payments. Such shortfall will not accrue interest.

95. Senior Interest Rate: the interest rate per annum applicable to the Senior Notes as determined through book building process.
96. Subordinated Asset Backed Notes or Subordinated Notes: the fixed rate subordinated notes which are issued in accordance with the Trust Agreement and the Offering Circular, in an initial Aggregate Outstanding Note Principal Amount of RMB 849,665,524.32.
97. Subordinated Notes Interest Amount: on each Payment Date, the product of (i) the Aggregate Outstanding Note Principal Amount of the Subordinated Notes at the beginning of such Interest Period and (ii) the Subordinated Notes Interest Rate and (iii) the actual number of days in such Interest Period divided by 365, rounded to the nearest cent. For the avoidance of doubt, any shortfall in the Subordinated Notes Interest Amount according to the applicable Priority of Payments on a Payment Date will not be payable on that Payment Date but will become payable on subsequent Payment Dates if and to the extent that the relevant Available Distribution Amount may be used for this purpose in accordance with the applicable Priority of Payments. Such shortfall will not accrue interest.
98. Subordinated Notes Interest Rate: zero per cent per annum.
99. Aggregate Outstanding Note Principal Amount: the aggregate of the Outstanding Note Principal Amount of a Class of Notes on a Payment Date (taking into account the principal redemption on such Payment Date).
100. Interest Amount: the amount of interest payable by the Issuer Administrator on a Note on a Payment Date accrued during the Interest Period relating to such Payment Date as further described in Condition 6.
101. Outstanding Note Principal Amount: with respect to any Payment Date the principal amount of any Note equal to the initial principal amount of such Note (as at the Closing Date) as, on or before such Payment Date, reduced by all amounts paid in respect of principal on such Note prior to or on such Payment Date.

## **1.4 DATES, PERIODS AND REPORTS**

### **1.4.1 Dates**

102. Cut-Off Date: 24:00 on 31 December 2021.

103. Signing Date: 27 April 2022 on which all Transaction Documents are signed.
104. Issue Date: the date on which the Issuer Administrator issues the Notes by way of book building, as set forth in the relevant offering documents
105. Subscription Date: shall have the meaning ascribed to such term in the Underwriting Agreement.
106. Closing Date: the delivery date of the Trust Assets, which is the date on which the Originator delivers the Trust Assets to the Trustee, and it shall be the same day as the Trust Effective Date.
107. Trust Effective Date: the same date as the Closing Date on which the Grantor delivers the Underlying Assets to the Trustee.
108. Calculation Date: the last day of each calendar month, with the first Calculation Date being the last day of the calendar month in which the Closing Date falls, and the last Calculation Date being the last day of the calendar month prior to the last Payment Date.
109. Purchase Notice Delivery Date: the date on which MBLC is required to deliver the Purchase Notice to the Fund Trust pursuant to the Vehicle Purchase Agreement, which is the ninth (9th) Business Day before each Payment Date (provided that a Lessee Return Event has occurred during the previous calendar month).
110. Servicer Report Performance Date: the ninth (9th) Business Day before each Payment Date.
111. Collections Transfer Date: the seventh (7th) Business Day before each Payment Date.
112. Account Bank Report Date: the first (1st) Business Day after each Collections Transfer Date.
113. Trust Determination Date: the fifth (5th) Business Day before each Payment Date
114. Asset Operation Report Date: the date on which the monthly Asset Operation Report is published on the websites of China Money ([www.chinamoney.com.cn](http://www.chinamoney.com.cn)) and SCH ([www.shclearing.com](http://www.shclearing.com)), and through such other means as required by NAFMII, which is the third (3rd) Business Day prior to the Payment Date.
115. Trust Beneficial Interests Registration Date: the Business Day before each Payment Date and the Noteholders documented on the Registry at the end of that day shall be deemed as the Trust beneficiary, who shall be entitled to obtain current principal and interest of the Notes on that Payment Date.
116. Account Bank Transfer Date: the first (1st) Business Day before each Payment Date.

117. Payment Date: subject to the Business Day Convention, in respect of the first Payment Date 27 June 2022 and thereafter the 26th day of each calendar month.
118. Final Instalment Due Date: in respect of a Lease Agreement, the date on which the Final Instalment is scheduled to become due and payable under such Lease Agreement assuming no Lessee Return Event has occurred in respect of such Lease Agreement.
119. Consideration Payment Date: in respect of any Lessee Return Event, the later of:
  - (a) the Collections Transfer Date corresponding to the Collection Period in which the Final Instalment Due Date under relevant Lease Agreement falls; and
  - (b) the Collections Transfer Date corresponding to the Collection Period in which the Lessee Return Event occurs.
120. Repurchase Date: the date which falls on a Collections Transfer Date on which an Entrusted Lease Receivable is repurchased by the Originator.
121. Expected Maturity Date:
  - (a) in respect of Senior Notes, 26 April 2024; or
  - (b) in respect of Subordinated Notes, 26 May 2024.
122. Legal Maturity Date: 26 November 2027.
123. Trust Termination Date: the date on which the Trustee completes the liquidation of the Trust (including, but not limited to the performance of corresponding payment obligations under the Trust Agreement), and the liquidation report issued by the Trustee is approved by the Controlling Noteholders' Meeting. If the Controlling Noteholders are the Subordinated Noteholders, it shall be the date of the liquidation report. For the avoidance of doubt, all outstanding amounts standing to the Issuer Accounts after the Trust Termination Date shall be paid to the Originator.
124. Business Day: any day (other than statutory public holidays in China) on which commercial banks are generally open for business in China.
125. Business Day Convention: if any due date specified in a Transaction Document for performing a certain task (in particular, payment of any amounts) is not a Business Day, such task shall be performed (a payment shall be made) on the next Business Day unless it would thereby fall into the next calendar month, in which event such task shall be performed on the immediately preceding Business Day.

## **1.4.2 Periods**

126. Collection Period: each period (i) from but excluding the Cut-Off Date to and including the first Calculation Date, and, (ii) thereafter from but excluding a Calculation Date to and including the next following Calculation Date.
127. Interest Period: in respect of the first Payment Date, the period commencing on (and including) the Closing Date and ending on (but excluding) the 26th day of the calendar month following the Closing Date, and in respect of any subsequent Payment Date, the period commencing on (and including) the 26th day of the preceding calendar month and ending on (but excluding) the 26th day of the current calendar month.

## **1.4.3 Reports**

128. Account Bank Report: the report prepared by the Account Bank pursuant to the Bank Account Agreement.
129. Monthly Servicer Report: the monthly report to be prepared by the Servicer in accordance with the Servicing Agreement. Such Monthly Servicer Report shall be substantially in the form as set out in Schedule 1 to the Servicing Agreement.
130. Asset Operation Report: the report prepared and issued by the Trustee in the form set forth in Schedule 8 to of the Trust Agreement, including the monthly asset operation report and annual asset operation report.

## **1.5 MAJOR EVENTS AND INDICATORS**

### **1.5.1 Material Events in relation to the Transaction**

131. Lessee Return Event: in respect of any Entrusted Lease Receivables with Return Option (other than Defaulted Lease Receivables):
- (a) the relevant Lessee effectively chooses to return relevant Leased Vehicles to the Originator based on the relevant terms of the Lease Agreement and the practice of the Originator from time to time; or
  - (b) on the last day of the calendar month in which the Final Instalment Due Date falls (or, if as of such day, the Lessee is delinquent in paying any amount under the Entrusted Lease Receivables other than the Final Instalment, the last day of the calendar month in which the Lessee has fully paid such delinquent amount), the Lessee has neither paid the Final Instalment nor selected to return the relevant Leased Vehicle.
132. Return Option: the option contemplated under a Lease Agreement allowing the relevant Lessee to return the relevant Leased Vehicle at the end of the lease term.
133. Rights Perfection Event: any of the following event:



- (a) a Servicer Termination Event;
  - (b) an Insolvency Event in respect of the Originator or the Servicer.
134. Rights Perfection Notice: the notice issued or to be issued pursuant to clause 8.4 of the Trust Agreement in such form as set out in Schedule 3 to the Trust Agreement.
135. Commingling Reserve Trigger Event: if, on any Calculation Date and for as long as the Originator remains the Servicer, (i) the long-term unsecured, unsubordinated and unguaranteed debt obligations of MBLC are assigned a rating of lower than A (or its replacement) by Lianhe, or (ii) the long-term issuer credit rating of MBLC or the long-term unsecured, unsubordinated and unguaranteed debt obligations of MBLC are assigned a rating of lower than BBB<sub>SPC</sub> (or its replacement or equivalent credit quality) by S&P Global (China) Ratings.

Independent of the above, a Commingling Reserve Trigger Event shall cease to continue upon all Lessees having redirected their payments directly to the Operating Account or any other of the Issuer Accounts, compliant with the Transaction Documents.

136. Enforcement Event: the event that an Issuer Administrator Event of Default has occurred and the Noteholders have served an Enforcement Notice on the Issuer Administrator.
137. Enforcement Notice: the written notice served by the Noteholders to the Trustee upon the occurrence of an Issuer Administrator Event of Default in accordance with the Trust Agreement.
138. Issuer Administrator Event of Default: any of the following events:
- (a) an Insolvency Event has occurred with respect to the Issuer Administrator;
  - (b) subject to the Available Distribution Amount and in accordance with the Pre-enforcement Priority of Payments, a default occurs in the payment of interest on the Controlling Notes on any Payment Date (and such default is not remedied within five (5) Business Days of its occurrence, or such longer period as approved at a Controlling Noteholders' Meeting) or the payment of the principal of the Notes on the Legal Maturity Date (and such default is not remedied within five (5) Business Days of its occurrence, or such longer period as approved at a Controlling Noteholders' Meeting) in respect of the Controlling Notes (other than the Subordinated Notes);
  - (c) the Issuer Administrator fails to perform or observe any of its other material obligations under the Conditions or the Transaction Documents (other than the Subordinated Notes) and such failure continues for a period of thirty (30) days (or such longer period as approved at a Controlling Noteholders' Meeting) following the service

by the Noteholders on the Issuer Administrator of a notice requiring the same to be remedied, provided that no notice shall be required if it is the unanimous decision of the Controlling Noteholders at a Controlling Noteholders' Meeting that such failure is incapable of being remedied; or

- (d) it is or will become unlawful for the Issuer Administrator to perform or comply with any of its obligations under or in respect of the Senior Notes or any Transaction Document (other than under or in respect of the Subordinated Notes),

provided that it shall not be an Issuer Administrator Event of Default until after a unanimous decision has been made by the Controlling Noteholders at the relevant Controlling Noteholders' Meeting that the replacement of the Issuer Administrator with another trustee which meets the Trustee Qualified Standard is not viable.

139. Trustee Replacement Event: any of the following events:

- (a) the Trustee fails to make a payment, transfer or deposit according to the Trust Agreement or other Transaction Documents, unless such action is due to the fraud, breach of contract, wilful misconduct or negligence of the other party or parties to the Transaction Documents or any third party unrelated to the Trustee;
- (b) the Trustee materially fails to comply with or perform the covenants or obligations set forth in the Trust Agreement or other Transaction Documents;
- (c) the Trustee materially violates any representations or warranties it has made in or pursuant to the Trust Agreement or Transaction Documents;
- (d) the Trustee no longer satisfies the Trust Company Qualified Standard;
- (e) any Insolvency Event occurs to the Trustee;
- (f) the Trustee is replaced by the Controlling Noteholders' Meeting for fraud, breach of contract, wilful misconduct or negligence; or
- (g) the Trustee resigns in accordance with clause 17.1 of the Trust Agreement.

140. Servicer Termination Event: the occurrence of any event described below:

- (a) an Insolvency Event has occurred with respect to the Servicer;
- (b) the Servicer fails to make any payment or deposit required by the terms of the Servicing Agreement within five (5) Business Days of the date such payment or deposit is required to be made;

- (c) the Servicer fails to perform any of its material obligations under the Servicing Agreement (other than a payment or deposit required), and such breach, if capable of remedy, is not remedied within thirty (30) Business Days of written notice from the Issuer Administrator; or
  - (d) any representation or warranty in the Servicing Agreement or in any report provided by the Servicer is materially false or incorrect, and such inaccuracy, if capable of remedy, is not remedied within thirty (30) Business Days of written notice from the Issuer Administrator and has a Material Adverse Effect in relation to the Issuer Administrator.
141. Insolvency Event: with respect to the Originator, the Servicer, the Trustee/the Issuer Administrator or the Account Bank, as the case may be, each of the following events: (i) the making of an assignment, conveyance, composition or marshalling of assets for the benefit of its creditors generally or any substantial portion of its creditors; (ii) the application for, seeking of, consents to, or acquiescence in, the appointment of a receiver, custodian, trust, liquidator or similar official for it or a substantial portion of its property; (iii) the initiation of or consent to any case, action or proceedings before any court or Governmental Authority against it under any applicable liquidation, insolvency, composition, bankruptcy, receivership, dissolution, reorganisation, winding-up, relief of debtors or other similar laws and such proceedings are not being disputed in good faith with a reasonable prospect of discontinuing or discharging the same; (iv) the levy or enforcement of a distress or execution or other process upon or sued out against the whole or any substantial portion of its undertaking or assets and such possession or process (as the case may be) shall not be discharged or otherwise shall not cease to apply within sixty (60) days; (v) an order is made against it or an effective resolution is passed for its winding-up; and (vi) it is deemed unable to pay its debts within the meaning of any liquidation, insolvency, composition, reorganisation or other similar laws in the jurisdiction of its incorporation or establishment (*provided that*, for the avoidance of doubt, any assignment, charge, pledge or lien made by the Trustee for the benefit of the Noteholders under the Trust Agreement shall not constitute an Insolvency Event in respect of the Trustee).
142. Trust Liquidation Event: any of the following events:
- (a) the Originator's creditors' rights and interests are impaired by the establishment of the Trust, as a result of which the Trust is cancelled by the competent people's court or arbitration body;
  - (b) the Trustee sells all outstanding Entrusted Lease Receivables to the original Originator; or
  - (c) the occurrence of any of the following events that occurs the earliest:
    - (i) the final repayment or otherwise discharge of the last Entrusted Lease Receivable, or disposal of all properties obtained from enforcement of the Ancillary Interests;

- (ii) the payment of all amounts payable to all Noteholders pursuant to the Trust Agreement; or
- (iii) the Legal Maturity Date takes place.

### **1.5.2 Definitions in relation to Indicators**

143. Material Adverse Effect: in relation to any Person, any effect that results in, or could reasonably be expected to result in, the Insolvency Event of that Person or otherwise hinders or could reasonably be expected to hinder not only temporarily, the performance of that Person's obligations under any of the Transaction Documents as and when due.
144. Permitted Entity: an entity which satisfies the Required Rating or above.
145. Required Rating: (i) by Lianhe: A and (ii) by S&P Global (China) Ratings: BBB<sub>spc</sub>, or such other long-term issuer rating or ratings, or equivalent credit quality of the Account Bank as may be recognized by the relevant Rating Agency from time to time to maintain the then current ratings of the Senior Notes
146. Trust Company Qualified Standard: with respect to a trust company:
- (a) it has the Financial Permit issued by the CBIRC;
  - (b) it has obtained the qualification for Special Purpose Trust from the CBIRC;
  - (c) it satisfies such other conditions stipulated by the CBIRC and the PBOC; and
  - (d) it has been approved by the Controlling Noteholders' Meeting to act as Trustee and Issuer Administrator of the Trust and the Notes (except for the original Trustee).

### **1.6 DEFINITIONS IN RELATION TO NOTES ISSUANCE**

147. Issuance Proceeds: in respect of the Senior Notes, all funds collected and collectable from the Issue of such Notes, which is equivalent to the total nominal amount of the Senior Notes, and is also the amount of the Aggregate Outstanding Lease Principal Amount as of the Cut-off Date less the nominal amount of the Subordinated Notes.
148. Purchase Price: the Issuance Proceeds deducting upfront costs and expenses in relation to the issue of the Transaction determined by the Issuer Administrator on the Closing Date.
149. Underwriting Remuneration: the amounts payable to the Lead Underwriter and the Joint Lead Underwriter according to section 7.1 of the Underwriting Agreement.

## **1.7 FEES AND EXPENSES IN RELATION TO THE TRUST**

150. Administration Expenses: during the life of the Transaction, the fees, costs and expenses (excluding indemnity payments) payable on each Payment Date with respect to:
- (a) the Account Bank under the Bank Account Agreement;
  - (b) the Paying Agent and the Registrar under the SCH Agreement (if not paid by the Trustee);
  - (c) the accountants, auditors and tax advisors appointed by the Issuer Administrator for the purpose of the Transaction;
  - (d) the Rating Agencies;
  - (e) (with respect to the fees relating to the bookbuilding for the Notes) CFAE and
  - (f) such other persons appointed by the Issuer Administrator as servicer providers for the purpose of the Transaction.
151. Trustee Fee: the fee payable to the Trustee under the Trustee Fee Letter.
152. Servicing Fee: the remuneration paid to the Servicer by the Issuer Administrator in accordance with the Servicer Fee Letter. For each Collection Period, the Servicing Fee will equal to the product of (i) the Aggregate Outstanding Lease Principal Amount as of the first day of such Collection Period (or as of the Cut-Off Date in case of the first Payment Date), (ii) the Servicing Fee Ratio and (iii) 1/12 (5/12 in the case of the first Payment Date).
153. Servicing Fee Ratio: (i) for so long as MBLC remains the Servicer, 0.15% per annum, and (ii) for so long as when a Person (other than MBLC) acts as the Servicer, 1% per annum.
154. Account Bank Fee: the fees payable to the Account Bank under the Account Bank Fee Letter.

## **1.8 MEETING OF NOTEHOLDERS**

155. Asset Backed Notes Noteholders' Meeting: the meeting of the Noteholders convened and held in accordance with Condition 15 of the Conditions.
156. Controlling Notes: (a) in the case where the principal amount of the Senior Notes are not fully paid and discharged, the Senior Notes; (b) in the case where the principal amount of the Senior Notes are fully paid and discharged, the Subordinated Notes
157. Controlling Noteholders: the holders of the Controlling Notes.
158. Controlling Noteholders' Meeting: the meeting of the Controlling Noteholders convened and held in accordance with Condition 15 of the Conditions.

## **1.9 DEFINITIONS RELATING TO ASSET SERVICE**

- 159. Services: all such services as set out in clause 3.2 (Scope of Services) of the Servicing Agreement.
- 160. Credit and Collection Policy: the policies, practices and procedures of the Servicer relating to the origination and collection of the Entrusted Lease Receivables, as modified by the Servicer from time to time.
- 161. Purchase Notice: has the meaning ascribed to such term in the Vehicle Purchase Agreement.

#### **1.10 OTHERS**

- 162. CFAE: Beijing Financial Assets Exchange.
- 163. Trust Law: the Trust Law of the PRC which was published by the Standing Committee of the National People's Congress on 28 April 2001 and came into effect on 1 October 2001.
- 164. Bankruptcy Law: the Bankruptcy Law of the PRC which was published by the Standing Committee of the National People's Congress on 27 August 2006 and came into effect on 1 June 2007.
- 165. Measures on Trust Companies: the Measures for Administration of Trust Companies which was published by the CBIRC on 23 January 2007 and came into effect on 1 March 2007.
- 166. ABN Guidelines: the *Guidelines on Asset-Backed Notes of Non-Financial Enterprises* issued by the NAFMII on 9 October 2017 and effective on the same day.
- 167. Rules for Information Disclosure: the Rules on Information Disclosure for Debt Financing Instruments of Non-financial Enterprises in Interbank Bond Market which was published by NAFMII on 26 March 2021 and came into effect on 1 May 2021.
- 168. Acquire, Acquired, Acquiring or Acquisition: when used in respect of any asset, relates to an asset that has been, is being, or will be, purchased, acquired or assumed, as the case may be.
- 169. Adverse Claim: any mortgage, charge, pledge, hypothecation, lien, floating charge or other security interest or encumbrance or other right or claim under the laws of any jurisdiction, of or on any Person's assets or properties in favour of any other Person.
- 170. Affiliate: in relation to any Person, any entity controlled, directly or indirectly by the Person, any entity that controls, directly or indirectly the Person or any entity directly or indirectly under common control with such Person (for this purpose, "control" of any entity or Person means ownership of a majority of the voting power of the entity or Person).

171. Applicable Insolvency Law: any applicable bankruptcy, insolvency or other similar law affecting creditors' rights now or hereafter in effect in any jurisdiction.
172. Person: an individual, partnership, corporation (including a business trust), unincorporated association, trust, joint stock company, limited liability company, joint venture or other entity, or a government or political subdivision, agency or instrumentality thereof.
173. Governmental Authority: in respect of PRC, the nation or government, the state or other political subdivision thereof, the central bank (or similar monetary or regulatory authority) thereof, any body or entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to a government, including without limitation any court, and any Person owned or controlled by any of the foregoing.
174. PRC or China: the People's Republic of China (for the purpose of the Transaction Documents, excluding Taiwan and the Special Administrative Regions of Hong Kong and Macau).
175. PRC Law: all effective laws, regulations, rules and legal binding documents issued by legislative, judicial and administrative organisations in PRC.
176. Interbank Bond Market: the interbank bond market of China.
177. Registry: the registry held by the Registrar.
178. Renminbi or RMB: the lawful currency of China for the time being.
179. Transaction: the Transaction Documents, together with all agreements and documents executed in connection with the issue of the Notes, the performance thereof and all other acts, undertakings and activities connected therewith.
180. Transaction Party: any Person who is a party to a Transaction Document and Transaction Parties: some or all of them.
181. Legal Representative or Authorised Representative: the person who is authorised by the relevant provisions of Chinese law or regulations or approved or authorised by the internal procedure of a party under the Transaction Documents to sign any of the Transaction Documents or any report required by the Transaction Documents on behalf of that party.

## CHAPTER 2 DESCRIPTION OF THE NOTES

### 2.1 SUMMARY OF TERMS OF NOTES ISSUANCE

#### 2.1.1 Basic Information

<b>Name of Asset Backed Notes:</b>	Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2022-1 Asset Backed Notes
<b>Originator:</b>	Mercedes-Benz Leasing Co., Ltd.
<b>Lead Underwriter:</b>	Bank of China Limited
<b>Joint Lead Underwriter</b>	Industrial and Commercial Bank of China Limited
<b>Bookrunner:</b>	Bank of China Limited
<b>Administration Institution during Term of Notes</b>	Bank of China Limited
<b>Issuer Administrator:</b>	China Foreign Economy and Trade Trust Co., Ltd.
<b>Outstanding Balance of Debt Financing Instruments by Originator:</b>	As of the date of this Offering Circular, the outstanding balance of the debt financing instrument of the Originator is RMB 6,824,597,175.50, consisting of the outstanding principal balance of Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2020-1 Asset Backed Notes of RMB 662,084,881.12, the outstanding principal balance of Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2021-1 Asset Backed Notes of RMB 2,973,852,814.30, and the outstanding principal balance of Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2021-2 Asset Backed Notes of RMB 3,188,659,480.08.
<b>Registration Acceptance Notice No.:</b>	Zhong Shi Xie Zhu [2022] ABN No. 72
<b>Underlying Assets:</b>	(a) the Entrusted Lease Receivables and all



	Ancillary Interests in relation to such Entrusted Lease Receivables; and
	(b) the rights, interests and benefits of the Consideration payable by the Fund Trust under the Vehicle Purchase Agreement
<b>Series Issuance Amount (Face Value):</b>	RMB 5,349,665,524.32
<b>Denomination:</b>	RMB100
<b>Interest Rate Determination Method:</b>	Centralized bookbuilding
<b>Target Investors:</b>	Institutional Investors in the National Interbank Bond Market (except for investors prohibited under the laws or regulations)
<b>Underwriting Method:</b>	Standby underwriting of the Senior Asset Backed Notes by the Lead Underwriter and the Joint Lead Underwriter
<b>Issuance Method:</b>	Centralized bookbuilding and allocation (except for the Subordinated Notes to be retained by the Originator)
<b>Issuance Price:</b>	Par value
<b>Issuance Date:</b>	17 May 2022
<b>Interest Commencement Date:</b>	19 May 2022
<b>Legal Final Maturity Date:</b>	26 November 2027
<b>Centralize Bookbuilding Technical Support Institution:</b>	Beijing Financial Assets Exchange
<b>Credit Rating Agencies:</b>	China Lianhe Credit Rating Co., Ltd. S&P Ratings (China) Co., Ltd.
<b>Credit Enhancement:</b>	/
<b>Servicer:</b>	Mercedes-Benz Leasing Co., Ltd.
<b>Account Bank:</b>	Industrial and Commercial Bank of China Limited Beijing Municipal Branch

**Accounting Advisor:** KPMG Huazhen LLP  
**Legal Counsel:** FenXun Partners  
**Governing Law:** These Asset Backed Notes shall be governed by and will be construed in accordance with the laws of the PRC.

## 2.1.2 Tranche Information

<b>Asset Backed Notes</b>	<b>Senior Asset Backed Notes</b>	<b>Subordinated Asset Backed Notes</b>
Issuance Amount	RMB 4,500,000,000.00	RMB 849,665,524.32
Percentage	84.12%	15.88%
Expected Maturity Date	26 April 2024	26 May 2024
Weighted Average Life	0.96 year	2.00 years
Credit Rating	Lianhe: AAA <sub>sf</sub> S&P Global (China) Ratings: AAA <sub>spc(sf)</sub>	Unrated
Interest Type	Fixed	-
Interest calculation method	Outstanding principal balance of Senior Asset Backed Notes × coupon rate × actual number of days in interest calculation period/365, rounded up to two decimal points	-
Amortization Type	Pass-through	-
Repayment Method of Principal and Interest	Monthly	-
Target Investors	Institutional Investors in the National Interbank Bond Market (except for investors prohibited under the laws or regulations)	Retained by Originator
Scope of Circulation	Institutional Investors in the National Interbank Bond Market (except for investors prohibited under the laws or regulations)	Not transferrable

Note: The expected maturity date and the weighted average life are calculated based on the assumptions that there would be no default or prepayment, and the Clean-up Call would be exercised.

## **2.2 ISSUANCE ARRANGEMENT**

### **2.2.1 Centralized Bookbuilding Arrangement**

These Asset Backed Notes will be issued at par value and the interest rate for the issuance will be determined based on the final result of bookbuilding.

- (a) The Bookrunner of these Asset Backed Notes is BOC. The Underwriters of these Asset Backed Notes shall submit the Subscription Offer of Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2022-1 (the "Subscription Offer") to the Bookrunner through the centralized bookbuilding system from 9:00 to 19:00 on 17 May 2022. The subscription time shall be the time when the Subscription Offer is submitted to the Bookrunner at the centralized bookbuilding system.
- (b) The lower limit of subscription by a single Underwriter is RMB 1,000,000 (inclusive). Any subscription amount exceeding RMB 1,000,000 shall be an integral multiple of RMB 1,000,000.
- (c) On 13 May 2022, the Offering Circular of Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2022-1 shall be published on the websites of China Money and SCH.
- (d) On 17 May 2022, the bookbuilding will commence, at the time of which the Subscription Offers from the Underwriters will be collected and the Bookrunner will determine the effective subscription amounts.
- (e) On 19 May 2022, the Bookrunner will circulate to the Underwriters the Placement Confirmation and Payment Notice of Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2022-1.

### **2.2.2 Allocation Arrangement**

- (a) Notes Allocation Period: 17 May 2022 to 19 May 2022
- (b) Notes Allocation Method: The Underwriters shall complete the allocation within the allocation period of these Asset Backed Notes and all such allocated Asset Backed Notes shall be under custody in accordance with the relevant rules of SCH.
- (c) Allocation Target: Institutional investors in the National Interbank Bond Market (unless otherwise provided under laws, regulations and rules of the State).
- (d) Allocation Price: The allocation price shall be determined as agreed between the Underwriters and the allocation targets.

### **2.2.3 Payment and Settlement Arrangement**

- (a) On 19 May 2022, the Underwriters shall transfer the subscription payment of these Asset Backed Notes to the account designated by BOC.
- (b) On 19 May 2022 ("Subscription Date"), the Issuer Administrator shall provide, through BOC, to the Registry the fund receipt confirmation in respect of these Asset Backed Notes. Any default in the payment of the subscription payment by the Underwriters shall be dealt with in accordance with the relevant regulations of NAFMII and the relevant Syndication Agreement.
- (c) 19 May 2022 is the creditor's rights and debts registration date of these Asset Backed Notes.
- (d) On 19 May 2022, the actual issue scale, issue price, term and other details of these Asset Backed Notes shall be published on the websites of China Money and SCH.
- (e) On 20 May 2022, trade and circulation of these Asset Backed Notes in the interbank market shall commence.
- (f) The Lead Underwriter and the Joint Lead Underwriter shall settle the underwriting fees in accordance with the relevant Underwriting Agreement.

#### **2.2.4 Registration and Custody Arrangement**

- (a) SCH is the depository and custodian institution of these Asset Backed Notes. These Asset Backed Notes shall be recorded and held in custody at the custodial account opened with SCH.
- (b) Upon the completion of issuance of these Asset Backed Notes, BOC shall be responsible for handling the registration and custodian formalities of these Asset Backed Notes with SCH. Investors shall comply with the relevant rules of the depository institution of these Asset Backed Notes when handling the subscription, registration and custodian formalities and no extra fees or expenses are required.
- (c) Financial institutions that subscribe for these Asset Backed Notes shall open Type A or Type B noteholder account with SCH or Type C noteholder account through the bond settlement agents in the National Interbank Bond Market. Other institutional investors may open Type C noteholder account with SCH through the bond settlement agents in the National Interbank Bond Market.
- (d) The subscription unit of these Asset Backed Notes shall be RMB 1,000,000. The size of subscription by the investors shall be an integral multiple of RMB 1,000,000 and not less than RMB 1,000,000.

#### **2.2.5 Listing and Trading Arrangement**

The circulation of these Senior Asset Backed Notes in the National Interbank Bond Market shall commence on the next Business Day following the creditor's rights and debts registration date, which means Senior Asset Backed Notes can be circulated in the National Interbank Bond Market. The circulation of these Senior Asset Backed Notes will follow the relevant rules published by the Interbank Lending Centre.

These Subordinated Notes shall be retained by the Originator.

## **CHAPTER 3 RISK ALERTS AND STATEMENTS**

The investors purchasing these Asset Backed Notes are reminded to read carefully this Offering Circular and the related information disclosure documents, independently analyse the authenticity, accuracy completeness and timeliness of the information, independently determine the investment value based on such analysis, and assume any investment risks associated therewith. The recourse of the investors under these Asset Backed Notes is limited to the Trust Assets.

These Asset Backed Notes do not have external credit enhancement. When evaluating these Asset Backed Notes, in addition to the information provided under this Offering Circular, the investors are reminded to consider the following risk factors with particular caution.

### **3.1 INVESTMENT RISK**

#### **1. Interest Rate Risk**

The market interest rate fluctuates with changes of the macroeconomic environment, which may affect the benefits of the Senior Noteholders. Such risk is reflected in a way that, given the Senior Asset Backed Notes under this Trust adopt a fixed interest rate structure, the market interest rate rises, the comparative level of return of the Notes will decrease.

#### **2. Liquidity Risk**

These Asset Backed Notes will be circulated in the Interbank Bond Market. However, due to potential market inactivity, the Noteholders may face the risk of loss that they may not be able to sell the Asset Backed Notes at a fair price within a reasonable period of time when there are limited counterparties.

#### **3. Repayment Risk**

During the term of these Asset Backed Notes, if the future earnings and cash flow of the Entrusted Lease Receivables deviate significantly and the Trust is unable to obtain sufficient funds from the expected repayment source due to changes in the market and environment beyond control, these Asset Backed Notes may not be timely repaid.

### **3.2 RISKS RELATED TO UNDERLYING ASSETS**

#### **1. Risks related to the Originator's Bankruptcy**

The Originator will retain the ownership of the Leased Vehicles at the time when the Entrusted Lease Receivables and the Ancillary Interests are entrusted under the Trust. Although the Leased Vehicles are not reflected in the balance sheet of the Originator according to the accounting rules of financial leasing companies and, pursuant to the entrustment of the Entrusted Lease Receivables and the Ancillary Interests, the ownership of the Leased Vehicles has become nominal with almost zero economic value, there is still a risk that the Leased Vehicle may be judicially considered as the Originator's bankruptcy property if the Originator enters into a

bankruptcy proceeding during the term of the Trust, in which case, the recovery of the Underlying Assets will be adversely affected. Meanwhile, as the Lease Agreement between the Originator and the Lessee is concluded prior to the bankruptcy petition and still under performance by both parties at the time of bankruptcy petition, the bankruptcy administrator of the Originator may decide whether to terminate or to continue the performance of the agreement, and the recovery of the Underlying Assets will be adversely affected if the agreement is to be terminated. In addition, if the people's court accepts the bankruptcy petition of the Originator at the time when the Originator is acting as the Servicer and the Collections received by the Originator have been comingled with and inseparable from the Originator's own assets, such Collections may be considered by the people's court as the bankruptcy assets of the Originator.

## **2. Risks related to Cash Flow Forecast**

The product scheme under this Trust is designed based on a reasonable forecast of the future cash flow of the Underlying Assets. The factors affecting the future cash flow of the Underlying Assets mainly include: default rate of the Leasing Agreements, post-default recovery rate, early termination rate and interest rate of the Leasing Agreements. For the reason that the above factors are to a certain extent uncertain, there may be certain deviation in the forecast of the future cash flow of the Underlying Assets. The Senior Noteholders may face risks when investing in these Asset Backed Notes due to the cash flow forecast deviation.

## **3. Risks related to Early Termination by the Lessee**

As fixed interest rate is applied to the Underlying Assets in the Trust, the decline of benchmark interest rate will result in an increase of the risk of early termination by the Lessee. The Senior Asset Backed Notes are repaid on a pass-through basis. The increase of the cash flow of the Underlying Assets in current period resulting from the early termination by the Lessees may cause the acceleration of the maturity of the Notes repaid on a pass-through basis under this Trust. Therefore, the earnings of the Senior Asset Backed Notes may be affected, and the Senior Noteholders may face higher reinvestment risk.

## **4. Risks related to the Default by the Lessees or the Security Providers**

The cash flow of the principal and earnings of the Notes comes from the future cash flow generated by the Underlying Assets, i.e., the rent and related payments payable by the Lessees under the Lease Agreements. Default by the Lessees or (in the case of default by the Lessees) the Security Providers will affect the cash flow of the principal and earnings of the Notes.

## **5. Risks related to Overdue Repayment by the Lessees**

Operational errors, system errors and other reasons may cause technical delay in rental payment by the Lessees. As distribution under this Trust is made on a monthly basis, overdue payment of the rent within a short period generally does not affect the distribution of the earnings and the principal of these Asset Backed Notes. However,



if the overdue payment lasts for over a month, the distribution under the Notes may deviate from expectation.

## **6. Risks related to Dispute over Ownership and Disposal of the Leased Vehicles**

In the event that the Lessee fails to pay the rent in a timely manner, the Originator may dispose of the Leased Vehicles and apply the cash proceeds against the rent and other amounts payable to it pursuant to the Lease Agreement. Since the Lessee is the registered owner under the registration certificate of the Leased Vehicles from whom cooperation may be required for transfer of the Leased Vehicles, it may be difficult to dispose of the Leased Vehicle and obtain the cash proceeds, and thus the cash proceeds derived from the disposal of the Leased Vehicles may be less than the principal amount of the credit rights under the Underlying Assets, causing loss to the Trust. In addition, cooperation from the Lessee may also be needed in the event that the ownership of the Leased Vehicles is to be transferred to the Issuer Administrator upon the occurrence of a Rights Perfection Event. Hence, the change of the registered owner under the vehicle registration certificate may not be duly completed if the Lessee refuses to cooperate. This may also lead to future disputes around the ownership of the Leased Vehicles, making it difficult for the Trust to dispose of the Leased Vehicles and obtain the cash proceeds and thus causing risks to the Trust.

Further, each Leased Vehicle is subject to the risk of devaluation in the course of depreciation and possible future reductions of car prices.

Mercedes-Benz Group AG and its subsidiaries (“Mercedes-Benz”) are continuously subject to governmental information requests, inquiries, investigations, administrative orders and proceedings relating to environmental, criminal, antitrust and other laws and regulations in connection with diesel exhaust emissions.

Several authorities and institutions worldwide were, and still are, active in the form of inquiries, investigations, procedures and/or orders. These activities particularly relate to test results, the emission control systems used in Mercedes-Benz diesel vehicles and/or the interactions of Mercedes-Benz with the relevant authorities as well as related legal issues and implications, including, but not limited to, under applicable environmental, criminal, consumer protection and antitrust laws.

In the United States, Mercedes-Benz Group AG and Mercedes-Benz USA, LLC (MBUSA) reached agreements in the third quarter of 2020 with various authorities to settle civil environmental claims regarding the emission control systems of certain diesel vehicles, which have become final and effective. The authorities take the position that Mercedes-Benz failed to disclose Auxiliary Emission Control Devices (AECs) in certain of its US diesel vehicles and that several of these AECs are illegal defeat devices.

As part of these settlements, Mercedes-Benz denies the allegations by the authorities and does not admit liability, but has agreed to, among other things, pay civil penalties, conduct an emission modification programme for affected vehicles and take certain other measures. The failure to meet certain of those obligations may

trigger additional stipulated penalties. In the first quarter of 2021, Mercedes-Benz paid the civil penalties.

In the third quarter of 2020, Mercedes-Benz Group AG and MBUSA also reached an agreement with plaintiffs' counsel to settle the US consumer class action "In re Mercedes-Benz Emissions Litigation" before the U.S. District Court for the District of New Jersey. As part of the settlement, Mercedes-Benz Group AG and MBUSA deny the material factual allegations and legal claims asserted by the class action plaintiffs, but have agreed to provide payments to certain current and former diesel vehicle owners and lessees. The relevant court granted final approval of the settlement and issued a final judgment in the case. The estimated cost of the settlement is approximately USD 700 million. In addition, Mercedes-Benz estimates further expenses of a mid-three-digit-million euro amount to fulfil requirements of this settlement and the aforementioned settlements with the US authorities.

In April 2016, the U.S. Department of Justice ("DOJ") requested that Mercedes-Benz conduct an internal investigation. Mercedes-Benz conducted such internal investigation in cooperation with DOJ's investigation; DOJ's investigation remains open. In addition, further US state authorities have opened investigations pursuant to both state environmental and consumer protection laws and have requested documents and information. In Canada, the Canadian environmental regulator Environment and Climate Change Canada ("ECCC") is conducting an investigation in connection with Diesel exhaust emissions based on the suspicion of potential violations of, amongst others, the Canadian Environmental Protection Act as well as potential undisclosed AECs and defeat devices. Mercedes-Benz continues to cooperate with the investigating authorities.

In Germany, the Stuttgart public prosecutor's office issued a fine notice against Mercedes-Benz in September 2019 based on a negligent violation of supervisory duties, which became legally binding, thereby concluding the related administrative offense proceedings against Mercedes-Benz. The Stuttgart public prosecutor's office is still conducting criminal investigation proceedings against Mercedes-Benz employees on the suspicion of, amongst others, fraud. In July 2021, the local court of Böblingen issued penal orders against three Mercedes-Benz employees based on, amongst others, fraud, which have become final.

Between 2018 and 2020, the German Federal Motor Transport Authority ("KBA") issued subsequent auxiliary provisions for the EC type approvals of certain Mercedes-Benz diesel vehicles, and ordered mandatory recalls as well as, in some cases, stops of the first registration. In each of those cases, it held that certain calibrations of specified functionalities are to be qualified as impermissible defeat devices. Mercedes-Benz has a contrary legal opinion on this question. Since 2018, however, it has (in view of the KBA's interpretation of the law as a precautionary measure) implemented a temporary delivery and registration stop with respect to certain models, also covering the used-car, leasing and financing businesses, and is constantly reviewing whether it can lift this delivery and registration stop in whole or

in part. Mercedes-Benz has filed timely objections against the KBA's administrative orders mentioned above. In early

2021, the KBA issued objection orders ("Widerspruchsbescheide") in these proceedings, thereby not following the arguments brought forward by Mercedes-Benz. Since Mercedes-Benz continues to have a different understanding of the relevant legal provisions, it has filed lawsuits with the competent administrative court to have the controversial questions at issue clarified in a court of law. Irrespective of such objections and the lawsuits that are now pending, Mercedes-Benz continues to cooperate fully with the KBA. The new calibrations requested by the KBA have been developed by Mercedes-Benz and assessed and approved by the KBA; the related recalls have been initiated. It cannot be ruled out that under certain circumstances, software updates may have to be reworked, or further delivery and registration stops may be ordered or resolved by the Mercedes-Benz as a precautionary measure, also with regard to the used-car, leasing and financing businesses. In the course of its regular market supervision, the KBA is routinely conducting further reviews of Mercedes-Benz vehicles and is asking questions about technical elements of the vehicles. In addition, Mercedes-Benz continues to be in a dialogue with the German Ministry for Digital and Transport (BMDV) to conclude the analysis of the diesel-related emissions matter and to further the update of affected customer vehicles. In light of the aforementioned administrative orders issued by the KBA, and continued discussions with the KBA and the BMDV, it cannot be ruled out completely that additional administrative orders may be issued in the course of the ongoing and/or further investigations. Since 1 September 2020, this also applies to responsible authorities of other member states and the European Commission, which conduct market surveillance under the new European Type Approval Regulation and can take measures upon assumed non-compliance, irrespective of the place of the original type approval, and also to the British market surveillance authority DVSA (Driver and Vehicle Standards Agency).

In the course of its formal investigation into possible collusion on clean emission technology, the European Commission sent a statement of objections to Mercedes-Benz and other automobile manufacturers in April 2019. In this context, Mercedes-Benz had filed an application for immunity from fines (leniency application) with the European Commission some time ago. On 8 July 2021, the proceedings were closed by way of a settlement with the European Commission. During the entire proceedings, Mercedes-Benz Group AG cooperated closely with the European Commission, and the European Commission granted the company complete immunity from fines.

In addition to the aforementioned authorities, national cartel authorities and other authorities of various foreign States, including the South Korean Ministry of Environment, the South Korean competition authority (Korea Fair Trade Commission) and the Seoul public prosecutor's office (South Korea) are conducting various investigations and/or procedures in connection with Diesel exhaust emissions.

Mercedes-Benz continues to fully cooperate with the authorities and institutions. Irrespective of such cooperation and in light of the past developments, it is possible that further regulatory, criminal and administrative investigative and enforcement actions and measures relating to Mercedes-Benz and/or its employees will be taken

or administrative orders will be issued. Additionally, further delays in obtaining regulatory approvals necessary to introduce new or recertify existing vehicle models could occur.

In light of the legal positions taken by U.S. regulatory authorities and the KBA as well as the South-Korean Ministry of Environment, amongst others, it cannot be ruled out that, besides these authorities, one or more authorities worldwide will reach the conclusion that other passenger cars and/or commercial vehicles with the brand name Mercedes-Benz or other brand names of the Mercedes-Benz Group are equipped with impermissible defeat devices. Likewise, such authorities could take the view that certain functionalities and/or calibrations are not proper and/or were not properly disclosed. Mercedes-Benz cannot predict the outcome of the still ongoing proceedings at this time. Particularly in light of the fine notice issued by the Stuttgart public prosecutor's office against Mercedes-Benz, the penal orders against Mercedes-Benz employees and the civil settlements with the US authorities, as well as any ongoing and potential other information requests, orders and proceedings, it cannot be ruled out that Mercedes-Benz will become subject to, as the case may be, significant additional fines and other sanctions, measures and actions. The occurrence of the aforementioned events in whole or in part could cause significant collateral damage including reputational harm. Further, due to negative allegations or findings with respect to technical or legal issues by one of the various governmental agencies, other agencies – or also plaintiffs – could also adopt such allegations or findings. Thus, a negative allegation or finding in one proceeding, such as the fine notice issued by the Stuttgart public prosecutor's office, the penal orders against Mercedes-Benz employees or the allegations underlying the civil settlements with the US authorities, carries the risk of being able to have an adverse effect on other proceedings, also potentially leading to new or expanded investigations or proceedings, including lawsuits.

In addition, the ability of Mercedes-Benz to defend itself in proceedings could be impaired by the fine notice issued by the Stuttgart public prosecutor's office, the penal orders against Mercedes-Benz employees, the civil settlements with the US authorities and by the underlying allegations and other unfavourable allegations, as well as by findings, results or developments in any of the information requests, inquiries, investigations, administrative or criminal orders, legal actions and/or proceedings discussed above.

At the date of this Offering Circular, there are no indications that recent developments will have a material negative impact on payments on the Entrusted Lease Receivables, but there can be no assurance that the information requests, the inquiries, investigations, administrative or criminal orders, legal actions and/or proceedings discussed above and any future disclosure or settlement by or with respect to Mercedes-Benz Group AG and its subsidiaries will not adversely affect the businesses of Mercedes-Benz Group AG and its subsidiaries or ultimately the Entrusted Lease Receivables and/or the Issuer Administrator's ability to make payments under the Notes.

## **7. Risks related to Due Diligence of the Underlying Assets**

The Underlying Assets of the Trust involve 27,719 financial lease receivables, 130 of which are selected as samples. To better reflect the risk characteristics of the assets in the pool, the sampling method is as follows: 1. a total of 130 samples were selected, among which 45, 40 and 45 samples were selected under each sampling dimension respectively (including lease term, repayment type and credit score); 2. Lease Agreements with different lease terms were extracted according to their respective proportions; 3. Lease Agreements with different repayment types were extracted according to their respective proportions; 4. Lease Agreements of different credit scores are sampled according to their respective proportions. As the sampling method cannot cover all the Underlying Assets, there may be risk in the due diligence of the Underlying Assets.

#### **8. Risks that the Cash Flow/Principal and Interest Coverage Ratio of the Underlying Assets May Decline Due to the Increase of Issuance Rate**

If the market interest rate rises before the Issue and the actual issuance rate is higher than the issuance rate set under the benchmark conditions, the cash flow/principal and interest coverage ratio of the Underlying Assets may decline. Senior Noteholders may face investment risks caused by such decline.

#### **9. Risks related to Relatively Short Weighted Average Age of the Receivables in the Asset Pool**

As of the Cut-Off Date, the weighted average age of the financial lease receivables in the pool of the Trust is relatively short (only 19.48 months). Part of the Underlying Assets have not yet passed the high default risk period, and this may cause losses to the Trust.

#### **10. Risks related to the Payment of Final Instalment**

The Lease Agreements involved in the Underlying Assets of this Transaction include the "Agility Products" (with Return Option) and "Finance Lease with Balloon Products" (without Return Option) offered by MBLC (as detailed in section 6.1.5). The lease agreement for such products contemplates a final instalment payable at the end of the lease term, and allows the lessee to (i) repurchase the leased vehicle by paying the final instalment, or (ii) with respect to the "Agility Products" (with Return Option), return the leased vehicle to lessor without being obliged to pay the final instalment. As of the Cut-Off Date, the balance of Final Instalments under the Underlying Assets accounts for 74.04% of the Aggregate Outstanding Lease Principal Amount, among which the balance of Final Instalments under "Agility Products" (with Return Option) and "Finance Lease with Balloon Products" (without Return Option) accounts for 44.55% and 33.49% of the Aggregate Outstanding Lease Principal Amount respectively. Thus, the Lessees would face relatively high pressure of payment at the end of the lease term. With the approval of MBLC, the lessee may also apply to extend the lease term in order to defer the payment of the final instalment. In respect of the aforementioned risks related to the payment of Final Instalment, this Transaction has implemented the following arrangements:

- (a) In the event that a Lessee Return Event has occurred with respect to any Entrusted Lease Receivable with Return Option, the Originator shall be

obliged to repurchase the affected Underlying Assets and pay a Repurchase Price, unless it has issued to FOTIC (in the capacity as the trustee for the Fund Trust) the Purchase Notice in respect of the Relevant Vehicle on the Purchase Notice Delivery Date in the next calendar month, and instructed it to pay the relevant Consideration to the Operating Account;

- (b) in the event that the funds in the Fund Trust are insufficient to discharge the relevant Consideration, FOTIC shall promptly inform MBLC of the shortfall; MBLC shall thereafter inject additional trust funds so as to ensure the trust funds are sufficient to discharge the relevant Consideration;
- (c) if the Trustee has not received the relevant Consideration on the relevant Consideration Payment Date in accordance with the Vehicle Purchase Agreement, the Originator will be obliged to repurchase such affected Underlying Assets and pay a Repurchase Price;
- (d) if, with the approval by the Originator, the payment of the Final Instalment under an Entrusted Lease Receivable by the relevant Lessee has been extended (other than any extension in respect of a delinquent Entrusted Lease Receivable which is made during the collection process for recovering purpose and in accordance with the Credit and Collection Policy), the Originator will be obliged to repurchase such affected Underlying Assets and pay a Repurchase Price.

In light of the above transaction arrangement, if a Lessee Return Event occurs with respect to any Entrusted Lease Receivables with Return Option or the Final Instalment is extended, the payment of the relevant Consideration (or in the case that the Originator becomes obliged to repurchase the affected Underlying Assets, the relevant Repurchase Price) would ultimately depend on the performance by the Originator of the repurchase obligations under Trust Agreement, accordingly the investors may face the risks related to the performance of the Originator.

Based on the historical information of the Originator, during the period from 1 January 2016 to 31 December 2021, the accumulative number of returned vehicles under the Agility products was only 56, which accounts for 0.01% of the total number of the leased vehicles the Originator originated during such period. The rate of extension has also been maintained at a low level (please refer to Section 7.2 below) In the event that the return rate or extension rate of the Leased Vehicles under the Underlying Assets significantly increases in the future, the Originator may face short-term liquidity risks. If the Originator fails to perform the relevant repurchase obligations in accordance with the Trust Agreement, the repayment of the principal and the payment of the interest under the Asset Backed Notes may be impacted.

### **3.3 RISKS RELATED TO TRANSACTION STRUCTURE**

#### **1. Risks related to the Due Performance and Replacement of the Issuer Administrator, the Servicer and the Account Bank**

The operation of the Trust depends on the due performance by the Issuer Administrator, the Servicer and the Account Bank. Failure of due performance by the

above institutions, or improper operations or errors of their internal operations, personnel management or systems, or dismissal of institutions, may cause loss to the Noteholders.

## **2. Risks related to Management of Trust Account**

If the account of the Trust is misappropriated or is exposed to risks of seizure or freeze due to bankruptcy, dissolution or other circumstances of the Issuer Administrator or the Account Bank, the safety of the Trust Assets may be affected.

## **3. Risks related to Commingling by the Servicer**

During the transfer of the Collections under the Trust, the cash collected from the Underlying Assets may be commingled with the Servicer's own funds, and if a credit crisis occurs to the Servicer, such commingled funds may be difficult to be identified, which may give rise to risk of loss.

## **4. Risks related to Fund Transfers for the Underlying Assets**

Pursuant to the Servicing Agreement, the Servicer shall, on each Collections Transfer Date, transfer all Collections of the related Monthly Period to the Operating Account or as otherwise directed by the Issuer Administrator. The related process and operations during the fund transfers may give rise to certain risks.

## **5. Risks related to Redemption of the Ineligible Assets**

Since the Originator's ability and willingness of the redemption of the ineligible assets is uncertain due to the implication of its own business operation, financial status, etc., there is redemption risk of the ineligible assets.

## **6. Operational Risks**

Operational risk refers to the risk of loss due to improper or unsuccessful internal procedures, personnel and systems or external events in this asset backed securitization business by relevant institutions including the Issuer Administrator, the Account Bank, SCH, etc.

## **7. Risks related to the Absence of Backup Servicer**

Since no backup Servicer is appointed for the Notes at the time of establishment, the management and performance of the Notes may be adversely affected before the successor Servicer takes over and carries out its normal functions.

### **3.4 RISKS RELATED TO ORIGINATOR AND INTERMEDIARY INSTITUTIONS**

#### **1. Financial Risks**

##### **(a) Risks related to Disruption of Funding**

The Originator has a large demand for funding for its business activities. If the external funding is disrupted, the investors may suffer losses.

(b) Risks related to Capital Expenditure

The main capital expenditure of the Originator is lending under financial leases. However, there is a risk that unstable future operation conditions or blocked financing channels may lead to issues such as the decline in performance and financial difficulties of the Originator. The Originator regularly formulates plans, carries out financing within its means in accordance with the growth of its operation scale, and maintains a good credit relationship with major banks.

(c) Risks related to High Asset/Liability Ratio

Leasing industry is capital-intensive, and except for a part of self-owned funds, the sources of the funds used for capital expenditure (including purchase of leased property), are mainly external borrowings, which results in the relatively high asset-liability ratio of financial leasing. The asset-liability ratios of the Originator were 88.62%, 87.53%, 85.64% and 83.78%, respectively, at the end of 2019, 2020, 2021 and March 2022. At present, the asset-liability ratio of the Originator is at a relatively high level which may have an adverse impact on originator's financing plan, thus affecting the sustainable development of the company.

(d) Risks related to bad debts

The Originator's financial health will be undermined if its lease receivables result in a massive amount of bad debts. As of March 2022, the non-performing loan ratio of the Originator was 0.60%, lower than the industry average. Considering the Originator's strong controlling shareholder, and that the credit of the lessees has been screened through a complete set of lease disbursement and review procedures of the Originator, and taking into consideration the well-established collection policies of the Originator, the risk of huge bad debts is relatively low.

(e) Risks related to negative net cash inflow from operating activities

The net cash flow from operating activities of the Originator was RMB -12.87 billion, RMB, RMB -3.70 billion and RMB 7.02 billion in 2019, 2020 and 2021 respectively. By the end of March 2022, the net cash flow from operating activities was RMB 2.41 billion. The net cash flow from operating activities kept negative for 2019 and 2020 because rapid growth of the automobile finance leasing business generates large capital demand. If this situation remains unchanged or even getting worse, it may affect the Originator's financial health.

(f) Risks related to operating costs

The operating costs of the Originator were 1.98 billion, 2.28 billion, 2.15 billion and 0.47 billion respectively, in 2010, 2020, 2021 and March 2022. The operating costs are matched by the increase of the operating income. However, if the operating income stabilizes in the future and the costs continue to grow rapidly, the Originator will face the risk of declining profitability.

## 2. Operational Risks

(a) Risks related to Competition in Vehicle Leasing Industry



By the end of 2021, the total number of financial leasing enterprises (excluding single project companies, branches, SPV companies and overseas companies acquired) nationwide was about 11,917, a decrease of 239 from 12,156 at the end of 2020. Among them, the total number of domestic leasing enterprises nationwide reached 428, an increase of 14 from the end of last year. The total number of leasing enterprises with foreign investment nationwide was about 11,417, a decrease of 254 from 11,671 at the end of last year. The number of finance leasing enterprises nationwide was 72 with an increase of 1 from the end of last year.

In terms of total business volume, by the end of 2021, the balance of financial leasing contracts nationwide was about RMB 6210 billion, reduced by RMB 294 billion or 4.5% from RMB 6504 billion at the end of 2020.

In respect of the competitive landscape of the industry, the finance leasing companies controlled by banks and financial asset management companies have strong competitive advantages and dominated the market. The Originator is faced with relatively fierce competition.

For the vehicle leasing industry of PRC, there is an obvious tendency of market integration: currently, the overall market is still highly dispersed, and the market share of the top 10 vehicle leasing companies is only 12%. From the perspective of different categories, the short-term leasing companies are of the smallest number due to the large demand for funds, vehicles and network support, but have the largest number of vehicles; the long-term leasing companies are of the largest number, that is, about 80% of the companies can be classified as long-term leasing companies, most of which, however, are small local enterprises; there are limited number of financial leasing companies, and most of which are located in tier 1 or tier 2 cities with limited number of leased vehicles. An increasing number of medium and large enterprises are leveraging their own advantages to start to expand their own product lines, or to expand the operating area to seize market share. It is foreseeable that under the background of gradually increasing leasing market, the market concentration will also increase significantly in the future.

#### (b) Credit Risks of the Lessees

If the Lessees or the counterparties of the transactions are unable or unwilling to perform repayment obligations or commitment under the contracts, the Originator may suffer certain economic losses, which may affect the due repayment of the Notes. In order to mitigate credit risk, the Originator attaches great importance to risk management. It continuously improves three lines of defense model, each line of defense is separated and cooperate with each other to reduce or mitigate possible risk events, so as to decrease the occurrence of losses. For the retail financial leasing business, the Originator has established a set of complete risk control systems and business operation processes. Appropriate risk control measures are in place, such as the score card which is adjusted dynamically based on different factors and the three stages model according to IFRS 9 Financial Instruments to estimate the expected credit loss.

#### (c) Risks related to Industry and Market

Risks related to industry and market refer to the risks that the fluctuations in the industry and enterprises caused by the changes of international and domestic macroeconomic environment may lead to the emergence of non-performing assets in the leasing business of the Originator. At present, due to the changes of the international and domestic economic conditions, there are uncertainties with regard to the profitability of some industries and enterprises, which may impact the development of the leasing business of the Originator.

(d) Risks related to Property Rights

During the term of the financial leasing, the ownership of the Leased Vehicles remains with the Originator, but the Lessee has the right to use the vehicle. If the Lessee intentionally damages or transfers the Leased Vehicle, or establishes repeated mortgage, risks related to property rights would occur. In the financial leasing, the lessor has both the property rights and creditor's rights. The relationship concerning its creditor's rights and property rights is regulated and adjusted by the contract section and property section of the Civil Code respectively. In PRC, the property rights of leasing companies have been clearly stipulated and protected in the established judicial system, however in terms of the financial leasing industry, there are issues concerning the coordination and convergence among the Civil Code and relevant laws and regulations, and the legislation is not well developed. In addition, since the enforcement period of judgment concerning property rights is relatively long while the technical equipment in general is updated relatively fast, once the property rights dispute arises, risks may occur in respect of the business operation of the Originator.

(e) Risks related to Assets Loss

Assets loss risk refers to the risk that the damage or loss may occur to the Leased Vehicles (the ownership of which is retained by the Originator) after the contract comes into effect due to reasons non-attributable to both parties including, among others, earthquakes, fire and hurricanes. The Originator takes precautions to such risks by way of insurance and other measures, however, it may still bear certain risks of assets loss where the loss exceeds the insurance compensation.

(f) Risks related to Economic Cycle

In recent years, with the slowdown of global economic growth, the economic growth of PRC has also slowed down. The potential growth rate of domestic macroeconomics has declined, and the energy of economic growth is insufficient, which mainly reflects in the structural slowdown. Problems including the expansion of local government debt and overcapacity have gradually emerged. The performance of financial leasing enterprises is closely related to the economic cycle, and the sound economic growth and industrial development are the basis for the Originator to ensure and enhance profitability. If the slowdown of economic growth deteriorates or depression occurs, adverse effects will be brought on the asset quality and profitability of the Originator.

(g) Risks related to Tax Changes and Reform

In November 2011, the *Notice on Issuing the Pilot Plan for Replacing Business Tax with Value-added Tax* and the *Notice on Carrying out the Pilot Practice of Replacing Business Tax with Value-added Tax on the Transportation Industry and Some Modern Service Industries in Shanghai* were issued. From 1 January 2012, tangible and movable property leasing services provided by financial leasing companies in Shanghai were included in the scope of value-added taxation. However, after the pilot adoption of replacing business tax with value-added tax on 1 August 2012, the State Administration of Taxation explicitly requested that, regardless of the future or existing contracts, value-added tax must be levied on the principal and rent interest of the sale-and-leaseback business; however, the Lessee is unable to issue the input invoice subject to the *Announcement from the State Administration of Taxation on Taxation Issues Concerning the Sale of Assets by the Lessee in the Financing Sale-and-leaseback Business* issued in 2010, leading to a break of value-added tax chain and causing significant impact on the sale-and-leaseback business of the leasing industry. The sale-and-leaseback business is faced with loss, and therefore such business of some companies is suspended. The State has adjusted the current tax policy of replacing business tax with value-added tax on the leasing industry considering the issues reflected in the pilot adoption of such policy. According to the *Circular Cai Shui 2016 No. 36*, sale-and-leaseback for financing purpose is categorized under Financial Services-Loan Services, and Annex II thereof provides that value-added tax at the rate of 6% shall be charged over the sum of the proceeds and fees (excluding principal) obtained under sale-and-leaseback for financing purpose, after deducting the interest for borrowing (including interest for foreign currency loans and Renminbi loans) and bond issuance. However, according to article 27 of schedule 1 to the Notice Cai Shui [2016] No. 36, the input tax of the loan services cannot be deducted from its output tax. Overall, the tax policy reform has a positive and favorable impact on the leasing industry, but changes of tax policy would still give rise to risks of uncertainty.

#### (h) Operational Risk Caused by Unexpected Events

In the case of unexpected events that affect the Originator, including social security incidents and company management's inability to perform duties, the public image of the company may be negatively impacted; the safety of the life and property of the personnel may be jeopardized; the operational system of the company may not operate smoothly; and adverse effects may be brought to the operation of the Originator.

### 3. Management Risks

#### (a) Operational Risks

Operational risks refer to the risks of direct or indirect loss caused by imperfections or errors of internal procedures, personnel and system, or external events. Although the Originator has established measures of control and risk management for various management operations, any control may be diminished or compromised due to reasons including changes in internal and external environment, insufficient awareness of a particular business by the person involved, and the relaxed implementation of the existing rules by the executor, which may lead to man-made operational risk. In order to mitigate the operational risk, the Originator will

continuingly update the relevant company policies and business procedures, improve and perfect the business management information system, and strengthen the training of employees, the dynamic monitoring of employee behaviors and follow-up supervision.

(b) Legal Risks

Legal risks mainly refer to the possibility of loss occurring to the Originator due to legal and regulatory reasons, or the lack of legal and regulatory support. Since the popularity and maturity of the financial leasing business still needs to be improved, and the laws and regulations have yet to be perfected and clarified, the legal risks would remain as one of the main risks faced by the Originator for a certain period of time in the future. The Originator attaches great importance to the legal compliance of the business, and in order to mitigate legal risks, the company designates the compliance department to (i) be responsible for legal compliance risk detection and identification; (ii) to provide legal support for the development of the leasing business by studying relevant laws and regulations; (iii) to be responsible for the risk review of leasing projects; (iv) to fully reveal possible legal risks and propose solutions; (v) to dispose and reduce non-performing assets; and (vi) to constantly revise and improve the templates of company's business contracts, so that the interests of the company are effectively protected and the legal risks are minimized.

(c) Risks related to Shortage of Professional Talents

With the business development in recent years, the size and business fields of the Originator have been continuously expanding, and there are higher demands for human resources. With the expansion of the scale of the financial leasing industry, the competition of the industry has intensified, in the future, the demand for talents in the industry will increase, and the availability of talents with excellent financial, leasing, trade, accounting and taxation, legal and engineering knowledge will become increasingly important. Insufficient human resources capabilities to retain new talented employees will harm the competitiveness.

(d) Risks related to Corporate Governance Structure Changes Caused by Unexpected Events

The Originator has formed a comprehensive corporate governance structure with the cooperation and checks and balances between the board of directors, supervisors and senior management. In the case of unexpected events including the inability to perform duties by the company's senior management due to enforcement measures or other reasons, the board of directors, supervisors and senior management may not be able to perform their corresponding duties, the operational system of the company and the board of directors and supervisors may not operate smoothly and adverse effects may be brought to the operation of the Originator.

(e) Internal Risks Management and Risk Control

The leasing business of the Originator has a wide customer base, covering all provinces, autonomous regions and municipalities across the country, and has a large number of counterparties, which imposes higher requirements to the internal

risk management and control of the Originator. Although the Originator has established comprehensive risk prevention and control measures, and classifies and manages various business processes, including a series of risk management and control systems including material review method, rent collection system, litigation method, vehicle tracking management policy and the vehicle disposal process, it may still face adverse effects from the non-performance of the counterparty due to insufficient capacities.

(f) Management Risks Due to Rapid Expansion of the Company's Scale

In recent years, the business scale of the Originator has been expanding rapidly, covering all provinces, autonomous regions and municipalities across the country. With the expansion of the company's business scope, the risk control has become more challenging. Consequently the requirements to the company's management system and risk control system are more demanding. If the improvement of company's internal management system cannot meet the needs of business expansion, certain adverse effects may be brought to the Originator.

(g) Risks related to the Technical Platform Operation

In the daily operation and transaction process of the Originator, with the continuously expanding business volume, the daily operation of the Originator may be affected due to the failure or error of the internal technical system, and adverse effects may be brought to the Originator.

#### 4. Policy Risks

(a) Risks related to Macroeconomic Policies

Risks related to policies mainly refer to the risks that changes of the State's policies for financial leasing transactions and financial leasing institutions may be disadvantageous for the Originator, including policies such as industry regulatory policies, accounting policies and tax collection and management policies. The Originator conducts operations within the scope authorized by the board of directors and in accordance with the requirements of the regulatory authorities, and maintains regular communication with the regulatory authorities. The *Announcement From the State Administration of Taxation on Taxation Issues Concerning the Sale of Assets in the Financing Sale-and-leaseback* issued in 2010 achieved a breakthrough in the tax issues that had plagued the development of the leasing business for a long time; the *Rules of Financial Leasing Registration from the Credit Reference Center of the People's Bank of China* brings convenience to the perfection of the company's rights to the leased property and protects the property safety. The policy environment is being perfected for the development of financing leasing business.

(b) Risks related to Monetary Policies

Monetary policy refers to measures taken by the central bank to control the money supply, and adjust and control the interest rate for the purpose of regulating economic activities. One of the fund sources for the Originator is the bank loan. If the central bank adopts tightened monetary policies and reduces the size of credit, the fundraising of the Originator may be affected. At present, the Originator has

gradually broadened its financing channels through direct financing to prevent monetary policy risk.

## **5. Risk of Intermediary Agencies' Violation**

The normal operation of the Trust relies on the due performance by the Issuer Administrator, the Servicer and the Account Bank. During the term of the Notes, if the Issuer Administrator, the Servicer or the Account Bank commits serious violations of relevant laws and regulations, or agreements under Notes, the payment of the principal and expected earnings to the investors of Notes may be affected.

## **6. Risk of Conflict of Interest**

On 22 November 2018, NAFMII issued the *Public Announcement on Market Evaluation Results regarding the Participation by Intended Underwriting Members (Trust Companies) in Underwriting Business* (Zhong Shi Xie Fa [2018] No. 30), pursuant to which FOTIC was approved to engage in underwriting business for debt financing instruments of non-financial enterprises. On 31 August 2020, NAFMII issued the *Notice on the Filing of Establishment of Interest Conflict Prevention System*, pursuant to which FOTIC was approved to act simultaneously as the special purpose vehicle administrator and underwriter in the same asset backed notes transaction. In this transaction, FOTIC acts simultaneously as the Issuer Administrator and an Underwriter, which may potentially give rise to risk of conflict of Interest.

To mitigate such risk, FOTIC has set up an internal firewall mechanism, and implemented the system of independent business management, independent organizational structure, independent personnel, independent decision-making, independent information, and independent account, etc., to prevent potential conflict of interest (as detailed in section 6.2.8).

### **3.5 OTHER SPECIFIC RISKS**

#### **1. Tax Risks**

According to Notice Cai Shui [2016] No. 140 and Notice Cai Shui [2017] No. 56 and other relevant laws and regulations and tax policies, when allocating the trust benefits of the Trust, the proceeds obtained by the Noteholders may be subject to corresponding taxation. If the trustee is required to pay the corresponding tax in respect of the Trust Assets according to the provisions of China's tax law and related tax administration regulations, collection policies, etc., any additional tax levied by the tax authorities on the Noteholders shall be paid out of the Trust Assets, and the relevant institutions related to this Trust are not be responsible to compensate such tax.

#### **2. Force Majeure Risk**

During the existence of the Trust, if a force majeure factor such as political, economic factors and natural disasters occurs, assets and proceeds of the Trust may be adversely affected.

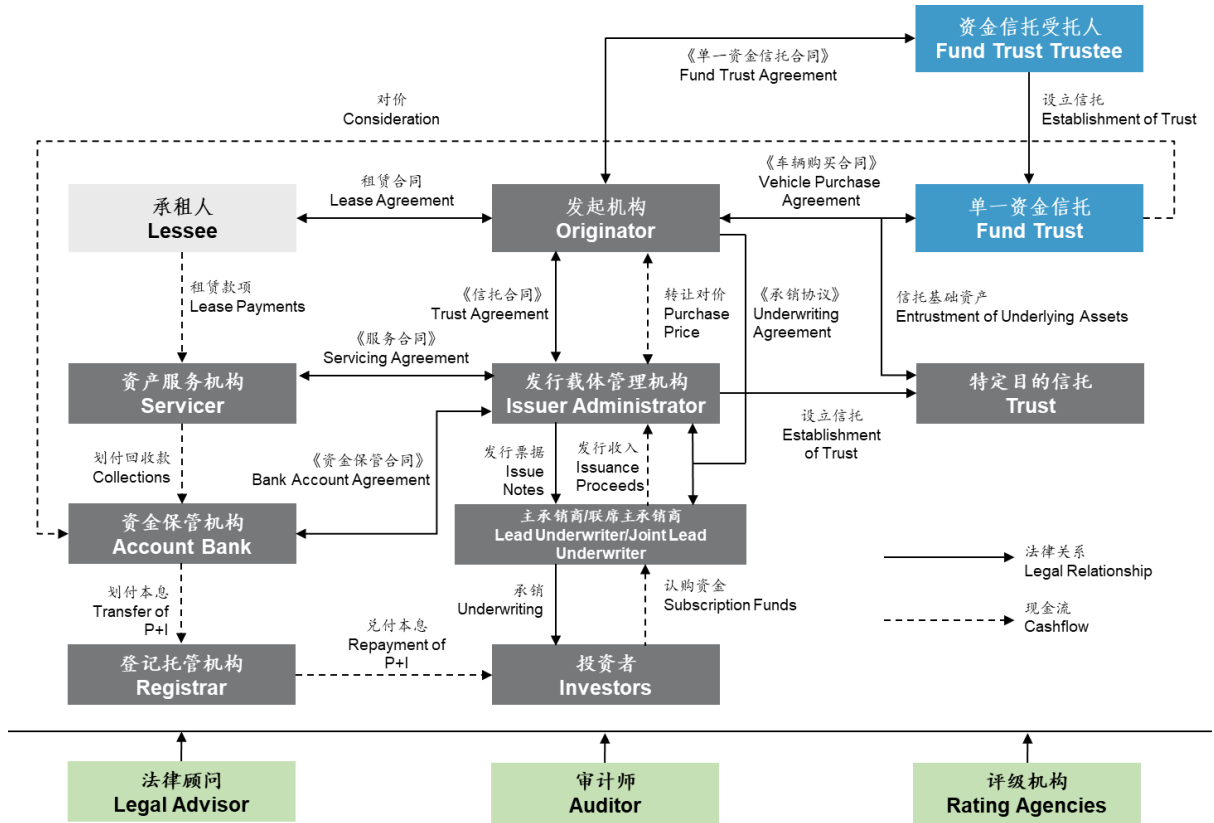
### **3. Technical Risk**

In the daily transaction of the Trust, the normal transaction process or the interests of investors may be affected by technical system failures or errors. This type of technical risks may come from the Issuer Administrator, the Account Bank, SCH, etc.

## CHAPTER 4 TRANSACTION STRUCTURE

### 4.1 TRANSACTION STRUCTURAL CHART

The following diagram illustrates the basic transaction structure of the Notes in this issue. Solid lines indicate the legal relationship between the parties and dotted lines show cash flow transfers:



Originator	Mercedes-Benz Leasing Co., Ltd.	Trust	Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2022-1 Asset Backed Notes Trust
Issuer Administrator	China Foreign Economy and Trade Trust Co., Ltd.	Lead Underwriter	Bank of China Limited
Credit Enhancement Provider	/	Joint Lead Underwriter	Industrial and Commercial Bank of China Limited
Account Bank	Industrial and Commercial Bank	Target Investors	Institutional Investors in the



	of China Limited Beijing Municipal Branch		National Interbank Bond Market (except for investors prohibited under the laws or regulations)
Legal Counsel	FenXun Partners	Accounting Advisor	KPMG Huazhen LLP
Rating Agencies	China Lianhe Credit Rating Co., Ltd.  S&P Ratings (China) Co., Ltd.	Registry	Shanghai Clearing House

## 4.2 INTRODUCTION OF TRANSACTION STRUCTURE

The specific structure of this transaction is as follows:

1. Pursuant to the Fund Trust Agreement, MBLC as grantor entrusts its legitimate self-owned funds to FOTIC as trustee, with which FOTIC establishes the Fund Trust. FOTIC (as the trustee for the Fund Trust) as buyer and MBLC as seller enter into the Vehicle Purchase Agreement, pursuant to which FOTIC (as the trustee for the Fund Trust) agrees to purchase any Leased Vehicle which the Lessee has elected to return to MBLC pursuant to the Lease Agreement upon occurrence of a Lessee Return Event.
2. Pursuant to the Trust Agreement, MBLC as the Originator entrusts all of its rights and interests to (i) the Entrusted Lease Receivables and the related Ancillary Interests and (ii) the Consideration payable under the Vehicle Purchase Agreement to FOTIC as the Trustee, with which FOTIC establishes a property right trust. FOTIC issues Asset Backed Notes to the investors and pays the relevant tax, trust expenses and the principal of and earnings from the Asset Backed Notes, to the extent of the cash generated by the Trust Assets.
3. Pursuant to the Servicing Agreement, the Trustee engages the Servicer to manage and service the day-to-day collections of Entrusted Lease Receivables and the related Ancillary Interests.
4. Pursuant to the Bank Account Agreement, the Trustee engages the Account Bank to provide bank account services for the cash assets generated by the Trust Assets.
5. Pursuant to the Underwriting Agreement and the Syndication Agreement, the Trustee instructs the Lead Underwriter to underwrite the Senior Asset Backed Notes, and the Lead Underwriter forms a Syndication to complete the underwriting work. The Subordinated Notes will be retained by the Originator.

### 4.3 REPURCHASE ARRANGEMENT

Pursuant to the Trust Agreement:

- (a) Upon occurrence of any of the following, the Originator will be obliged to repurchase such affected Entrusted Lease Receivable and pay a Repurchase Price:
- (i) an Entrusted Lease Receivable has breached the Eligibility Criteria as of the Cut-Off Date;
  - (ii) an Entrusted Lease Receivable has breached the Originator Lease Warranties as of the Closing Date;
  - (iii) with the approval by the Originator, the payment of the Final Instalment under an Entrusted Lease Receivable by the relevant Lessee has been extended (other than any extension in respect of a delinquent Entrusted Lease Receivable which is made during the collection process for recovering purpose and in accordance with the Credit and Collection Policy);
  - (iv) the Originator has exercised the Clean-Up Call; or
  - (v) after the occurrence of a Lessee Return Event, the Trustee has not received the relevant Consideration on the relevant Consideration Payment Date in accordance with the Vehicle Purchase Agreement.

The Repurchase Price to be paid by the Originator to the Issuer shall equal:

- (A) in the case of items (i) and (ii), the sum of the Outstanding Lease Principal Amounts of the affected Entrusted Lease Receivables as of the end of the respective Collection Period;
  - (B) in the case of item (iii), the amount of the relevant Final Instalment;
  - (C) in the case of item (iv), the amount calculated in accordance with the provisions of the Trust Agreement in relation to the Clean-Up Call (please refer to the section in relation to Clean-Up Call in Chapter 8); or
  - (D) in the case of item (v), the relevant Consideration.
- (b) In the event that a Lessee Return Event has occurred with respect to any Entrusted Lease Receivable with Return Option, the Originator shall be obliged to repurchase the affected Underlying Assets and pay a Repurchase Price, unless it has issued to FOTIC (in the capacity as the trustee for the Fund Trust) the Purchase Notice in respect of the Relevant Vehicle on the Purchase Notice Delivery Date in the next calendar month, and instructed it to pay the relevant Consideration to the Operating Account. The Repurchase Price payable by the Originator to the Issuer Administrator under such circumstance shall equal the relevant Consideration.

The Originator shall pay the relevant Repurchase Price to the Operating Account:

- (A) in the case of the circumstance under item (a)(i) or (a)(ii) above, on the Collections Transfer Date corresponding to the Collection Period in which such circumstance is discovered;
- (B) in the case of the circumstance under item (a)(iii) above, on the Collections Transfer Date corresponding to the Collection Period in which such extension becomes effective;
- (C) in the case of the circumstance under item (a)(iv) above, on the next Collections Transfer Date; or
- (D) in the case of the circumstance under item (a)(v) or item (b) above, the relevant Consideration Payment Date.

For the avoidance of doubt, the payment of such Repurchase Price upon the Clean-Up Call shall be netted with any amounts standing to the credit of the General Reserve Account and the Operating Account.

Upon receipt of the Repurchase Price, the relevant Underlying Assets shall be re-assigned and re-transferred to the Originator (without recourse or warranty on the part of the Issuer Administrator and at the sole cost of the Originator and without any further purchase price payable by the Originator).

#### **4.4 PRIMARY RIGHTS AND OBLIGATIONS OF THE TRANSACTION PARTIES**

##### **4.4.1 Originator/Grantor**

- (a) Primary Rights
  - (i) To receive the Purchase Price and Subordinated Notes in accordance with the Trust Agreement;
  - (ii) To exercise the Clean-Up Call option if the conditions prescribed by the Trust Agreement are met;
  - (iii) Such other rights to which the Originator/Grantor is entitled in accordance with the provisions of laws, administrative regulations and rules, and the terms of the Transaction Documents.
- (b) Primary Obligations
  - (i) To entrust the Underlying Assets in accordance with the Trust Agreement;
  - (ii) To promptly perform the repurchase obligations and pay the Repurchase Price upon occurrence of the repurchase events prescribed under the Trust Agreement;

- (iii) To warrant that each of its representations and warranties in respect of the Entrusted Lease Receivables under the Trust Agreement as of the Cut-Off Date is true and accurate;
- (iv) To perform its undertakings under the Trust Agreement
- (v) Such other obligations to be performed by the Originator in accordance with the provisions of laws, administrative regulations and rules, and the terms of the Transaction Documents.

#### **4.4.2 Trustee / Issuer Administrator**

##### **(a) Primary Rights**

- (i) To receive the Trustee Fee;
- (ii) To manage, utilise and dispose of the Trust Assets in accordance with the terms of the Trust Agreement;
- (iii) To convene a Controlling Noteholders' Meeting in accordance with the terms of the Trust Agreement;
- (iv) To entrust the Servicer and the Account Bank to provide services for the Trust;
- (v) Such other rights to which the Trustee/Issuer Administrator is entitled in accordance with the provisions of laws, administrative regulations and rules, and the terms of the Transaction Documents.

##### **(b) Primary Obligations**

- (i) To arrange for the issuance and registration of asset backed notes;
- (ii) To pay the Purchase Price to the Originator in accordance with the Trust Agreement;
- (iii) To disclose information of the Trust Assets and Notes on a regular basis;
- (iv) To prepare the accounting statements of the Trust Assets, and to arrange for necessary audits, monitoring of ratings and other matters;
- (v) To handle the liquidation upon the liquidation of the Trust, and prepare a liquidation report;
- (vi) To perform each of its undertakings under the Trust Agreement;

- (vii) Such other obligations to be performed by the Trustee/Issuer Administrator in accordance with the provisions of laws, administrative regulations and rules, and the terms of the Transaction Documents.

#### **4.4.3 Servicer**

- (a) Primary Rights
  - (i) To receive a Servicing Fee;
  - (ii) To administrate the Entrusted Lease Receivables according to the Servicing Agreement;
  - (iii) Such other rights to which the Servicer is entitled in accordance with the provisions of laws, administrative regulations and rules, and the terms of the Transaction Documents.
- (b) Primary Obligations
  - (i) To transfer the Collections to the Operating Account of the Issuer Administrator;
  - (ii) To provide recovery and management services in connection with the Trust Assets pursuant to laws, administrative regulations, rules and the Servicing Agreement, including but not limited to
    - recovering the Entrusted Lease Receivables
    - regularly preparing Monthly Servicer Reports
    - taking due care of the documents relating to the Trust Assets
  - (iii) Such other obligations to be performed by the Servicer in accordance with the provisions of laws, administrative regulations and rules, and the terms of the Transaction Documents.

#### **4.4.4 Account Bank**

- (a) Primary Rights
  - (i) To receive remuneration under the Account Bank Fee Letter;
  - (ii) To review the payment instructions of the Trustee pursuant to the Bank Account Agreement;
  - (iii) Such other rights to which the Account Bank is entitled in accordance with the provisions of laws, administrative regulations and rules, and the terms of the Transaction Documents.

(b) Primary Obligations

- (i) To provide fund custody services for the Trust Assets pursuant to the laws, administrative regulations, rules and the Bank Account Agreement, including but not limited to
  - opening the Issuer Accounts
  - executing the payment instructions from the Trustee
  - investing funds in the Issuer Accounts in Permitted Investments as instructed by the Trustee
  - regularly providing information on the Issuer Accounts and Account Bank Reports
- (ii) Such other obligations to be performed by the Account Bank in accordance with the provisions of laws, administrative regulations and rules, and the terms of the Transaction Documents.

**4.4.5 Lead Underwriter and Joint Lead Underwriter**

(a) Primary Rights

- (i) To organize the Syndication (if any) to underwrite the Debt Financing Instruments under the Underwriting Agreement;
- (ii) To assist the Issuer Administrator in completing the bookrunning and allocation process for these Asset Backed Notes in accordance with the Underwriting Agreement;
- (iii) To receive the Underwriting Remuneration according to the Underwriting Agreement after the performance of the underwriting obligations thereunder;
- (iv) Such other rights to which the Lead Underwriter and the Joint Lead Underwriter are entitled in accordance with the provisions of laws, administrative regulations and rules, and the terms of the Transaction Documents.

(b) Primary Obligations

- (i) To conduct due diligence for the issuance of these Asset Backed Notes in accordance with relevant requirements;
- (ii) To organize and engage experienced professionals for the issuance and underwriting of these Asset Backed Notes;
- (iii) To timely and fully transfer the Proceeds to the Proceeds Account specified by the Issuer Administrator in accordance with the provisions of the Underwriting Agreement;

- (iv) To provide the Originator with advice or proposals on the issuance of these Asset Backed Notes;
- (v) To provide advice on the documents issued by the Originator with respect to the issuance of these Asset Backed Notes, provided that the Originator shall resort to professional opinions from relevant intermediaries on accounting, legal, rating and other matters and make decisions and judgements independently ;
- (vi) To convene Asset Backed Notes Noteholders' Meeting in accordance with the Trust Agreement, and perform the obligations such as recording, filing and execution of resolutions;
- (vii) To assist the Originator and the Issuer Administrator in the disclosure of the issuance documents, and to supervise and urge their continuous performance of information disclosure obligations;
- (viii) To inform the Originator and the Issuer Administrator of the obligation to timely and fully transfer the principal and interest of these Asset Backed Notes and other obligations;
- (ix) During the term of these Asset Backed Notes, the Lead Underwriter and the Joint Lead Underwriter shall, in accordance with the laws and relevant self-regulatory documents of NAFMII, continue to perform the post-issuance management works including tracking, monitoring, investigations etc., to timely and accurately identify the risks and solvency of the Originator, and to supervise and urge the Originator and the Issuer Administrator to perform the information disclosure, payment of principal and interest and other obligations;
- (x) Such other obligations to be performed by the Lead Underwriter and the Joint Lead Underwriter in accordance with the provisions of laws, administrative regulations and rules, and the terms of the Transaction Documents..

## **CHAPTER 5 CREDIT ENHANCEMENT FOR THE NOTES**

### **5.1 INTERNAL CREDIT ENHANCEMENT**

#### **5.1.1 Tiered Structure**

The Notes in this issue are divided into Senior Asset Backed Notes and Subordinated Asset Backed Notes, of the following issue sizes and percentages: Senior Asset Backed Notes, RMB 4,500,000,000.00, 84.12%; Subordinated Asset Backed Notes, RMB 849,665,524.32, 15.88%.

The Senior Asset Backed Notes and the Subordinated Asset Backed Notes represent the Senior Trust Beneficial Interests and the Subordinated Trust Beneficial Interests, respectively, among the Trust Beneficial Interests. In each payment, the payment of principal and interest on the Subordinated Asset Backed Notes ranks below the payment of principal and interest on the Senior Asset Backed Notes, thus creating credit support for the Senior Asset Backed Notes and achieving the purpose of credit enhancement.

#### **5.1.2 Establishment of Reserve Accounts**

##### **(a) General Reserve Account**

The General Reserve Account will be opened by the Issuer Administrator as credit enhancement for the payment of senior fees and interest under the Notes. The amount standing to the credit of the General Reserve Account as of the Closing Date will be RMB 26,748,327.62, being 0.50% of the Aggregate Outstanding Lease Principal Amount as of the Cut-Off Date. With regard to each Payment Date, the General Reserve Draw Amount will be determined and the Issuer Administrator will apply the same, together with the other amounts forming the Available Distribution Amount, according to the applicable Priority of Payments.

On each Payment Date and prior to an Enforcement Event, the Issuer Administrator will credit to the General Reserve Account an amount such that the amount standing to the credit of the General Reserve Account is equal to the General Reserve Required Amount, subject to the Available Distribution Amount and in accordance with the Pre-enforcement Priority of Payments.

##### **(b) Commingling Reserve Account**

In the Transaction, the Commingling Reserve Account will be created as protection against a potential Servicer Shortfall.

Upon the occurrence and continuance of a Commingling Reserve Trigger Event, the Servicer undertakes to remit to the Issuer Administrator on the Issue Date and until any relevant Payment Date, as applicable, an amount such that the amount standing to the credit of the Commingling Reserve Account is equal to the Commingling Reserve Required Amount as of such date, for as long as the Originator remains the Servicer.



Upon the occurrence of a Commingling Reserve Trigger Event, the Commingling Reserve Required Amount shall be used to cover the potential risks in relation to commingling risk of the Servicer under the Transaction Documents and the potential risks in relation to a Servicer Shortfall under the Transaction Documents, whereby any Commingling Reserve Draw Amount, if applicable, shall be applied in accordance with the Pre-enforcement Priority of Payments on each Payment Date.

On any Payment Date, if any amount standing to the credit of the Commingling Reserve Account exceeds the Commingling Reserve Required Amount, the Issuer shall release such excess to the Servicer outside the Priority of Payments. For the avoidance of doubt, any interest accrued on the Commingling Reserve Required Amount shall not constitute part of the Available Distribution Amount.

### **5.1.3 Excess Spread**

Excess spread for any Payment Date generally will be the amount by which the Collections during the related Collection Period exceed the sum of the taxes, Trustee Fees, Administration Expenses, Servicing Fees, the Interest Amount for the Notes and any amount required to be deposited into the General Reserve Account so that the funds on deposit therein equal the General Reserve Required Amount. The weighted average interest rate of the Entrusted Lease Receivables involved under this Transaction is 6.32%. Excess spread will provide a source of funds to absorb losses on the Entrusted Lease Receivables and reduce the likelihood of losses on the Notes.

### **5.1.4 Credit Triggering Events**

#### **(a) Rights Perfection Event**

Within five (5) Business Days of the occurrence of a Servicer Termination Event, the Servicer (or, under the circumstances where the Servicer has not performed its notification obligations, the successor Servicer (if any)) or the Trustee, as the case may be, shall issue a rights perfection notice, by registered mail, in substantially the relevant form as set out in Schedule 3 of the Trust Agreement to:

- (i) notify the Lessees of the fact that the relevant Entrusted Lease Receivables and the Ancillary Interests have been entrusted to the Issuer Administrator and the action which the Servicer proposes to take with respect thereto;
- (ii) notify each of the Insurers (and insured persons) of each of the Lease Agreements and Leased Vehicles of the fact that the relevant Entrusted Lease Receivables, Ancillary Interests and the relevant Insurance Claims have been entrusted to the Issuer Administrator, and of the rights of the successor Servicer, and request that the insurance certificates are issued in favour of the Issuer Administrator ; and

- (iii) notify the Security Providers of the fact that the relevant Entrusted Lease Receivables and the Ancillary Interests have been entrusted to the Issuer Administrator.

Within twenty (20) Business Days after the occurrence of (i) the termination of MBLC as the Servicer, or (ii) an Insolvency Event with respect to the Originator (the "Leased Vehicles Transfer Period"), the Originator shall transfer the ownership of the relevant Leased Vehicles to the Issuer Administrator. In the case that the Originator fails to complete the transfer of ownership within the Leased Vehicles Transfer Period, the ownership of the relevant Leased Vehicles shall still be deemed to have been transferred to the Trust upon the expiry of the Leased Vehicles Transfer Period. The Originator and the Issuer Administrator confirm and acknowledge that the consideration for the transfer of ownership of the Leased Vehicles has been included in the Proceeds, and no further consideration is required to be paid by the Issuer Administrator for such transfer. The Originator shall cooperate with and assist the Issuer Administrator to complete the alteration registrations in respect of the ownership and/or mortgage of the Leased Vehicles in connection with the aforementioned transfer.

#### (b) Enforcement Event

An Enforcement Event means the event that an Issuer Administrator Event of Default has occurred and the Noteholders have served an Enforcement Notice on the Issuer Administrator.

If an Issuer Administrator Event of Default occurs and it is not cured or remedied in accordance with the Transaction Documents, the Noteholders (through a Controlling Noteholders' Meeting) may decide whether to declare the occurrence of an Enforcement Event. Once a decision has been made to declare an Enforcement Event, the Noteholders shall issue an Enforcement Notice to the Trustee to declare that the principal and interest of the Notes shall be due and payable at once. The date on which the Enforcement Notice is issued shall be referred to as the "Enforcement Date". Upon receipt of an Enforcement Notice, the Trustee (representing the Noteholders) shall notify the Servicer, the Account Bank, the Registrar, the Paying Agent and the Rating Agencies of the notice.

Following the occurrence of an Enforcement Event, distributions will be made from the Available Distribution Amount according to the Post-enforcement Priority of Payments set out in Schedule 11 of the Trust Agreement.

### **5.1.5 Sequence of Internal Credit Enhancement**

The Excess Spread generated by the Underlying Assets will first be used to repay the principal on the Senior Asset Backed Notes. In the event that the Collections of the Underlying Assets are insufficient to cover the taxes, expenses and Senior Asset Backed Notes interest (i.e. items (1) to (4) of the Pre-Enforcement Priority of Payments) under the Transaction Documents

(whether due to default by the Lessees or other circumstances), the balance in the General Reserve Account will be applied to cover such shortfall.

In the event that the Collections of the Underlying Assets continue to deteriorate and have led to default in the payment of interest or principal of the Senior Asset Backed Notes, or any other Enforcement Event has occurred, provided such event is not cured or remedied in accordance with the Transaction Documents, the Controlling Noteholders' Meeting may declare the acceleration of the repayment of principal and interest under the Notes. To the extent the Underlying Assets are insufficient to discharge the principal and/or interest due and payable under the Notes, based on the tiered structure, the Subordinated Asset Backed Notes will face risk of loss earlier than the Senior Asset Backed Notes.

The other credit enhancement measures under this Transaction (e.g. the Commingling Reserve Account and Rights Perfection Event etc.) would be triggered upon occurrence of specific events, and therefore they are not confined to specific sequence.

## **5.2 EXTERNAL CREDIT ENHANCEMENT**

These Asset Backed Notes currently do not have any external credit enhancement measure.

## **CHAPTER 6 BASIC INFORMATION OF ORIGINATOR, ISSUER ADMINISTRATOR AND RELEVANT INTERMEDIARIES**

### **6.1 BASIC INFORMATION OF THE ORIGINATOR**

#### **6.1.1 Basic Information**

Registered Name: Mercedes-Benz Leasing Co., Ltd.

Legal Representative: Benjamin Mitchell William Lee

Registered Capital: RMB 5,097,538,461.54

Date of Registration: 9 January 2012

Unified Social Credit Code: 911100005877260101

Registered Address: 5F 601-2, Tower 3, 8 Wangjing Road, Chaoyang District, Beijing

Contact Person: Huang Xiaolei

Tel.: 010- 8417 8090

Fax: 010- 8417 5919

Website: <http://www.mercedes-benz.com.cn>

Business scope: Financial leasing; leasing; purchasing lease assets within and outside of China; residual value disposal and maintenance of leased property; consultancy and security for leasing transactions; automobile leasing, business consultancy; enterprise management consultancy wholesales of automotive parts, communication device, electronics; software development; technical development, transfer, consulting, and service; trading of used automobile (specific business scope and the business activities are at the discretion of the market players according to laws; for activities subject to approval according to laws, shall be conducted according to the contents approved by relevant authorities; business activities prohibited or restricted by the national or municipal industrial policies are not allowed.)

#### **6.1.2 Company History**

Mercedes-Benz Leasing Co., Ltd. ("MBLC") was incorporated in Beijing by Daimler Greater China Ltd. (a limited liability company incorporated in the PRC, "DGRC") on 9 January 2012. Its ultimate controlling company is Mercedes-Benz Group AG. MBLC obtained the Approval Certificate (Shang Wai Zi Jing Zi Zi [2011] No. 20125) from the Beijing Municipal Commission of Commerce on 5 January 2012, and the Business License (No. 110000450194874) issued by Beijing Administration for Industry and Commerce on 9 January 2012. MBLC officially commenced its operations on 1 August 2012.

MBLC obtained the Approval Certificate (Shang Wai Zi Jing Zi Zi [2011] No. 20933) from the Beijing Municipal Commission of Commerce on 31 August 2015, with which MBLC received a capital contribution of RMB 164,000,000.00 from BAIC Motor Corporation Ltd. ("BAIC"). RMB 161,538,461.54 of the contribution was injected into the registered capital, and the remaining RMB 2,461,538.46 was credited to the capital reserve. The registered capital of MBLC increased from RMB 300,000,000.00 to RMB 461,538,461.54 after the above capital injection. DGRC and BAIC accounted for 65% and 35% of MBLC's registered capital respectively. MBLC was then converted from a wholly foreign-owned enterprise to a Sino-foreign joint venture.

MBLC obtained the Approval Certificate (Shang Wai Zi Jing Zi Zi [2011] No.20933) from the Beijing Municipal Commission of Commerce on 29 December 2015, with which MBLC received the capital contribution of RMB 153,400,000.00 and RMB 82,600,000.00 respectively from DGRC and BAIC according to their proportion of ownership. The registered capital of MBLC increased from RMB 461,538,461.54 to RMB 697,538,461.54 after the capital injection and the respective shareholdings of DGRC and BAIC remained unchanged. MBLC obtained the updated Business License (No. 911100005877260101) issued by Beijing Administration for Industry and Commerce on 13 January 2016.

On 5 December 2016, MBLC received the capital contribution of RMB 325,000,000.00 and RMB 175,000,000.00 respectively from DGRC and BAIC according to their proportion of ownership. The registered capital of MBLC increased from RMB 697,538,461.54 to RMB 1,197,538,461.54 after the capital injection and the respective shareholdings of DGRC and BAIC remained unchanged. MBLC obtained the updated Business License (No.911100005877260101) issued by Beijing Administration for Industry and Commerce on 30 November 2016.

On 30 June 2017, MBLC received the capital contribution of RMB 325,000,000.00 and RMB 175,000,000.00 respectively from DGRC and BAIC according to their proportion of ownership. The registered capital of MBLC increased from RMB 1,197,538,461.54 to RMB 1,697,538,461.54 after the capital injection and the respective shareholdings of DGRC and BAIC remained unchanged. MBLC obtained the updated Business License (No.911100005877260101) issued by Beijing Administration for Industry and Commerce on 4 July 2017.

On 24 November 2017, MBLC received the capital contribution of RMB 240,000,000.00 and RMB 160,000,000.00 respectively from DGRC and BAIC according to their proportion of ownership. The registered capital of MBLC increased from RMB 1,697,538,461.54 to RMB 2,097,538,461.54 after the capital injection and the respective shareholdings of DGRC and BAIC remained unchanged. MBLC obtained the updated Business License (No.911100005877260101) issued by Beijing Administration of Industry and Commerce on 11 January 2018.

On 28 April 2018, MBLC received the capital contribution of RMB 487,500,000.00 and RMB 262,500,000.00 respectively from DGRC and BAIC according to their proportion of ownership. After the capital injection, the registered capital of MBLC increased from RMB 2,097,538,461.54 to RMB 2,847,538,461.54, while the respective shareholdings of DGRC and BAIC remained unchanged.

On 29 August 2018, MBLC received the capital contribution of RMB 487,500,000.00 and RMB 262,500,000.00 respectively from DGRC and BAIC according to their proportion of ownership. After the capital injection, the registered capital of MBLC increased from RMB 2,847,538,461.54 to RMB 3,597,538,461.54, while the respective shareholdings of DGRC and BAIC remained unchanged.

On 28 March 2019, MBLC received the capital contribution of RMB 455,000,000.00 and RMB 245,000,000.00 respectively from DGRC and BAIC according to their proportion of ownership. After the capital injection, the registered capital of MBLC increased from RMB 3,597,538,461.54 to RMB 4,297,538,461.54, while the respective shareholdings of DGRC and BAIC remained unchanged.

On 18 December 2019, MBLC received the capital contribution of RMB 325,000,000.00 and RMB 175,000,000.00 respectively from DGRC and BAIC according to their proportion of ownership. After the capital injection, the registered capital of MBLC increased from RMB 4,297,538,461.54 to RMB 4,797,538,461.54, while the respective shareholdings of DGRC and BAIC remained unchanged.

On 8 June 2020 and 15 June 2020, MBLC received the capital contribution of RMB 195,000,000.00 and RMB 105,000,000.00 respectively from DGRC and BAIC according to their proportion of ownership. After the completion of the capital injection, the registered capital of MBLC will increase from RMB 4,797,538,461.54 to RMB 5,097,538,461.54, while the respective shareholdings of DGRC and BAIC will remain unchanged. The above paid-up capital has been verified by Beijing XiRuiJie Certified Public Accountants Co., Ltd., and the capital verification report No. 002 of Beijing XiRuiJie Certified Public Accountants (2020) has been issued on June 24, 2020. On 12 March 2021, the business scope, registered capital and articles of association of MBLC were amended.

On 1 March 2021, the Beijing Municipal Financial Supervisory Bureau approved the application for the change of director, Chairman and legal representative of MBLC from Tolga Oktay to Benjamin Mitchell William Lee. The update of the business license was completed on 22 June 2021.

### **6.1.3 Equity Structure and Actual Controller**

#### **(a) Equity Structure**

As of the date of this Offering Circular, MBLC has a registered capital of RMB 5,097,538,461.54, and is owned by Daimler Greater China Ltd. (65%) and BAIC Motor Corporation Ltd. (35%).

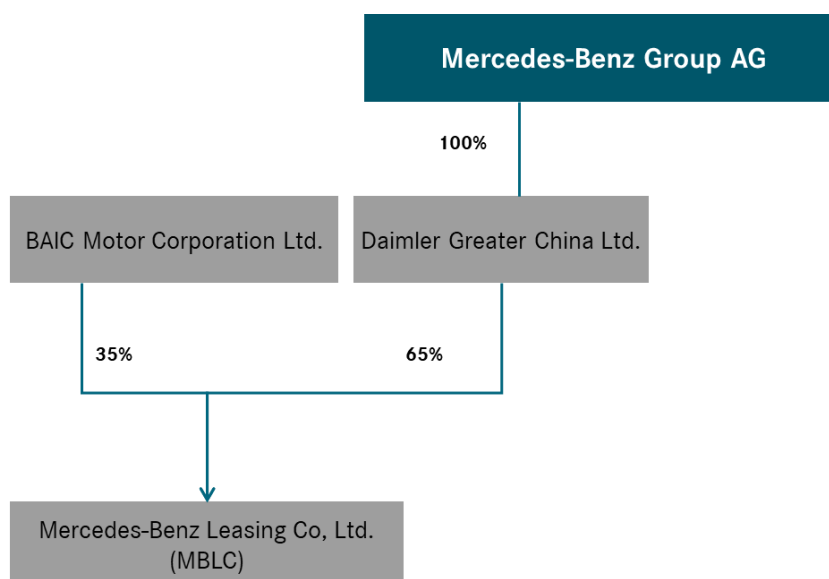


Chart 6-1 Equity Structure of Originator

(b) Basic Information of the Controlling Shareholder and Actual Controller

The parent company of MBLC is DGRC, and the ultimate holding company is Mercedes-Benz Group AG. Being a listed company, Mercedes-Benz Group AG is not controlled by any person.

DGRC was established in January 2001; its headquarter is situated in Beijing. DGRC is responsible for the operations of Mercedes-Benz Cars, Mercedes-Benz Vans and Buses, Mercedes-Benz Mobility Services (including Mercedes-Benz Auto Finance and Mercedes-Benz Leasing), Daimler Parts Trading Service and R&D Center. Its business scope covers Mainland China, Hong Kong, Macau and Taiwan.

The registered capital of DGRC is USD 503.37 million. DGRC had total assets of RMB 31.682 billion, total liabilities of RMB 2.940 billion and total equity of RMB 28.742 billion as of 31 March 2022. The net profit was RMB 0.237 billion for the year ended on 31 March 2022.

Mercedes-Benz Group AG (formerly known as Daimler AG) is a stock corporation organized under the laws of the Federal Republic of Germany and registered at the commercial register of the Stuttgart district court. Mercedes-Benz Group AG carries out the functions of steering and governance and provides services for the companies of the group. As the parent company, it also defines the group's strategy, makes strategic decisions for business operations, and ensures the effectiveness of organizational, legal, and compliance related functions throughout the group. Mercedes-Benz AG is responsible for the businesses of Mercedes-Benz Cars as well as of

Mercedes-Benz Vans. Mercedes-Benz Mobility AG (formerly known as Daimler Mobility AG) provides tailored automotive and financial services.

(c) Independence from Controlling Shareholder

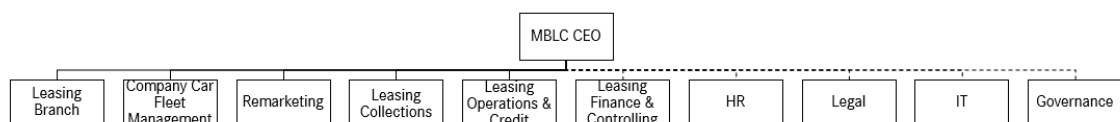
MBLC, as an independent enterprise legal person, operates independently, adopts independent accounting, assumes sole responsibility for its own profits and losses and makes decisions about business management and strategic planning in accordance with the articles of association of MBLC.

- (i) Business: MBLC is an independent legal person and it has independent business. Under the macro-control of the State and industrial supervision, it operates independently, assumes sole responsibility for its own profits and losses, and makes decisions about business management and strategic planning in accordance with the articles of association.
  - (ii) Personnel: MBLC and its shareholders are independent from each other in respect of labour, personnel and salary management; MBLC has established an independent labour and personnel department.
  - (iii) Assets: MBLC possesses independent operating assets and facilities required for operation; the titles of the assets are clear, and the management is in good order.
  - (iv) Organization: MBLC has its own departments in respect of production management, finance, personnel, etc., which are completely independent from its investors.
  - (v) Finance: MBLC has established an independent finance management department, set up an independent finance accounting system and implemented standardized and independent financial accounting rules.
- (d) Important Equity Investment

As of the date of this Offering Circular, MBLC does not have any important equity investment.

**6.1.4 Organizational Structure and Governance Structure**

(a) Organizational Structure and Responsibilities



Mercedes-Benz Leasing Co., Ltd. has established full functions within the company, key business functions such as Leasing Branch, Company Car



Fleet Management, Remarketing, Leasing Collections, Leasing Operations & Credit, Leasing Finance & Controlling, HR, Legal, IT and Governance.

- (i) Leasing Branch: To manage the daily business activities of branches around the country, and establish a full range of product services.
- (ii) Company Car Fleet Management: Responsible for the company's vehicle-related management. Establish and implement Company's vehicle-related policies.
- (iii) Remarketing: Develop and manage Remarketing's strategies and processes, daily operations. Manage product inventory, adjust sales strategy, and maximize vehicle residual value.
- (iv) Leasing Collections: Manage collections of the leasing business, and ensure policies and workflows comply with company guidelines, compliance requirements, and legal requirements while providing quality services to customers.
- (v) Leasing Operations & Credit: Manage day-to-day operations, credit management, contract activation, contract management, customer service of the leasing business, and ensure policies and workflows comply with company guidelines, compliance requirements, and legal requirements while providing quality services to customers.
- (vi) Leasing Finance and Controlling: Manage company's financial status and report and to ensure comply with financial requirements of the regulators.
- (vii) HR: Provide overall HR services including HR strategy & process, HR operation, performance management, training & development, employee relations, etc., and play the overall role of business partner effectively supporting specific business needs.
- (viii) Legal: Provide effective support on a variety of legal topics and legal guidance, and support to protect the company from risk.
- (ix) IT: Ensure effective provision of all required IT services applicable to the businesses, provide the technology backbone for the success of the organization, and is spearheading the digital transformation of our technology landscape.
- (x) Governance: As contact window with regulators, responsible for the supervision and compliance guidance of the company's business activities.
- (b) Governance Structure

MBLC establishes the Board, which is the highest authority of MBLC.

The Board consists of six directors, four of whom shall be appointed by DGRC and two of whom shall be appointed by BAIC.

The term of each director is three years. Upon expiry of his current term, the Party which appointed the director may reappoint him for consecutive terms by notice to the other Party and MBLC.

Resolutions involving the following matters may only be adopted by the unanimous affirmative vote of all directors of the Board present in person or by proxy at a duly constituted and convened meeting of the Board:

- (i) any amendment to the Articles;
  - (ii) any increase of the registered capital of MBLC;
  - (iii) any decrease of the registered capital of MBLC;
  - (iv) any suspension or cease of MBLC's operation, dissolution, liquidation of MBLC;
  - (v) any consolidation, merger or division of MBLC, or change of corporate form of MBLC; and
  - (vi) any other matters specified hereunder or under the applicable laws and regulations subject to the unanimous consent of the Board.
- (c) Basic Personnel Information

As of 31 March 2022, MBLC has 119 employees.

Mr. Benjamin Mitchell William Lee, Board Chairman of Mercedes-Benz Leasing Co., Ltd. has been in Mercedes-Benz Financial Services for over 10 years, and concurrently serves as the General Counsel of Mercedes-Benz Mobility & Technology Service Co., Ltd. Mr. Benjamin Mitchell William Lee has served as General Counsel in Mercedes-Benz Australia/Pacific Pty Ltd., General Counsel with Daimler Financial Services Africa & Asia Pacific Ltd., and General Counsel of Mercedes-Benz Auto Finance Ltd. Before joining Mercedes-Benz Financial Services, he has accumulated legal experience in other multi-national companies and international law firms.

Ms. Wang Hongze, Chief Executive Officer of Mercedes Benz Leasing Co., Ltd., has worked in Mercedes-Benz Financial Services for over 6 years, and once served as Director of Collection Department of Mercedes Benz Automotive Finance Co., Ltd. Before joining Mercedes-Benz Financial Services, Ms. Wang Hongze held the position of Customer Service Manager in Beijing Founder Technology, Digital

China, Kang Jie Kong International Cargo Agent respectively, and served as Operation Director, Business Solution Director in Allianz Global Assistance.

### 6.1.5 Operation Status

(a) Business Overview

The principal activities of MBLC are financial leasing services, leasing services, acquisition of assets for lease within and outside China, disposal and maintenance of the residual value of the leased assets, consultancy and guarantee for leasing transactions, automobile leasing, business consulting and enterprise management consultancy, wholesales of automotive parts, communication device, electronics; software development; technical development, transfer, consulting, and service; trading of used automobile.

(b) Business Model and Products

At present, MBLC's business scope focuses on financial leasing, and the leasing model is sale and lease-back. Under this model, MBLC pays the purchase price of the vehicle to the dealer on behalf of the customer. The customer obtains the ownership of the vehicle and simultaneously transfers the ownership to MBLC. The customer signs the Finance Lease and Guarantee Agreement and the Mortgage Contract, and completes the mortgage registration with the administration bureau of motor vehicles. During the lease term, the customer is required to make certain payments to MBLC including but not limited to monthly rentals and other applicable fees. The specific terms and conditions of the finance lease will be governed by the Finance Lease and Guarantee Agreements signed between MBLC and the customer.

MBLC primarily provides retail customers with three types of leasing products: Agility Product, Finance Lease with Balloon Product and Finance Lease without Balloon Product. MBLC also offers Value Added Package Product to allow customer to lease car surrounding items together with vehicle, such as Purchase Tax, Vessel Tax, Insurance, Service Contract, etc.

**Agility Products:** main features are that, at term-end, manufacturer will guarantee the residual value and flexible options will be provided to lessee. The Agility products allow the lessee to select at the end of the lease term (i) repurchase the leased vehicle by paying the final instalment, or (ii) return the leased vehicle to lessor without being obliged to pay the final instalment or (iii) choosing balloon extension. Under the terms of the lease contract, if the lessee selects to repurchase the vehicle, the lessee shall pay the full amount of the final instalment and other amounts payable (including without limitation any overdue penalties, if applicable) as the repurchase price of the vehicle

and go through the procedures for the release of the mortgage over the vehicle. This product is applicable to new car of MBPC and LCV, and can be divided into two types:

- (1) *Agility Standard Product*: minimum pre-payment ratio equals to 0% of vehicle purchase price. Customers can choose a lease term of 24, 36 or 48 months.
- (2) *Agility Campaign Products*: campaign products are designed based on Agility standard product, and are specifically tailored for different models and lease terms. These products are subsidized by MBLC's brand partners. Retention customer will have the benefit of lower monthly payment.

**Finance Lease with Balloon Product:** The product allows the lessee to repurchase the leased vehicle by (i) paying the final instalment at the end of the lease term or (ii) choosing balloon extension. Under the terms of the lease contract, the lessee shall pay the full amount of the final instalment and other amounts payable (including without limitation any overdue penalties, if applicable) as the repurchase price of the vehicle and go through the procedures for the release of the mortgage over the vehicle.

This product is applicable to new car of MBPC and LCV, and has two types:

- (1) Finance lease with Balloon Standard Product: minimum pre-payment ratio equals to 0% of vehicle purchase price. Customers can choose a lease term of 24, 36 or 48 months.
- (2) Finance Lease with Balloon Campaign: campaigns are designed based on the Finance Lease with Balloon standard product, and are specifically tailored for different models and lease terms. These campaigns are subsidized by MBLC's brand partners. Retention customer will have the benefit of lower monthly payment.

**Finance Lease without Balloon Product:** The product is applicable to both new car of truck and MB certified used cars. There are two types:

- (1) Finance Lease Standard Products: minimum pre-payment ratio down to 0%. Customers can choose lease term of 12 to 60 months. There is no balloon set up at the lease end;
- (2) Finance Lease Campaign Products (*only Truck*): campaign products are designed based on the standard products and are specifically tailored for different models and lease terms. These products are subsidized by MBLC's brand partners.

The payment methods for the above lease products include mandated debit, bank transfer, direct payment and such other means as designated or accepted by MBLC. Payments are due monthly.

## (c) Accounting Treatment for Finance Lease Receivables

Upon lease contract activation, the system will book the aggregate outstanding rentals (including principal, interest and residual value) under the Finance Lease Receivables account. In the event that the lessee returns the vehicle, the system will re-classify the residual value amount from the original Finance Lease Receivables account to a suspense account. Once the returned vehicle is disposed, the suspense account will be settled with the proceeds received accordingly. Residual value is treated as part of Accounts Receivables upon contract activation.

## (d) Business Performance

MBLC is primarily engaged in the financial leasing business in respect of Mercedes-Benz brand vehicles, as well as the financial leasing business of Mercedes-Benz commercial vehicles. "Agility Products" and "Finance Lease with Balloon Products" account for the vast majority proportion. MBLC has been constantly introducing financial leasing products that are more and more attractive and favourable to customers, and as a result the scale of financial leasing business has been increasing year by year. From 2019 to 31 March 2022, MBLC's total revenue reached RMB 15.02 billion, of which the proportion of interest income remains stable.

## (i) Originator's Main Business Income Composition

For the Three Months

For the Year Ended December 31

In Thousand RMB	Ended Mar 31		For the Year Ended December 31					
	2022 Q1		2021		2020		2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Interest income	1,079,430.64	96.67%	4,705,666.98	95.82%	4,771,456.30	99.41%	4,089,675.19	97.64%
Fees and commission income	25,077.59	2.25%	107,423.44	2.19%	100,531.87	2.09%	94,117.31	2.25%
Operating lease income	0.00	0.00%	0.00	0.00%	1,818.65	0.04%	3,480.19	0.08%
Other income	12,027.11	1.08%	97,598.74	1.99%	-73,810.32	-1.54%	1,386.30	0.03%
Total income	1,116,535.34		4,910,689.16		4,799,996.48		4,188,658.99	

## (ii) Amount and Proportion of Operating Income, Operating Costs, Gross Profit and Gross Margin of Financial Leasing Business in Recent Three Years and the Latest Quarter

For the Three Months

For the Year Ended December 31

In Thousand RMB	Ended Mar 31		For the Year Ended December 31	
	2022 Q1		2021	
	2022 Q1		2020	
Operating Income	1,079,430.64	4,705,666.98	4,771,456.30	4,089,675.19
Operating Costs	474,132.75	2,152,669.16	2,284,416.16	1,977,967.05
Gross Profit	605,297.89	2,552,997.82	2,487,040.13	2,111,708.14

Gross Margin		56.08%	54.25%	52.12%	51.64%
Proportion to business	all	96.68%	95.82%	99.41%	97.64%

(iii) Distribution of Current Financial Leasing Business (as of Mar.2022)

a. Originator's Business Region:

<b>Top 5 Provinces</b>	<b>Percentage</b>
Guangdong	12.51%
Jiangsu	10.15%
Sichuan	8.76%
Shandong	7.75%
Zhejiang	7.36%

b. Lessees' Industry:

<b>Top 5 Industries</b>	<b>Percentage</b>
Wholesale and Retail Trade	25.54%
Manufacturing	10.19%
Leasing and Business Services	9.61%
Construction	9.47%
Scientific Research & Technology Services	5.76%

c. Term Structure:

<b>Term of Lease (Month)</b>	<b>Percentage</b>
36	67.40%
48	17.98%
60	9.99%
24	4.28%
Other	0.35%

d. Lessees' Age:

<b>Age</b>	<b>Percentage</b>
30-40	50.79%
40-50	21.32%
20-30	18.89%
50-60	7.75%
Above 60	1.22%
Under 20	0.03%

(iv) Non-performing Loan Ratio, Provision Ratio and Provision Coverage Ratio

As of 31 Mar 2022, MBLC's total amount of non-performing lease receivables (lease receivables that have become delinquent for more than 30 days) was RMB 334.76 million and NPL ratio was 0.60%. Of which, retail private contracts accounted for 307.15

million (NPL ratio of 0.64%). Institutional customers accounted for 27.61 million (NPL ratio of 0.38%). Due to recent COVID, leasing customers were impacted and presented with higher delinquency. However, DPD31-60 presented with minor impact to higher bucket. Overall situation is within expectation and under control.

MBLC always places great attention to prudent risk management. MBLC closely monitors the risk performance of all provinces in China, especially those provinces that were heavily impacted by COVID-19. For provinces and regions with relatively higher credit risk, MBLC closely monitors and traces the relevant asset and repayment status and takes appropriate measures whenever necessary.

As of 31 Mar 2022, MBLC's provision ratio was 1.79% and provision coverage ratio was 296.99%, proving high capacity of risk resistance.

The non-performing ratio, provision ratio and provision coverage ratio of MBLC during the recent three years and the latest quarter are as follows:

	2019	2020	2021	2022Q1
Amount of NPL (in RMB Ten Thousand)	9,014	18,526	24,635	33,476
NPL Ratio	0.17%	0.31%	0.43%	0.60%
Provision Ratio	1.82%	1.64%	1.68%	1.79%
Provision Coverage Ratio	1057.06%	533.68%	390.95%	296.99%

#### (e) Development Strategy

Incorporated in 2012, MBLC is amongst the earliest brands in China to provide financial leasing services for individuals and business users in respect of high-end automobile. Through innovative marketing concepts as well as advanced technologies and processes, MBLC launched the innovative Agility product which has been widely praised by consumers, and has become the market leader in the industry.

MBLC will continue to utilize digital technologies as the main drive, constantly develop differentiated and diversified financial service products, continuously enhance the satisfaction of customers and partners, and firmly support the developing strategy of Mercedes-Benz Financial Services and BAIC in the China market.

#### (f) Management of Underlying Assets

To meet the regulatory compliance and daily transaction requirements, MBLC has established and maintained a dedicated Asset-Backed Notes information

management system ("ABS Suite for Lease"), which was developed and tailored by Moody's Analytics, Inc. specifically for MBLC. Through its data integration system, ABS Suite for Lease obtains the corresponding business activity information and financing asset data from the system of each core business of MBLC. It can also support Asset-Backed Notes issuance and reporting requirements through the implementation of the following functions: asset data import, asset pool selection, asset pool management, transaction structure setup, transaction servicing, asset pool collection performance forecast, and transaction forecast. ABS Suite for Lease includes a separate Asset-Backed Notes database to ensure that all securitized lease contracts are clearly marked in the system and distinguished by the appropriate Asset-Backed Notes code, ensuring that no lease will be repeatedly selected.

MBLC's IT department ensures that all main systems and ABS Suite for Lease system are in a highly reliable and strongly maintained working environment. The security of the IT equipment, data, system operation and system environment required for Asset-Backed Notes are ensured by strengthening the risk prevention of computer information systems.

#### **6.1.6 Risk Management and Collection Guideline**

##### **1. Risk Management System Introduction**

###### **(1) Establishment of risk management system**

While vigorously developing its financial leasing business, MBLC also attaches great importance to the development of the risk management system. MBLC is committed to continuously improve and enhance the ability of company's comprehensive risk management, and it strives to realize the normalization of comprehensive risk management. Our company integrity various requirements of risk management into enterprise management and business process. MBLC established three lines of defence for risk control, and constantly improves in business development. Each line of defence is separated yet can cooperate with each other. The "three lines of defence" integrates the front, middle and back office units and all the employees. It is a three-dimensional complete system which is separated from each other, fully independent, strengthened and complemented with each other. This can reduce or mitigate possible risk events, so as to decrease the occurrence of losses.

- (a) The first line of defence consists of core business units. The business units are at the forefront of the business process. It undertakes the responsibility of business development and the first responsibility of direct risk management. These units, with adequate resources are responsible for managing, monitoring and reporting the risk generated.
- (b) The second line of defence consists of teams with risk control and supervision functions, including legal, compliance, finance and controlling, etc., whose responsibilities are to lead and



assist each business units in risk management.

- (c) Internal Audit is the third line and acts as the last layer of control, regularly assessing the policies, methods and procedures to ensure they are well designed and are being implemented effectively. The internal audit is independent and objective, and supervise the first and second line of defence to fulfil their duties.

MBLC combines the internal risk management system with external audit supervision, and continues to develop a more scientific and perfect risk management system. KPMG conducts external audit on MBLC's operation and financial status. Meanwhile, MBLC accepts the supervision and management of its risk management system, and regular or irregular audit by the Financial Supervision and Administration Bureau.

As an integral part of the company's business activities and management mechanism, MBLC regards risk management as an important task which requires continuous effort. In the process of business development, MBLC constantly improve and optimize various internal control measures, and maintain a comprehensive risk management system that is led by the management and coordinated by multiple departments throughout the company, to enhance the consciousness and sense of urgency of promotion comprehensive risk management, also prevent and resolved various risks and challenges effectively.

## (2) Main Risk Categories

The risks faced by MBLC in its business include credit risk, liquidity risk, market risk and operational risk.

### (a) Credit Risk

Credit risk is defined as the risk of economic losses arising from a customer's failure to repay debt in a timely manner. MBLC adopts a strict lease issuance and review process, requiring adequate collateral, regularly monitoring and reporting credit risks, and prescribing corresponding requirements in the relevant local business manuals. To control and mitigate credit risks, the credit review department has formulated a series of policies, procedures, work manuals and other documents, covering retail and corporate business. These documents are in compliance with Mercedes-Benz Financial Services's global rules as well as requirements from local regulations.

For all retail services, applications must be scored by the system to confirm the risk level. The system score and ratings must be taken into account in credit decisions. The Risk Quantification Team is responsible for operating and maintaining the Scorecard/Rating Model, monitoring and adjusting the Scorecard based on allocation of assets in the portfolio or business experiences, to ensure its effectiveness and compliance with global standards and local market situation. At the same time, the Post-lease Risk Monitoring Committee of the credit review department holds monthly asset review

meetings. In addition, the credit review department conducts risk monitoring through daily key performance indicator (KPI) reports, post hoc analysis, and regular quota approval.

To adequately increase its ability to withstand the impact of credit risks, beginning from 1 January 2018, MBLC has implemented *IFRS 9: Financial Instruments*, which requires proactive step-by-step identification of losses before the credit loss event occurs.

Based on the development of the customer's credit quality since the initial recognition of the financial instrument, MBLC classifies the assets into "three-stage" according to IFRS 9:

*Stage One:* No serious deterioration of credit quality has occurred since initial recognition. Usually includes lease contracts that are overdue for 31 days or less.

*Stage Two:* Serious deterioration of credit quality has occurred since initial recognition. Usually includes lease contracts that are overdue for 31 to 90 days.

*Stage Three:* There is objective evidence that an impairment has occurred. Mainly includes lease contracts that are overdue for over 90 days, where borrowers encounter major financial difficulties or default etc..

Resulting in the respective impairment:

*Stage One:* apply the expected 12-month credit loss.

*Stage Two:* apply the expected credit loss for the entire duration.

*Stage Three:* apply the expected credit loss for the entire duration.

Expected credit losses are calculated based on the contract level. The risk calculation engine conducts monthly calculations based on the situation of MBLC's financial assets, combined with the probability of default from historical performance of the assets, the structure of MBLC's products, and the default loss rate based on historical performance, and further combined with Mercedes-Benz Financial Services Macroeconomic Group's forecast of economic environment, the multiplier factor for the current business cycle, and the contract exposure at default. The parameters used in the calculation such as default probability and default loss rate are updated at least once a year.

#### (b) Liquidity Risk

Liquidity risk refers to the risk that funds cannot be obtained in time to meet the payment of liabilities that have become due. The goal of liquidity risk management is to maintain a reasonable level of liquidity to pay due liability and fulfil business development needs.

MBLC mainly manages liquidity risk by monitoring and analysing liquidity risk exposure and monitoring relevant liquidity key indicators. Liquidity risk exposure is defined as the average difference between the asset balance and liability balance within 12 months, reported as a percentage of the total assets as of the reporting month. At the same time, it dynamically simulates the liquidity situation in the next three years. MBLC has set liquidity risk exposure target and tolerance range, and compiled the monthly monitoring report on liquidity risk exposure. Such report will be submitted to the management for review every month. MBLC will arrange corresponding funding arrangements by matching the term structure of assets and liabilities according to current market situation to ensure sufficient liquidity.

In addition, MBLC prepares, reviews, and analyses cash flow reports on a daily basis. Such reports further assess the liquidity risk impact of new products and new business lending to ensure sufficient liquidity on daily and monthly basis.

#### (c) Market Risk

The main market risk for MBLC is interest rate risk. MBLC's income is mainly generated from rentals, while costs are mostly funding costs. Hence, the change of interest rate for financing will have a direct impact on MBLC operating performance.

Firstly, MBLC has managed interest rate risk by matching the term structure of assets and liabilities. Furthermore, MBLC has managed interest rate risk by monitoring and analysing the change of interest rate exposure, set interest rate risk exposure target and tolerance range, and compiled the interest rate risk exposure monthly monitoring report. Such report will be submitted to the management for review every month. In addition, except for bank loans, MBLC also seeks to expand its financing channels by issuing Asset-Backed Notes and other means, so as to adjust the term structure and costs of financing in a more effective manner.

#### (d) Operational Risk

Operational risk is defined as any risk with losses caused by imperfection or defect in internal procedures, staff, and information technical system, or by external events. MBLC attaches great importance on identifying the inherent operational risks in internal procedure, employees and business system, and will continue strengthening and revising relevant company policies and operational procedures, enhancing employee operation training, and improving internal governance structure in accordance with relevant laws and regulations to reduce operational risk.

## 2. Mortgage Registration Management

MBLC requires the customer to effect first priority mortgage in favour of MBLC in respect of the leased vehicle. The dealer assists the customer in obtaining a Vehicle Registration Certificate which includes the registration of the

mortgage in the name of MBLC. The mortgage registration process has to be conducted within 30 days after the activation of the contract. In cases where the mortgage registration has not been completed within the specified period, MBLC will send a prompt letter to the dealer requesting it to assist the customer in completing the mortgage registration.

### 3. Collection and Servicing Procedures

The Collection Department is responsible for managing customers who are either delinquent or in default. Collection activities include SMS/WeChat reminder, delivery of collection letters, phone calls, onsite visits, outsourcing to third-party agents for collection (overdue amount or all debts under the contract), vehicle repossessions, litigations, account closure and recoveries after verification, and fraud case management etc.. The Collection Department is divided into four sub-divisions based on the delinquency cycle, namely Early Collection, Late Collection, Recovery and Litigation.

MBLC's collection management process begins as soon as the relevant customer has missed one payment. The related risk is calculated according to a detailed decision tree in the IT system. Customers classified as high risk are closely monitored in the process. High risk customers include: 1) the contracting party is involved in criminal cases; 2) the contract party loses civil capacity, is declared missing or dead, and his/her guardians, heirs and heritage donees refuses to perform the obligation of contract; 3) the company goes bankrupt, runs out of business, is dissolved, and refuses to perform the contract; 4) the vehicle has an insurance accident such as total loss or constructive total loss, theft and robbery, the contract party fails to early payout within one month as agreed in the contract; 5) fails to handle the mortgage registration and has transferred the ownership; 6) the vehicle is sealed up or controlled by a third party and refuses to repay; 7) the fraudulent customers and the relevant parties to the contract refuse to repay. At Early Collection stage (overdue 1-60 days), the collection activities mainly include SMS or WeChat reminder, phone calls and home visits, etc. If the customer fails to fulfil the first repayment obligation within 60 days at most, the contract will be passed on to the Late Collection Team and outsourced agents according to the collection strategy.

If a customer is delinquent for 90 days, or there is any serious breach of contract, the Late Collection Team may claim to terminate the contract based on contract terms, assign a third-party agent for collection, and demand the customer to repay any outstanding payments or return the vehicle.

If the customer is overdue up to 180 days, and the leased vehicle cannot be repossessed, the amount would be written-off. According to collection process, the internal or external collection teams will continue to recover the written-off amount..

Generally speaking, after write off, MBLC will commence litigation proceedings against the customer. In addition, if the contract is identified as a

high-risk account by the Collection Team, write-off and litigation proceedings could be commenced in advance.

### **6.1.7 Ongoing and Proposed Construction Project**

The current ongoing construction projects of MBLC are software for the system development which are temporarily recorded under such accounting item and purchase of vehicles. MBLC does not have any other ongoing or proposed construction project.

### **6.1.8 Industry Overview**

#### **1. Industry Categories**

The financial leasing industry consists of three types of companies: finance leasing companies, foreign-funded financial leasing companies and domestic-funded financial leasing companies. According to the Notice of the General Office of the Ministry of Commerce on the Relevant Matters Concerning the Adjustment of the Management Duties of Financial Leasing Companies, Commercial Factoring Companies and Pawnshops, the Ministry of Commerce has assigned the duties of regulating the business operation and supervision of financial leasing companies, commercial factoring companies and pawnshops to the CBIRC. The multi-institutional supervision of the financial leasing industry in the PRC has been unified.

By the end of 2021, the total number of financial leasing enterprises (excluding single project companies, branches, SPV companies and overseas companies acquired) nationwide was about 11,917, a decrease of 239 from 12,156 at the end of 2020. Among them, the total number of domestic leasing enterprises nationwide reached 428, an increase of 14 from the end of last year. The total number of leasing enterprises with foreign investment nationwide was about 11,417, a decrease of 254 from 11,671 at the end of last year. The number of finance leasing enterprises nationwide was 72 with an increase of 1 from the end of last year.

Auto financial leasing, a sub-division of the financial leasing industry, is one of the main forms of auto finance service. In the past two years, traditional auto financing companies have taken the initiative to transform themselves, and the auto financing service has expanded from bank loans and auto finance company loans to a variety of loan businesses including bank loans, auto finance company loans, auto leasing products (sale-leaseback and direct rental business) and vehicle guaranteed loans, etc. The rent-instead-of-buy business has been more and more favored by some auto dealers and auto leasing companies, and plays an increasingly important role in the auto finance market. Auto financial leasing refers to transactions where the lessee, based on his/her own demand, proposes a specific vehicle purchase request to the lessor with the financial leasing business qualification. The lessor then purchases the designated vehicle and leases it to the lessee in accordance with the financial leasing agreement. The lessee possesses and uses the vehicle and pays the rent to the lessor during the lease period. After the lease

expires and rent is paid in full, the lessor will transfer the ownership of the vehicle to the lessee at a nominal price.

## 2. Industry Prospect

China is the largest auto-trading market in the world with the No. 1 new car sales. However, in recent years, negatively affected by the macro-economy, financial environment and policy background, the new vehicle sales in China started to decline since 2018 after years of growth. China's annual total sales of passenger cars further fell in 2019 and 2020. In 2021, China's total sales of passenger cars were 21.5 million, with a year-on-year increase of 6.5%, ending the three-year decline since 2018. Now China's auto industry has entered a mature "new normal" period, but the auto leasing industry bucks the trend and realized growth.

China's auto financial leasing industry started in the late 1980s and is still in its infancy. The overall penetration rate of new car finance in China is increasing year by year, reaching 43% in 2019. According to the number of financial products used, the penetration rate of auto loans was about 35%, and that of financial leasing was about 8%. China's auto financial leasing market still has considerable room to grow compared with that of the developed countries.

As the upgrade of the terminal consumption and the improvement of credit acceptance, auto financing will develop further. Although commercial banks and auto financing company still accounted for the largest segment, the financing lease industry experience a rapid development considering higher customer risk preference and stronger product flexibility of the financing lease companies. As a result, the penetration rate of China's auto financial leasing has climbed to 8% in 2019. As an alternative to retail auto loans, leaseback has been a major growth point in the finance lease market in the past few years.

According to Roland Berger's, the penetration rate of auto finance in China is expected to reach 52% by 2022, among which the penetration rate of auto finance lease will rise to 14%, and by 2025, the penetration rate of auto finance lease is expected to reach 21%. With the change of consumption concept of the new generation consumers in China and the enrichment of the market supply, there is much room for the penetration rate of China's auto finance market to improve and for the industry to develop in the next 5-10 years.

### 6.1.9 Financial Status

#### (a) Financial Data

KPMG Huazhen LLP has audited MBLC's account in the years of 2019, 2020 and 2021 and issued unqualified opinion audit reports (the reports numbers are KPMG Audited No. 2003599, KPMG Audited No. 2101217 and KPMG Audited No. 2203525 respectively). The figures in this section which are as of 31 March 2022 or for the three months ended 31 March 2022 are un-audited.

MBLC prepares financial statements on a going concern basis. Structured entities are included in the scope of consolidation from 2020. Structured entity refers to the entity that does not take voting rights or similar rights as a decisive factor when determining its controller. In respect of the major changes in accounting policies from 2019 to 2021, such changes and affected amounts are as follows:

<b>Year</b>	<b>Name of Major Accounting Policies</b>	<b>Content and Influence of Accounting Policy Changes</b>
2021	- Accounting Standards for Business Enterprises No. 21 – Leases (Revised) (Cai Kuai [2018] No. 35) (the "New Leasing Standards")	Under the New Leasing Standards, finance lease and operating lease are no longer separated, and the right-of-use assets and the lease liability shall be calculated for all leases; the newly added right-of-use assets account is of RMB 16,849,604.85; the newly added lease liability account is of RMB 16,849,604.85.
	- Provisions on Accounting Treatment for COVID-19-related Rent Concessions (Cai Kuai [2020] No. 10) and Circular on the Adjustment of the Scope of Provisions on Accounting Treatment for COVID-19-related Rent Concessions (Cai Kuai [2021] No. 9)	The adoption of this standard has not had a significant impact on the financial position and operating results of MBLC.
	- Accounting Standards for Business Enterprises Interpretation No. 14 (Cai Kuai [2021] No. 1) ("Interpretation No. 14")	The adoption of this standard has not had a significant impact on the financial position and operating results of MBLC
2020	- Accounting Standards for Business Enterprises Interpretation No. 13 (Cai Kuai [2019] No. 21) ("Interpretation No. 13")	The adoption of the left standards has not had a significant impact on the financial position and operating results of MBLC
	- Provisions on Accounting Treatment for COVID-19-related Rent Concessions	

(Cai Kuai [2020] No. 10)

- Accounting Standard for Business Enterprises No. 14 -Revenue (Revised) (the "New Revenue Standards")
- 2019
- Notice on Revising the Format of 2019 Financial Statements for General Enterprises (Caikuai [2019] No. 6) The adoption of the left standards has not had a significant impact on the financial position and operating results of MBLC
  - Accounting Standards for Business Enterprises No. 7 - Transactions of Non-monetary Assets (Revised) (the "Standards No. 7 (2019)")
  - Accounting Standards for Business Enterprises No. 12 - Debt Restructuring (Revised) (the "Standard No. 12 (2019)")

Sheet 6-1 Balance Sheet of the Originator in Recent Three Years and the Last Quarter

In Thousand RMB	As of Mar 31		As of December 31	
	2022Q1	2021	2020	2019
Cash at bank	498,732.94	3,785,468.99	844,691.22	19,966.32
Derivative financial assets	2,308.58	1,278.21	-	9,278.35
Financial lease receivable(Net)	54,526,886.26	56,240,261.63	59,386,388.52	51,379,644.72
Fixed assets	12,407.17	12,835.50	9,901.03	42,847.80
Construction in progress	14,590.99	20,808.76	3,610.25	2,087.97
Intangible assets	116,952.48	95,559.74	8,870.76	8,617.17
Deferred tax assets	958,994.42	958,994.42	819,960.41	497,746.70
Right-of-Use Asset	11,642.86	11,707.94	-	-
Other assets	330,109.11	331,547.04	717,891.82	1,337,692.38



<b>Total assets</b>	<b>56,472,624.80</b>	<b>61,458,462.22</b>	<b>61,791,314.00</b>	<b>53,297,881.40</b>
Short-term loans	-	-	-	-
Derivative financial liabilities	-	-	-	12,891.78
Employee benefits payable	19,168.51	23,311.36	20,317.65	15,772.23
Tax payable	181,022.42	303,558.52	403,860.81	51,297.43
Long-term loans	41,207,585.03	44,966,691.26	50,251,768.67	46,760,304.81
Other liabilities	303,710.45	288,875.75	318,210.68	394,145.57
Bonds payable	5,588,894.26	7,038,870.94	3,029,907.26	-
Lease Liability	11,887.00	11,785.87	-	-
Provision	-	-	63,846.21	-
<b>Total liabilities</b>	<b>47,312,267.65</b>	<b>52,633,093.69</b>	<b>54,087,911.28</b>	<b>47,234,411.83</b>
Paid-in capital	5,097,538.46	5,097,538.46	5,097,538.46	4,797,538.46
Capital reserve	2,461.54	2,461.54	2,461.54	2,461.54
Surplus reserve	434,071.12	434,071.12	271,874.54	137,881.23
Retained earnings	<b>3,626,286.02</b>	<b>3,291,297.41</b>	<b>2,331,528.18</b>	<b>1,125,588.34</b>
<b>Total owners' equity</b>	<b>9,160,357.15</b>	<b>8,825,368.53</b>	<b>7,703,402.73</b>	<b>6,063,469.57</b>
<b>Total liabilities and owners' equity</b>	<b>56,472,624.80</b>	<b>61,458,462.22</b>	<b>61,791,314.00</b>	<b>53,297,881.40</b>

Sheet 6-2 Income Statement of the Originator in Recent Three Years and the Last Quarter

In Thousand RMB	For the Three Months	For the Year Ended December 31		
	Ended Mar 31	2022Q1	2021	2020
Net interest income	605,297.89	2,552,997.82	2,487,040.13	2,111,708.14
Net fee and commission income	-3,120.97	-5,554.83	10,591.57	31,771.54
Net operating lease income	-	-	1,804.05	2,324.33
Other income	6,884.94	33,802.38	25,533.09	11,084.06
Changes in fair value recognized in P/L	4,801.24	0.00	-42,940.05	-3,888.01
Net foreign exchange loss(gain)	336.91	-113.18	20.64	-68.02
Net losses(gains) on disposal of assets	4.03	63,909.55	-56,424.01	-5,741.74
<b>Sub-total of operating income</b>	<b>614,204.03</b>	<b>2,645,041.74</b>	<b>2,425,625.42</b>	<b>2,147,190.31</b>
Taxes and surcharges	-1,914.93	-23,333.66	-18,104.99	-13,184.09
Operating and administrative expenses	-96,274.23	-346,104.33	-323,205.71	-427,528.16

Credit losses(gains)	-71,700.74	-133,000.54	-230,035.28	-498,391.91
<b>Sub-total of operating expenses</b>	<b>-169,889.90</b>	<b>-502,438.53</b>	<b>-571,345.98</b>	<b>-939,104.16</b>
<b>Operating profit</b>	<b>444,314.13</b>	<b>2,142,603.20</b>	<b>1,854,279.44</b>	<b>1,208,086.16</b>
Non-operating income	2,255.27	947.86	341.70	434.86
Non-operating expenses	-	-20.06	-159.32	-1,002.68
<b>Profit before income tax</b>	<b>446,569.39</b>	<b>2,143,531.00</b>	<b>1,854,461.82</b>	<b>1,207,518.34</b>
Income tax expenses	-111,580.78	-521,565.20	-514,528.66	-346,418.53
<b>Net profit of year</b>	<b>334,988.62</b>	<b>1,621,965.80</b>	<b>1,339,933.16</b>	<b>861,099.81</b>
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	334,988.62	1,621,965.80	1,339,933.16	861,099.81

### Sheet 6-3 Cash Flow Statement of the Originator in Recent Three Years and the Last Quarter

In Thousand RMB	For the Three Months		For the Year Ended December 31	
	Ended Mar 31			
	2022Q1	2021	2020	2019
<b>Cash flows from operating activities</b>				
Increase in payment of deposits to lessees (net)	-	-	-	-
Net decrease in assets leased out of financial lease	1,719,347.70	2,942,833.85	-	-
Lease payments received from lessees	754,098.12	3,578,490.78	3,412,678.14	2,526,206.16
Interest subsidy received	228,254.45	1,718,653.99	1,822,296.95	622,212.61
Interest received from deposits with banks	5,941.70	33,738.52	25,098.19	8,253.84
Proceeds from other operating activities	46,395.62	153,808.40	298,083.89	174,108.50
<b>Sub-total of cash inflows from operating activities</b>	<b>2,754,037.59</b>	<b>8,427,525.55</b>	<b>5,558,157.16</b>	<b>3,330,781.10</b>
Increase in finance lease assets (net)	-	-	-8,355,870.10	-15,118,324.71
Decrease in payment of deposits to lessees (net)	-2,785.29	-21,082.84	-16,316.00	-579.52
Payment for rental service	-	-	-	-
Payment for fees and commission	-26,999.45	-107,173.09	-71,444.36	-39,616.99
Payment to and for employees	-17,583.49	-52,716.68	-36,452.75	-40,582.43
Payment for all types of taxes	-248,209.44	-1,010,487.98	-504,369.31	-442,934.26
Payment for other operating activities	-40,530.56	-220,769.83	-269,506.16	-562,355.74
<b>Sub-total of cash outflows from operating activities</b>	<b>-336,108.23</b>	<b>-1,412,230.42</b>	<b>-9,253,958.68</b>	<b>-16,204,393.64</b>
<b>Net cash outflow from operating activities</b>	<b>2,417,929.36</b>	<b>7,015,295.13</b>	<b>-3,695,801.51</b>	<b>-12,873,612.54</b>
Cash flows from investing activities	-	-	-	-
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets	4.03	11,482.79	51,040.99	26,475.03
<b>Sub-total of cash inflows from investing activities</b>	<b>4.03</b>	<b>11,482.79</b>	<b>51,040.99</b>	<b>26,475.03</b>
Payment for acquisition of fixed assets, intangible assets and other long-term assets	-25,561.55	-155,825.87	-20,936.68	-28,551.46

<b>Sub-total of cash outflows from investing activities</b>	<b>-25,561.55</b>	<b>-155,825.87</b>	<b>-20,936.68</b>	<b>-28,551.46</b>
<b>Net cash outflow from investing activities</b>	<b>-25,557.52</b>	<b>-144,343.08</b>	<b>30,104.31</b>	<b>-2,076.43</b>
Cash flows from financing activities	-	-	-	-
Capital injection from shareholders	-	-	300,000.00	1,200,000.00
Proceeds from borrowings	2,000,000.00	26,382,304.34	19,287,317.23	26,712,657.29
Proceeds relating to other financing activities	-	-	6,570.38	19,014.15
Cash received from issuing bonds	-	8,278,949.75	3,497,988.60	-
<b>Sub-total of cash inflows from financing activities</b>	<b>2,000,000.00</b>	<b>34,661,254.10</b>	<b>23,091,876.21</b>	<b>27,931,671.44</b>
Repayment of borrowings	-5,594,725.59	-31,558,919.47	-15,881,205.21	-14,488,222.45
Payment for interest	-575,291.54	-2,061,311.34	-2,215,625.84	-1,874,887.85
Proceeds from issuance of debentures	-1,509,427.65	-4,523,123.23	-526,655.08	-
Payment of other financing activities	-	-500,000.00	-	-
<b>Sub-total of cash outflows from financing activities</b>	<b>-7,679,444.78</b>	<b>-38,643,354.05</b>	<b>-18,623,486.13</b>	<b>-16,363,110.30</b>
<b>Net cash inflow from financing activities</b>	<b>-5,679,444.78</b>	<b>-3,982,099.95</b>	<b>4,468,390.07</b>	<b>11,568,561.14</b>
Effect of foreign exchange rate changes on cash and cash equivalents	336.91	-113.18	20.64	-68.02
Net (decrease)/increase in cash and cash equivalents	-3,286,736.05	2,888,738.91	802,713.50	-1,307,195.85
Cash and cash equivalents at the beginning of the year	3,785,468.99	822,679.83	19,966.32	1,327,162.18
Cash and cash equivalents at the end of the year	498,732.94	3,711,418.74	822,679.83	19,966.32

Note: in this offering circular, the total amount may be slightly different from the sum of the items which are caused by rounding.

## (b) Analysis on Financial Conditions

### (i) Analysis on structure of assets

MBLC's total assets increased from 53.3 billion RMB to 56.47 billion RMB from 2019 to 31 March 2022; the average annual growth rate is 2.6%. The slight decline in total assets in the first quarter of 2022 compared with total assets in end of 2021 was mainly driven by the decline in new car sales in the second half of 2021 due to the impact of global chips shortage and the epidemic, which in turn led to a decline in net financial lease receivables. In addition, due to the issuance of ABN2021-2 in November 2021, cash at bank have a higher balance on the book at the end of 2021. As of the first quarter of 2022, the 2021-2 issuance amount has been fully utilized and the cash at bank account balance has returned to normal levels. The share of financial lease receivables is 96.55% of the total assets as of 31 March 2022. The other assets mainly include subsidy receivables from brand partner.

Total current asset is 18.08 billion RMB and the financial lease receivable is 95.4% of the total current assets as of 31 March 2022. Total non-current asset is 38.39 billion RMB and the financial lease receivable is 97.10% of the total non-current assets as of 31 March 2022.

Sheet 6-4 Structure of Assets of the Originator in Recent Three Years and the Last Quarter

In Thousand RMB	As of Mar 31		As of December 31	
	2022Q1	2021	2020	2019
Cash at bank	498,732.94	3,785,468.99	844,691.22	19,966.32
Derivative financial assets	2,308.58	1,278.21	-	9,278.35
Financial lease receivable (Net) due within one year	17,251,603.48	18,486,200.80	21,872,141.84	17,530,184.06
Other assets	330,109.11	331,547.04	717,891.82	1,337,692.38
<b>Total current asset</b>	<b>18,082,754.11</b>	<b>22,604,495.03</b>	<b>23,434,724.88</b>	<b>18,897,121.11</b>
Fixed assets	12,407.17	12,835.50	9,901.03	42,847.80
Construction in progress	14,590.99	20,808.76	3,610.25	2,087.97
Intangible assets	116,952.48	95,559.74	8,870.76	8,617.17
Right-of-Use Asset	11,642.86	11,707.94		
Deferred tax assets	958,994.42	958,994.42	819,960.41	497,746.70
Long term financial lease receivable (Net)	37,275,282.78	37,754,060.83	37,514,246.68	33,849,460.65
<b>Total non-current asset</b>	<b>38,389,870.70</b>	<b>38,853,967.19</b>	<b>38,356,589.13</b>	<b>34,400,760.29</b>
<b>Total Assets</b>	<b>56,472,624.80</b>	<b>61,458,462.22</b>	<b>61,791,314.00</b>	<b>53,297,881.40</b>

Amongst the above, the name of account corresponding to the financial lease receivables of MBLC is the financial lease receivables (net) (the balance of financial lease receivables minus the credit impairment reserve), which are all unencumbered assets at present. Under a financial lease, the calculation of financial lease receivables shall start and the calculation of financial lease assets shall stop from the commencement of the lease term. When the originator initially calculates the financial lease receivables, it shall take the net lease investment as the entry value of the financial lease receivables. Some financial lease receivables in the balance sheet have been entrusted to special purpose trusts for unlisted asset-backed notes transactions. As of 31 March 2022, the net financial lease receivables was RMB 7.38 billion.

In order to fully increase MBLC's ability to resist the impact of credit risk, MBLC implemented IFRS No. 9: Financial Instruments since 1 January 2018, and can proactively confirm credit losses step by step before the occurrence of credit loss events.

The balance of financial lease receivables (net) of MBLC at year end for 2019 to 2021 respectively was RMB 51.380 billion, RMB 59.386 billion and RMB 56.24 billion, showing a stable and healthy trend. As of 31 March 2022, the financial lease receivables (net) of MBLC was RMB 54.53 billion, accounting for 96.55% of the total assets of the originator. Among them, the financial lease receivables (net) due within one year was RMB 17.25 billion, accounting for 31.64% of the total finance receivables of the originator and 95.4% of the

current assets. The net amount of the long-term financial lease receivables was RMB 37.28 billion, accounting for 68.36% of the total finance receivables and 97.1% of the non-current assets.

MBLC attaches great importance to the possible operational risks in products, processes, employees and business systems. Under the internal designated rules and regulations, the concentration risk is effectively managed. As of 31 March 2022, the balance of all finance leasing business of the largest related party of MBLC was RMB 27.04 million, accounting for 0.30% of the net assets.

(ii) Analysis on structure of liabilities

The aggregated balance of the long-term loans of MBLC was 41.21 billion RMB on 31 March 2022, which accounts for 87.1% of the total liabilities. 52.36% of the loans were inter-company lending and the remaining part were external loans from banks. The balance of bonds payable is 5.59 billion RMB on 31 March 2022, which accounts for 11.81% of the total liabilities. The current ratio from 2019 to 31 March 2022 was 120.68%, 87.61%, 101.07% and 79.62%.

Total current liability of MBLC is 22.71 billion RMB, mainly composed of long-term loans due within one year and bonds payable due within one year. The long-term loan is 81.77% of the total current liability as of 31 March 2022 which amount is 18.57 billion RMB. The long-term loans include inter-company lending and bank loans, among which 46.37% were inter-company lending and 53.63% were bank loans. As of 31 March 2022, the total non-current asset is long term loan with 24.6 billion RMB, mainly composed of long-term loans and bonds payable. The long-term loan is 92.01% of the total non-current liability as of 31 March 2022 which amount is 22.64 billion RMB, among which 57.28% were inter-company lending and 42.72% were bank loans.

Sheet 6-5 Structure of Liabilities of the Originator in Recent Three Years and the Last Quarter

In Thousand RMB	As of Mar 31		As of December 31	
	2022Q1	2021	2020	2019
long-term loans maturing within one year)	18,571,127.93	18,026,856.41	23,828,852.65	15,184,374.56
Derivative financial liabilities	-	-	-	12,891.78
Employee benefits payable	19,168.51	23,311.36	20,317.65	15,772.23
Tax payable	181,022.42	303,558.52	403,860.81	51,297.43
Other liabilities	303,710.45	288,875.75	318,210.68	394,145.57
Provision	-	-	63,846.21	-
Bonds payable	3,635,558.56	4,396,487.74	2,114,355.26	-
<b>Total current liabilities</b>	<b>22,710,587.86</b>	<b>23,039,089.78</b>	<b>26,749,443.26</b>	<b>15,658,481.58</b>
Long-term loans	22,636,457.10	26,939,834.85	26,422,916.02	31,575,930.25

Lease liabilities	11,887.00	11,785.87		
Bonds payable	1,953,335.70	2,642,383.20	915,552.00	-
<b>Total non-current liabilities</b>	<b>24,601,679.79</b>	<b>29,594,003.92</b>	<b>27,338,468.02</b>	<b>31,575,930.25</b>
<b>Total liabilities</b>	<b>47,312,267.65</b>	<b>52,633,093.69</b>	<b>54,087,911.28</b>	<b>47,234,411.83</b>

As of the end of March 2022, the history of issuance and status of the asset backed notes of the Originator are as follows:

Bond Short Name	Issue Size (RMB Billion)	Remaining Balance (RMB Billion)	Coupon Rate (%)	Weighted Average Life (Year)	Interest Commencement Date	Expected Maturity Date	Whether the Underlying Assets are off the Balance Sheet	Whether Ongoing
20 SAC BenzLeasing ABN001Senior	3.520	0.315	3.8	0.81	5 Nov 2020	26 Aug 2022	No	Yes
20 SAC BenzLeasing ABN001Sub	0.477	0.477	-	1.88	5 Nov 2020	26 Sept 2022	No	Yes
21 SAC BenzLeasing ABN001Senior	4.563	2.642	3.39	1.15	17 June 2021	26 Sept 2023	No	Yes
21 SAC BenzLeasing ABN001Sub	0.536	0.536	-	2.35	17 June 2021	26 Oct 2023	No	Yes
21 SAC BenzLeasing ABN002Senior	3.790	2.615	3.5	1.07	4 Nov 2021	26 Dec 2023	No	Yes
21 SAC BenzLeasing ABN002Sub	0.710	0.710	-	2.22	4 Nov 2021	26 Jan 2024	No	Yes
<b>Total</b>	<b>13.596</b>	<b>7.295</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### (iii) Analysis of Equity Structure

MBLC's registered capital structure and paid-in capital structure as of 31 December 2021 and 31 March 2022 are as follows:

	31 Mar 2022		2021	
	RMB	%	RMB	%
Daimler Greater China Ltd.	3,313,400,000.00	65%	3,313,400,000.00	65%

BAIC Motor Corporation Ltd.	<u>1,784,138,461.54</u>	<u>35%</u>	<u>1,784,138,461.54</u>	<u>35%</u>
	<u>5,097,538,461.54</u>	<u>100%</u>	<u>5,097,538,461.54</u>	<u>100%</u>

MBLC structure of equity details is as follows:

Sheet 6-6 Equity Structure of the Originator in Recent Three Years and the Last Quarter

In Thousand RMB	As of Mar 31		As of December 31	
	2022	2021	2020	2019
Category				
Paid-in capital	5,097,538.46	5,097,538.46	5,097,538.46	4,797,538.46
Capital reserve	2,461.54	2,461.54	2,461.54	2,461.54
Surplus reserve	434,071.12	434,071.12	271,874.54	137,881.23
Retained earnings	3,626,286.02	3,291,297.41	2,331,528.18	1,125,588.34
Total owners' equity	9,160,357.15	8,825,368.53	7,703,402.73	6,063,469.57

(c) Analysis on Profit and Loss Statement

(i) Analysis on revenue by business

Total revenue includes interest income and fee and commission income and operating lease income and other income. From January to March 2022, the finance lease revenue accounts for 96.68% of the total income.

Sheet 6-7 Income Structure of the Originator in Recent Three Years and the Last Quarter

In Thousand RMB	For the three Months				For the Year Ended December 31			
	Ended Mar 31							
	2022	2021	2020	2019				
Category	Amount	%	Amount	%	Amount	%	Amount	%
Interest income	1,079,430.64	96.67%	4,705,666.98	95.82%	4,771,456.30	99.41%	4,089,675.19	97.64%
Fee and commission income	25,077.59	2.25%	107,423.44	2.19%	100,531.87	2.09%	94,117.31	2.25%
Operating lease income	0.00	0.00%	0.00	0.00%	1,818.65	0.04%	3,480.19	0.08%
Other income	12,027.11	1.08%	97,598.74	1.99%	-73,810.33	-1.54%	1,386.30	0.03%
Sub-total of operating income	1,116,535.34		4,910,689.16		4,799,996.48		4,188,658.99	

(ii) Analysis of cost, expenses and taxes

Operating costs include interest cost, handling fees, commission cost and lease operating cost. Operating costs is 74.73% of the total expenditure in the first quarter of 2022 and mainly includes financing costs. With the growth of MBLC's leasing business, the operating cost has increased year by year. The

expenses are mainly business and management fees, which account for 14.32% of the total costs in the three months of 2022. MBLC strictly follows the policy of asset impairment provision and has established a relatively complete credit risk management process.

## Sheet 6-8 Fees and Taxes of the Originator in Recent Three Years and the Last Quarter

In Thousand RMB	For the Three Months							
	Ended Mar 31							
	2022Q1		2021		2020		2019	
Category	Amount	%	Amount	%	Amount	%	Amount	%
Cost	502,331.31	74.73%	2,265,647.43	81.86%	2,374,371.06	80.61%	2,041,468.68	68.50%
Taxes and surcharges	1,914.93	0.28%	23,333.66	0.84%	18,104.99	0.61%	13,184.09	0.44%
Operating and administrative expenses	96,274.23	14.32%	346,104.33	12.50%	323,205.71	10.97%	427,528.16	14.34%
Credit losses (reversal)	71,700.74	10.67%	133,000.54	4.80%	230,035.28	7.81%	498,391.91	16.72%
Total	672,221.21		2,768,085.96		2,945,717.04		2,980,572.84	

### (iii) Analysis of profits

According to MBLC's 2022 Q1 financial statement, by the end of the March 2022, the operating income of MBLC reached RMB 0.61 billion, a decrease of RMB 0.03 billion from 2021 or 4.73% year-on-year. The operating profit was RMB 0.44 billion, a decrease of RMB 0.015 billion compared with the same period in 2021, decreased by 3.25% year on year; the net profit was RMB 0.34 billion, decreasing RMB 0.014 billion compared with the same period in 2021, decreased by 4.09% year on year. The operating profit and net profit of slightly decreased mainly due to the following factors:

- (1) Due to the global chip supply shortage and epidemic situation, the company's balance of financing lease receivable decreased slightly compared with the same period of last year, thus the related interest income decreased compared with the same period of last year.
- (2) In addition, in order to improve the digitalization and automation of business processes and improve the experience of end consumers, our company continues to invest in software development, so the operating expenses have increased, which lead to the operating profit in the first quarter of 2022 slightly lower than the first quarter of 2021.

In future, MBLC will continue to actively responds to the national policy of promoting economy and automobile consumption. On the one hand, it actively provides diversified products to maintain customers, and is committed to continuously improving customer acceptance and satisfaction from two levels of products and services. On the other hand, the company constantly pursues diversification of financing structure, explores various financing channels, and actively controls financing costs to support the sustainable growth of business and the realization of operating profit goals.

### (d) Analysis of key financial indicators



## (i) Analysis on solvency

MBLC manages the liquidity by matching the term structures of assets and liabilities, preparing and updating monthly cash flow statement on a daily basis, forecasting and monitoring the liquidity, to ensure adequate solvency.

Current assets of MBLC are mainly net financial leasing receivable due within one year. With the growth of financial leasing business, this part of assets also increase year by year. 2019 to 2022 March 31 was 120.68%, 87.61%, 98.11% and 79.62%, respectively. The current ratio over the years was high and liquidity was abundant.

## Sheet 6-9 Solvency Indicators of the Originator in Recent Three Years and the Last Quarter

Category	As of Mar 31		As of December 31	
	2022	2021	2020	2019
Current ratio (%)	79.62	98.11	87.61	120.68
Debt asset ratio (%)	83.78	85.64	87.53	88.62
Equity ratio (times)	5.16	5.96	7.02	7.79

## (ii) Analysis on profitability

The main cost of MBLC is the financing cost, hence the profit margin will fluctuate according to the fluctuation of the market interest rate. All the profit indicators from 2019 to 2022Q1 are relatively stable

## Sheet 6-10 Profitability of the Originator in Recent Three Years and the Last Quarter

Category	As of Mar 31	As of December 31		
	2022Q1	2021	2020	2019
Net profit margin on sales (%)	54.54	61.32	55.24	40.10
Average return on total assets (%)	2.27*	2.63	2.33	1.86
Average rate of return (%)	14.9**	19.63	19.47	17.11

\*Average return on total assets=2022 Jan-Mar Net profit/ ((2021/12/31 Total assets+2022/03/31 total assets)/(2/(12/3)))\*100

\*\*Average rate of return=2022 Jan-Mar Net profit/ (2021/12/31 Owner's equity +2022/03/31 Owners' equity)/(2/(12/3))\*100

## (e) Interest Bearing Debts

As of the end of 2021, MBLC's interest bearing debts were RMB 52.01 billion. The amount of interest bearing debts maturing within one year was RMB 22.42 billion, such debts account for 43.12% of the total amount of the interest bearing debts, and were primarily intergroup loans (47.29%) and bank credit loans (33.11%). The amount of interest bearing debts maturing in one year or above were RMB 29.58 billion, such debts account for 56.88% of the total amount of the interest bearing debts, and were primarily intergroup loans (50.56%) and bank credit loans (40.51%).

Sheet 6-11 Interest Bearing Debts of Originator as of End of 2021

In RMB	Thousand	Interest Bearing Debts Maturing within One Year		Interest Bearing Debts Maturing in One Year or Above		Total Interest Bearing Debts		Security Provider
		Amount	%	Amount	%	Amount	%	
Intergroup Loans		10,603,284.99	47.28%	14,955,379.12	50.56%	25,558,664.11	49.15%	N/A Mercedes- Benz Group AG
Bank Credit Loans		7,423,571.42	33.11%	11,984,455.73	40.51%	19,408,027.14	37.32%	
Bonds		4,396,487.74	19.61%	2,642,383.20	8.93%	7,038,870.94	13.53%	N/A
<b>Total</b>		<b>22,423,344.15</b>	<b>100%</b>	<b>29,582,218.05</b>	<b>100%</b>	<b>52,005,562.19</b>	<b>100%</b>	

As end of March 2022, MBLC's interest bearing debts were RMB 46.8 billion. The amount of interest bearing debts maturing within one year was RMB 22.21 billion, such debts account for 47.45% of the total amount of the interest bearing debts, and were primarily intergroup loans (38.77%) and bank credit loans (44.85%). The remaining 16.37% relates to the two existing asset backed notes transactions originated by MBLC in the interbank bond market, the repayment of which is current. The amount of interest bearing debts maturing in one year or above were RMB 24.59 billion, such debts account for 52.55% of the total amount of the interest bearing debts, and were primarily intergroup loans (52.73%) and bank credit loans (39.32%) with the tenor from one to three years. The overall weighted average interest rate level of the interest bearing debts of MBLC generally matches the change in PBOC loan benchmark rate.

Sheet 6-12 Interest Bearing Debts of Originator as of End of March 2022

In Thousand RMB	Interest Bearing Debts Maturing within One Year		Interest Bearing Debts Maturing in One Year or Above		Total Interest Bearing Debts		Security Provider
	Amount	%	Amount	%	Amount	%	
Intergroup Loans	8,610,624.84	38.78%	12,967,140.86	52.74%	21,577,765.70	46.11%	N/A

Bank Credit Loans	9,960,503.09	44.85%	9,669,316.24	39.32%	19,629,819.33	41.95%	Mercedes-Benz Group AG
Bonds	3,635,558.56	16.37%	1,953,335.70	7.94%	5,588,894.26	11.94%	N/A
<b>Total</b>	<b>22,206,686.49</b>	<b>100%</b>	<b>24,589,792.80</b>	<b>100%</b>	<b>46,796,479.29</b>	<b>100%</b>	

As of the end of March 2022, the historical issuance result of direct debt financing instrument in duration of the Originator is as follows:

Bond Short Name	Issue Size (RMB Billion)	Remaining Balance (RMB Billion)	Coupon Rate (%)	Weighted Average Life (Year)	Interest Commencement Date	Expected Maturity Date
20 SAC BenzLeasing ABN001Senior	3.520	0.315	3.8	0.81	5 Nov 2020	26 Aug 2022
20 SAC BenzLeasing ABN001Sub	0.477	0.477	-	1.88	5 Nov 2020	26 Sept 2022
21 SAC BenzLeasing ABN001Senior	4.563	2.642	3.39	1.15	17 June 2021	26 Sept 2023
21 SAC BenzLeasing ABN001Sub	0.536	0.536	-	2.35	17 June 2021	26 Oct 2023
21 SAC BenzLeasing ABN002Senior	3.790	2.615	3.5	1.07	4 Nov 2021	26 Dec 2023
21 SAC BenzLeasing ABN002Sub	0.710	0.710	-	2.22	4 Nov 2021	26 Jan 2024
<b>Total</b>	<b>13.596</b>	<b>7.295</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(f) Credit Facilities and Record of Default

As of 31 March 2022, MBLC has credit lines with more than 20 banks, with the total credit amount exceeding RMB 38 billion, of which RMB 20 billion has been utilised, and there has been no default.

As of the end of March 2022, the historical issuance result and repayment of direct debt financing instrument of the Originator are as follows:

Bond Short Name	Issue Size (RMB Billion)	Remaining Balance (RMB Billion)	Weighted Average Life (Year)	Interest Commencement Date	Default
20 SAC BenzLeasing ABN001Senior	3.520	0.315	0.81	5 Nov 2020	No
20 SAC BenzLeasing ABN001Sub	0.477	0.477	1.88	5 Nov 2020	No
21 SAC BenzLeasing	4.563	2.642	1.15	17 June 2021	No

ABN001Senior					
21 SAC BenzLeasing ABN001Sub	0.536	0.536	2.35	17 June 2021	No
21 SAC BenzLeasing ABN002Senior	3.790	2.615	1.07	4 Nov 2021	No
21 SAC BenzLeasing ABN002Sub	0.710	0.710	2.22	4 Nov 2021	No
<b>Total</b>	<b>13.596</b>	<b>7.295</b>	-	-	-

## (g) Material Assets Subject to Litigation

As of 31 March 2022, MBLC does not have any material asset subject to litigation.

## (h) External Guarantee

As of 31 March 2022, MBLC has not granted any external guarantee.

## (i) Contingency

As of 31 March 2022, MBLC does not have any contingency.

## (j) Encumbered Assets

As of 31 March 2022, MBLC does not have any encumbered assets.

## (k) Direct Debt Financing Issuance Plan

As of 31 March 2022, MBLC does not have any direct debt financing issuance plan.

## (l) Credit Condition

According to the Enterprise Credit Report of MBLC provided by MBLC on 12 January 2022 and as enquired by the handling lawyers of FenXun on the National Enterprise Credit Information Publicity System, China Judgements Online, the National Court Information Enquiry Platform for Dishonest Persons Subject to Enforcement and the List of Dishonest Persons Subject to Enforcement, the official website of the State Taxation Administration, the official website of the Beijing Municipal Tax Service, the official website of the Beijing Local Financial Supervision and Administration (date of query: 10 May 2022), as of the above date of query, there is no record of material default, false disclosure of information and other material breach of Laws and Regulations of MBLC since its establishment on the Enterprise Credit Report or the websites above; there is no record of MBLC being involved in ongoing material litigations, arbitrations and other judicial and administrative procedures on the Enterprise Credit Report or the websites above; there is no record on the Enterprise Credit Report or

the websites above of MBLC being involved in material administrative penalties including suspension of the business for rectification, the revocation of the license or the qualification, etc. since its establishment.

#### 6.1.10 Regulatory Compliance

On 26 May 2020, CBIRC issued the *Interim Measures for Supervision and Administration of Finance Leasing Companies* (Yin Bao Jian Fa [2020] No. 22, the "**Interim Measures**"), which set out the specific requirements in relation to the financing, operation and other aspects of the financial leasing companies. The status of compliance of MBLC, as a financial leasing company regulated by CBIRC, in respect of the relevant regulatory requirements under the Interim Measures is as follows:

##### (a) Financing Activities

The forms of financing of MBLC currently include intra-group borrowings and bank credit loans, and it plans to issue asset backed notes within the amount of approximately RMB 25 billion in next two years. The total amount of the issue will be determined according to the internal demand and the market conditions. All such financing activities comply with the provisions of laws and regulation.

##### (b) Business Operation

MBLC does not undertake any the following businesses or activities:

- (i) illegal fund-raising, direct attraction of deposits or attraction of deposits in a disguised form;
- (ii) issuing or entrusted issuing of loans;
- (iii) borrowing funds directly or in disguised form from other financial leasing companies;
- (iv) raising funds or transferring assets through P2P lending information intermediaries or private investment funds;
- (v) other businesses or activities prohibited by laws and regulations, CBIRC and local financial regulatory authorities of provinces, autonomous regions and centrally-administered municipalities.

##### (c) Policy Arrangement and Provision for Asset Impairment Losses

MBLC has properly established the internal control policy, asset quality classification policy, reserve policy and the policy for reporting of major events, and such policies include but are not limited to its currently effective Articles of Association, the Local Credit Operations Guideline, the IFRS 9 Credit Risk Impairment, the Arrears Management Manual, the Administrative Measures for Information Disclosure of Debt Financing

Instruments of MBLC, the Mercedes-Benz Leasing Co., Ltd Internal Control Guideline and the MBLC Comprehensive Risk Management Guideline, and such policies can ensure its safe and sound operation. MBLC has also made full provision for asset impairment losses in a timely manner in accordance with such policies. MBLC will report to the Beijing Local Financial Supervision and Administration within five business days after the occurrence of any of the following events: major related-party transactions, major pending litigations and arbitrations and other major matters that need to be reported as required by the Beijing Local Financial Supervision and Administration.

According to the MBLC 2020 Financial Statements, on the basis of expected credit loss, MBLC makes the accounting treatment of impairment and the confirmation of loss provision for the following item: finance lease receivables and other assets. Meanwhile, the MBLC 2020 Financial Statements list the "measurement of expected credit loss", "financial assets with credit impairment", "presentation of provision for expected credit loss", "write-off", "provision for impairment of other assets" and other matters.

(d) Regulatory Indicators

Articles 26 to 29 of the Interim Measures set out various regulatory indicators for the business of financial leasing company. As of 31 December 2021, the relevant regulatory indicators of MBLC were in compliance with the standards stipulated in the Interim Measures.

<b>Regulatory Indicators</b>	<b>Regulatory Standards</b>	<b>Compliant or Not</b>
Proportion of Leased Assets	Proportion of finance leasing assets and other leasing assets shall not be less than 60% of the total assets.	Compliant
Gearing Ratio	Total amount of risk assets shall not exceed eight times the amount of the net assets.	Compliant
Fixed-income Securities Investment	Not exceeding 20% of the net assets.	Compliant
Financing Concentration of Single Client	The balance of all finance leasing businesses to a single lessee shall not exceed 30% of the net assets.	Compliant
Financing Concentration of Single Group Client	The balance of all finance leasing businesses to a single group shall not exceed 50% of the net assets.	Compliant

Degree of Association of Single Client	The balance of all finance leasing businesses to an affiliate shall not exceed 30% of the net assets.	Compliant
Total Degree of Association	The balance of all finance leasing businesses to all affiliates shall not exceed 50% of the net assets.	Compliant
Degree of Association of Single Shareholder	The financing balance to a single shareholder and all its affiliates shall not exceed such shareholder's capital contribution in the finance leasing company.	Compliant

## 6.2 BASIC INFORMATION OF THE ISSUER ADMINISTRATOR

### 6.2.1 Basic Information

Chinese Name:	中国对外经济贸易信托有限公司
English Name:	China Foreign Economy and Trade Trust Co., Ltd.
Legal Representative:	Qiang LI
Registered Capital:	RMB 8,000,000,000
Registered Address:	F6, Central Tower, Chemsunny World Trade Centre, No. 28 Fuxingmennei Street, Xicheng District, Beijing
Website:	<a href="http://www.fotic.com.cn/">http://www.fotic.com.cn/</a>

### 6.2.2 Historical Evolution

Founded in 1987, China Foreign Economy and Trade Trust Co., Ltd. (FOTIC) is one of the earliest trust companies established in China. It is a wholly-owned subsidiary of Sinochem Group, a Fortune Global 500 company, as well as one of the vice president units of the China Trustee Association.

In 1994, FOTIC was merged into Sinochem Group.

In 2002, FOTIC obtained the permit for legal person trust institution.

In 2008, FOTIC increased its registered capital to RMB 1.2 billion.

In 2010, FOTIC increased its registered capital to RMB 2.2 billion.

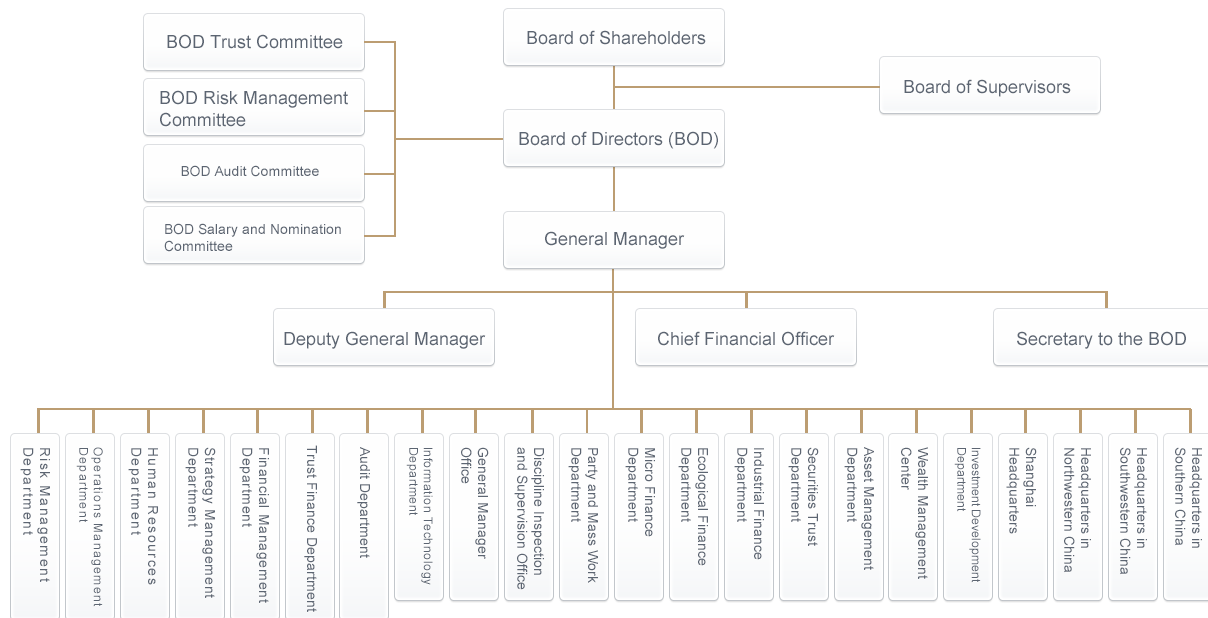
In 2018, The controlling shareholder of FOTIC was changed to Sinochem Capital Co., Ltd. and the registered capital was increased to RMB 2.74 billion.

In 2019, FOTIC increased its registered capital to RMB 8 billion.

### 6.2.3 Shareholding Structure

The registered capital of FOTIC is RMB 8 billion. Sinochem Capital Co., Ltd. and Sinochem Finance Co., Ltd. each hold 97.26% and 2.74% of the shares in FOTIC respectively.

#### 6.2.4 Organizational Structure



#### 6.2.5 Staffing

According to the audit report for the year 2020, FOTIC has a total of 11 directors, supervisors and senior management, which accounts for 1.83% of its employees. There are 6 personnel undertaking FOTIC's self-operated business, which accounts for 1.00% of the employees, 408 trust business professionals, which accounts for 67.77% of the employees and 177 other personnel, which accounts for 29.40% of the employees. Among them, 8 persons have doctor's degree, which accounts for 1.33% of the employees, 367 persons have master's degree, which accounts for 60.96% of the employees, 216 persons have bachelor's degree, which accounts for 35.88% of the employees, and 11 persons have junior college degree, which accounts for 1.83% of the employees.

#### 6.2.6 Major Businesses

FOTIC's development goal is to become a modern financial company that leads innovation, serves real economy and put people first ". Over the past 30 years, FOTIC has been implementing the concept of "prospects from promises " in its services and persisting in creating customer-oriented products and improving its product and organization through specialized operation and business innovation to become a modern financial company that leads innovation, serves real economy and put people first. FOTIC is devoted to the provision of comprehensive financial solutions for its customers. Focusing on its six business sectors including micro finance, securities trust, financial institutions, capital market, industrial finance and wealth



management, FOTIC holds the qualifications such as national interbank bond trading, assets securitization-specific trust institutions, qualified investor in the block trading system, interbank lending, equity investment with inherent assets, stock index futures trading, entrusted overseas financial management services (QDII), private equity fund manager and observer member of the Asset Management Association of China.

FOTIC currently focuses on micro finance, industrial finance, capital market and wealth management to create chain competitive advantage. In respect of securitization, FOTIC obtained the qualification as the trustee of special purpose trusts in 2006 (Yin Jian Fu [2006] No. 422). By the end of 2021, FOTIC issued 88 asset securitization projects in total, with a total size of RMB 311.302 billion. Among them, from 2007 to 2020, FOTIC issued 65 asset securitization projects with a total size of RMB 215.128 billion. During 2021, FOTIC issued 23 asset securitization projects with a total size of RMB 96.174 billion.

### 6.2.7 Financial Status

The main audited financial data of FOTIC from 2018 to 2020 is as follows:

In Ten Thousand RMB	2020	2019	2018
Total assets	1,940,402.84	1,841,343.25	1,500,318.55
Trust assets	67,512,869.19	44,576,502.17	44,905,978.77
Net assets	1,898,342.79	1,771,664.86	1,258,865.02
Revenue	308,938.28	278,872.85	299,775.72
Include: main operating income	308,938.28	278,872.85	299,775.72
Net profit	142,061.86	179,104.66	194,613.69
Net profit margin	45.98%	64.22%	64.92%

## 6.3 BASIC INFORMATION OF OTHER RELEVANT INTERMEDIARIES

### 6.3.1 Basic Information of the Lead Underwriter

(a) Basic Information

Registered Name: Bank of China Limited

Legal Representative: Liu Liange

Date of Establishment: 31 October 1983

Registered Capital: RMB 294,387,791,200

Domicile: No. 1 Fuxingmennei Street, Xicheng District, Beijing

Business scope: taking in Renminbi deposits; granting short-term, medium-term and long-term loans; handling settlement; handling discounting of instruments; issuing financial bonds; acting as an agent for the issue, honouring and underwriting of government bonds; buying and selling government bonds; engaging in inter-bank lending; providing L/C services and guarantee; acting as an agent for the receipt and payment of money; providing safe deposit box services; foreign exchange deposit; foreign exchange loan; foreign exchange remittance; foreign currency exchange; international settlements; inter-bank foreign exchange lending; acceptance and discount of foreign exchange bill; foreign exchange lending; foreign exchange guarantee; settlement and sale of foreign exchange; issuing and acting as an agent for issuing foreign currency securities other than stocks; buying and brokerage of foreign currency securities other than stocks; self-operated foreign exchange transaction; foreign exchange transaction for customers; issuing credit cards of foreign exchange and acting as an agent for issuing and paying foreign credit cards; credit investigation, consultation, witness business; organizing or participating in syndicated loans; international trading of precious metals; overseas branches operating all banking business permitted by local law; branches in Hong Kong and Macao issuing or participating in the issuance of local currency according to local laws and regulations; other businesses approved by the China Banking Regulatory Commission and other regulatory authorities; acting as a sideline insurance agency (valid until 21 August 2021) (the enterprise shall engage in business at its own choice and carry out business activities in accordance with laws; for items subject to approval according to laws, business operation shall be carried out in accordance with the approval from relevant authorities; the enterprise shall not engage in prohibited or restricted business activities prescribed by the city's industrial policies.).

(b) History and Operation Status

Bank of China was established in February 1912. In 1994, it was transformed into a wholly state-owned commercial bank. In August 2004, the stock restructuring was completed. Bank of China became listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange in June and July 2006 respectively, being the first Chinese commercial bank to launch an A-Share and H-Share initial public offering and achieve a dual listing in both markets.

By the end of 2020, Its total assets amounted to RMB 24,402.659 billion, with its owner's equity at RMB 2,162.837 billion. In 2020, it achieved an operating revenue at RMB 565.531 billion, with net profits at RMB 205.096 billion. By the end of 2020, its non-performing loan ratio was 1.46%, with the non-performing loans provisioning coverage ratio at 177.84%, the capital adequacy ratio at 16.22%, and the tier one capital adequacy ratio at 13.19%.

(c) Business Qualification

As one of the earliest commercial banks engaged in securitization business, BOC has abundant project experience in this field. By the end of 2021, BOC, as lead underwriter, has underwritten 295 series of interbank asset securitization products (including 116 series of credit ABS and 179 series of ABN), the total underwriting amount of which is RMB 342,485 billion. Besides, BOC provides relevant securitization services for varied institutes, including commercial banks, auto finance companies, financial companies and other non-financial enterprises.

### **6.3.2 Basic Information of the Joint Lead Underwriter**

#### **(a) Basic Information**

Registered Name: Industrial and Commercial Bank of China Limited

Legal Representative: Chen Siqing

Date of Establishment: 1 January 1984

Registered Capital: RMB 356,406,257,100

Domicile: No. 55 Fuxingmennei Street, Xicheng District, Beijing

Business: deposits and loans in RMB; interbank lending and borrowing, domestic and foreign settlement; accepting, discounting and rediscounting bills; various types of exchange business; agency of capital clearing; providing letter of credit services and mortgages; agency of sales; agency of issuance, underwriting and cash of government bonds, collection and payment business; agency of liquidation of securities funds (through bank account transfer); agency of part-time insurance business; agency of Policy Banks, foreign governments and international financial institutions; safekeeping box services; issuance of financial bonds; government bonds and financial bonds trade; custody of securities investment funds and enterprise annuities; trustee management services for enterprise annuities and annuity account management services; registration, subscription, application and redemption of open-ended funds; credit investigation, consultation and witnessing services; loan commitments; financial advisory services for enterprise and individual; organising or participating in syndicated loans; foreign exchange deposits; foreign exchange loans; foreign currency exchange; export collection and import collection; acceptance and discounting of foreign exchange bills; foreign exchange borrowing; foreign exchange mortgage; issuance, agency of issuance, trade or agency of buying and selling of foreign currency securities other than stocks; self-operating and agency of foreign exchange trade; foreign exchange financial derivative business; bank card business; telephone banking, online banking service and mobile banking service; settlement and sales of foreign exchange and other businesses approved by the banking regulatory commission governed by the State Council. (Market entities shall choose their own

business projects and carry out business activities in accordance with the law. For projects that are subject to approval in accordance with the law, business activities shall be carried out in accordance with the approved content after approval by the relevant authorities. Business activities shall not fall into the projects prohibited or restricted by the State and the City's industrial policy.)

(b) History and Operation Status

Industrial and Commercial Bank of China (ICBC) was established on 1 January 1984. On October 28, 2005, ICBC was wholly restructured to a joint-stock limited company. On October 27, 2006, ICBC was successfully listed on both the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited. By the end of September 2021, the total share capital of ICBC was 356.407 billion shares. Central Huijin Investment Ltd is the largest shareholder of ICBC.

As at the end of 2020, total assets of ICBC amounted to RMB 33,345.058 billion, including RMB 18,136.328 billion for loans and advances issued. Total liabilities of ICBC amounted to RMB 30,435.543 billion, including RMB 25,134.726 billion for deposits taking. Total shareholders' equity of ICBC amounted to RMB 2,909.515 billion. As at the end of 2020, ICBC had a non-performing loan ratio of 1.58%, a capital adequacy ratio of 16.88%, a tier 1 capital adequacy ratio of 14.28% and a core Tier 1 capital adequacy ratio of 13.18%. In 2020, ICBC achieved revenue of RMB 882.665 billion and net profit of RMB 317.685 billion.

As at the end of 2020, total assets of ICBC amounted to RMB 35,398.066 billion, including RMB 19,863.468 billion for customer loans and advances. Total liabilities of ICBC amounted to RMB 32,234.781 billion, including RMB 26,841.575 billion for customer deposits. Total shareholders' equity of ICBC amounted to RMB 3,163.285 billion. As at the end of September 2021, ICBC had a non-performing loan ratio of 1.52%, a capital adequacy ratio of 17.45% and a core tier 1 capital adequacy ratio of 13.14%. From January to September 2021, ICBC achieved revenue of RMB 712.093 billion and net profit of RMB 253.33 billion.

(c) Business Qualification

ICBC currently holds the Business License of legal entity issued by Beijing Municipal Administration of Market Supervision on January 26, 2022 (Unified Social Credit Code: 911100000100003962T) and the Financial License of the People's Republic of China issued by China Banking Regulatory Commission (Institution Code: B0001H111000001), and has submitted the Circular of the People's Bank of China for the Industrial and Commercial Bank of China and Other 11 Financial Institutions to Undertake Underwriting of Short-term Financing Bonds (The People's Bank of China Yinfa [2005] No. 133). ICBC is qualified in

engaging in undertaking leading underwriting of the issuance of asset-backed notes and is able to underwrite the asset-backed notes currently issued.

ICBC is one of the first commercial banks in the market to start leading underwriting business for securitization. From 2012 to 2021, ICBC successfully underwrote 155 interbank securitization products, including 114 credit ABS and 39 ABN, with underlying asset classes covering corporate loans, auto loans, consumer loans, credit card loans, provident fund loans, housing mortgage loans, leased assets, etc. The underwriting scale was RMB 214.452 billion, which is in a leading position among banks.

### 6.3.3 Basic Information of the Account Bank

Industrial and Commercial Bank of China Limited ("ICBC") was established in January 1984. In October 2005, ICBC was restructured to a joint-stock limited company. In October 2006, ICBC was listed on both Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange. As of the end of 2020, the total share capital of ICBC was 356.407 billion shares, and Central Huijin Investment Ltd. holds 34.71% of shares as the largest shareholder. The Ministry of Finance of the People's Republic of China is the second largest shareholder holding 31.14% of the shares.

As of the end of Q3 2021, the total assets of ICBC were RMB 35398.066 billion, of which the granted loans and advances were RMB 20425.479 billion; its total liabilities were RMB 32234.781 billion, of which customer deposit balance was RMB 26841.575 billion; its total shareholders' equity was RMB 3163.285 billion. Its capital adequacy ratio was 17.45%, and its core tier one capital adequacy ratio 13.14%. During the first three quarters of 2021, ICBC achieved the operating income of RMB 712.093 billion and net profit of RMB 255.330 billion. As of the end of 2021, the assets under custody of ICBC were RMB 21 trillion, which made it the largest custodian bank in China. ICBC also ranks first in terms of the scale in the custody market for funds, enterprise annuities, insurance, bank wealth management among other products.

### 6.3.4 Basic Information of the Rating Agencies

#### 1. China Lianhe Credit Rating Co., Ltd.

Established in 2000 with the headquarter in Beijing, China Lianhe Credit Rating Co., Ltd. ("Lianhe Credit Rating") is one of the most professional and best organized credit rating agency in China. The company's shareholders are Lianhe Credit Information Service Co., Ltd. and Government of Singapore Investment Corp.

LCR has a full range of qualifications accredited by China's governing authorities including the People's Bank of China ("PBOC"), National Development and Reform Commission ("NDRC"), China Insurance Regulatory Commission ("CIRC"). LCR is also a standing member of the

National Association of Financial Market Institutional Investors ("NAFMII"). Equipped with a united, highly experienced team of committed professionals, LCR has professional rating capability and leading rating methodology. Guided by a business philosophy of "professionalism, responsibility, innovation and persistence" LCR is committed to providing objective, unbiased and scientific credit ratings to investors and regulators. LCR provides credit rating services to both state-owned conglomerates and leading regional enterprises. LCR is broadly recognized as the most credible, authoritative and influential agency in China's credit rating industry.

Awarded The Rating Agency of the Year (2015) China and The Rating Agency of the Year (2016) China by The Asset.

Since the initial pilot of credit assets securitisation, LCR has rated plenty of CLO issued by financial institutions, such as China Development Bank, Industrial and Commercial Bank of China, China Construction Bank, CITIC Bank, Bank of Communications, Bank of China, China Merchants Bank, Shanghai Pudong Development Bank, China Agricultural Development Bank, and non-bank financial institutions, such as auto finance companies, rental companies and financial companies, etc.

Currently, LCR is a leader in credit ratings for China's capital markets and financial institutions and benefits from its high-quality, experienced and well-structured team of experts in the field of rating asset securitisation.

## 2. S&P Ratings (China) Co., Ltd.

S&P Ratings (China) Co., Ltd. (S&P Global (China) Ratings) is the first wholly foreign-owned Credit Rating Agency to provide independent credit ratings in the domestic Chinese market.

Established in June 2018, S&P Global (China) Ratings received the approval from the National Association of Financial Market Institutional Investors and the People's Bank of China Operations Office (Beijing) to assign credit ratings in the Chinese interbank bond market in January 2019 and completed registration filing with China Securities Regulatory Commission in October 2020.

Its ratings and insights are built on the principles and objectivity of S&P Global Ratings, the world's leading provider of credit ratings, combined with on-the-ground local knowledge in China's domestic bond market. S&P Global (China) Ratings provides our opinions and research about relative credit risk; market participants gain independent information to help support the growth of transparent, liquid debt markets within China and around the world. For more information, visit [www.spgchinaratings.cn](http://www.spgchinaratings.cn).

### 6.3.5 Basic Information of the Legal Counsel

#### (a) Basic Information

Registered name: FenXun Partners

Legal representative (or executive partner): Yingzhe Wang

Place of residence: 01-03, 04-05, 06-09B, 17-18, 35th Floor, Block 2, Guomao Office Building, No. 1 Jianguomenwai Street, Chaoyang District, Beijing

FenXun Partners is a Chinese law firm co-founded in 2009 by a group of lawyers with many years of overseas working background and rich domestic working experience.

A vast majority of the partners and lawyers graduated from prestigious law schools in China, the United States or the United Kingdom. Most of the partners and lawyers, with both domestic and the U.S. New York state qualifications for practicing, have working experiences in domestic or international law firms.

With experience, efficiency and cost advantages, FenXun Partners is committed to providing business leaders with first-class legal services in respect of China's legal affairs in the dynamic Chinese market. The legal service provided by FenXun Partners is a unique combination of the thorough understanding of the national conditions of China and the strong strengths of international legal practice. FenXun Partners has lawyers who specialize in providing legal services to state-owned enterprises, private enterprises, and Chinese-funded institutions, and are good at coordinating and communicating with regulatory authorities. FenXun Partners also has senior lawyers who have practiced in international law firms for many years with extensive trading experience in the United States, Europe, Asia and tax havens, and they have led various projects such as leveraged buyouts, project financing, private equity investments, non-performing asset investments, pre-IPO investments and corporate restructuring, covering industry sectors including resources, power generation, real estate, roads and infrastructures, transportation, technology, media, telecommunications and industrial products.

(b) FenXun's Business

The China Construction Bank RMBS project and the China Unicom lease income securitization project, that the first group of lawyers to provide legal services for securitization projects including Xusheng Yang, Jianyu Wang of FenXun Partners participated in, are all milestones that led the start of China's securitization. At the same time, lawyers of FenXun Partners also participated in the legislative research and discussion of securitization held by the regulatory authorities, and established a deep and accurate understanding of the development and other specific issues of China's securitization.

The partners of FenXun Partners keep close communication with their clients. In order to meet the needs of clients, FenXun Partners will arrange partners and lawyers with rich project experience to take

responsibility for the project work throughout the process, and in order to provide services for the project, FenXun Partners is able to quickly mobilize the resources and manpower of the integrated office in accordance with the needs of the project. In the process of providing legal services to the clients, FenXun Partners 's team of lawyers deeply understands the business purpose of the clients, with the basic goal of controlling legal risks and solving problems. In the past projects, FenXun Partners has solved a series of problems, played a key role for the success of the project and was acknowledged by the clients.

On April 15 2015, Baker & McKenzie and FenXun Partners were approved to establish the Baker & McKenzie (Free Trade Zone) joint operation office (Baker & McKenzie FenXun Joint Operation Office) in Shanghai Free Trade Zone which is able to provide customers with Chinese and international legal services that are in line with the international standard and are globally and seamlessly connected.

### **6.3.6 Basic Information of the Accounting Advisor**

In 1992, KPMG became the first international accounting firm to be granted a joint venture licence in China, and the Hong Kong SAR operations have been established for over 70 years since 1945. This early commitment to the Chinese market, together with KPMG's unwavering focus on quality, has been the foundation for accumulated industry experience, and is reflected in the appointment by some of the China's most prestigious companies.

KPMG China has 28 offices, in Beijing, Changsha, Chengdu, Chongqing, Foshan, Fuzhou, Guangzhou, Haikou, Hangzhou, Jinan, Nanjing, Ningbo, Qingdao, Shanghai, Shenyang, Shenzhen, Suzhou, Tianjin, Wuhan, Xiamen, Xi'an, Zhengzhou, Hefei, Hong Kong and Macau, with around 12,000 partners and staff.

KPMG's single management structure for all the China offices allows efficient and rapid allocation of experienced professionals wherever the client is located in China. The flexibility of this single structure allows KPMG to effectively serve companies across China and KPMG has many projects where professionals from different offices work together on a project under the supervision of a single nominated client partner, who has operational control of all resources.

KPMG's business in China has established industry groups, enabling targeted, industry-specific experience and solutions to be delivered where needed. For KPMG's clients, this focus on industry and country specific knowledge means KPMG can deliver exceptional people with an intimate knowledge of the client's specific business issues, as well as an overriding commitment to strive for the highest quality services. KPMG has a huge market share in China, and customers are industry leaders and large enterprises.

As China businesses join the global economy and international companies seek to enter the China market, KPMG's blend of international experience and local knowledge makes KPMG well- positioned to serve the clients in this increasingly complex, but exciting market. KPMG has been involved in several institutions' asset



securitisation transactions, including state-owned commercial banks, joint-stock banks, large auto finance companies, leasing companies, and other financial institutions regarding the preparation of asset securitisation projects and the reporting for approval of regulatory institutions.

#### **6.4 RELATIONSHIP WITH RELEVANT PARTIES**

The Originator does not have any direct or indirect shareholding relationship with, or any other material stake in, the other relevant parties involved in this Issue.

## CHAPTER 7 BASIC INFORMATION OF UNDERLYING ASSETS AND CASH FLOW FORECASTS ANALYSIS

### 7.1 BASIC INFORMATION OF THE UNDERLYING ASSETS

As at the Cut-off Date (24:00 of 31 December 2021), the pool has a total number of 27,719 leasing contracts, 27,705 lessees, and total outstanding balance of RMB 5,349,665,524.32.

#### 7.1.1 Basic Information of the Underlying Assets

Basic Characteristics	Value	Unit
Number of Contracts	27,719	#
Number of Customers	27,705	#
Initial Lease Principal Pool Balance	5,349,665,524.32	RMB
Total Original Principal Balance	6,370,888,900.16	RMB
Outstanding Lease Principal Balance		
Average (Contract)	192,996.34	RMB
Average (Customer)	193,093.86	RMB
Highest	994,678.49	RMB
Lowest	22,078.93	RMB
Original Principal Balance		
Average (Contract)	229,838.34	RMB
Average (Customer)	229,954.48	RMB
Highest	1,342,600.00	RMB
Lowest	90,038.52	RMB
Interest Rate:		
Weighted Average	6.32	%
Highest	11.59	%
Lowest	2.04	%

Weighted Average Original Term	40.46	Months
Weighted Average Remaining Term	20.97	Months
Longest	45.96	Months
Shortest	4.01	Months
Weighted Average Seasoning	19.48	Months
New Vehicle Percentage	100	%
Vehicle Value	9,630,632,891.98	RMB
Weighted Average LTV Ratio at Origination	68.86	%
Weighted Average Age of Customer	37.75	Years
30-40 Years Customer Percentage	50.85%	%
Weighted Average Customer Annual Income	429,924.77	RMB
Weighted Average DTI	1.92	#

Note: The Original Term includes the extended period (if any) prior to the Cut-Off Date.

### **7.1.2 Formation and Acquisition of the Underlying Assets**

Underlying Assets refer to the following two types of assets, which are entrusted to the Issuer Administrator by the Originator in accordance with the Trust Agreement for the purpose of establishing the Trust: (1) the Entrusted Lease Receivables and all Ancillary Interests in relation to such Entrusted Lease Receivables; and (2) the rights, interests and benefits of the Consideration payable by the Fund Trust under the Vehicle Purchase Agreement.

In the course of its automobile financial leasing business, MBLC entered into the Finance Lease and the Guarantee Agreements and Mortgage Contract (the specific names of the agreements are subject to those of the executed versions) with each Lessee. The Lease Receivables of MBLC from the Lessees and the Ancillary Interests were thus formed.

MBLC proposes to sign the Fund Trust Agreement with FOTIC and entrusts its lawfully owned funds to FOTIC to establish the Fund Trust (the initial volume of the Fund Trust is RMB 2 million). After the Fund Trust becomes effective, FOTIC, on behalf of Fund Trust, will enter into the Vehicle Purchase Agreement with the MBLC in accordance with the instruction of MBLC. Subject to the terms and conditions of the Vehicle Purchase Agreement, in the event that a Lessee Return Event has occurred under the Lease Agreement relating to a Leased Vehicle, FOTIC (on behalf of the Fund Trust) agrees to purchase from MBLC, and MBLC agrees to sell to FOTIC (on behalf of the Fund Trust), such Leased Vehicle. FOTIC (on behalf of the Fund Trust) and MBLC agree that the Consideration of each Relevant Vehicle shall equal to the amount of relevant Final Instalment. The claims of MBLC against FOTIC (on behalf of the Fund Trust) for the Consideration are thus formed.

### **7.1.3 Characteristics Distribution of the Underlying Assets**

1. Contract related stratification tables

## (1) Repayment Type

Repayment Type	Aggregate Outstanding Lease Principal Balance as of the Cut-Off Date (RMB)	Percentage of Outstanding Lease Principal Balance as of Cut-Off Date	Number of Contracts	Percentage of Total Number of Contracts
<b>Balloon</b>	4,604,857,303.02	86.08%	22,806	82.28%
<b>Non-Balloon</b>	744,808,221.30	13.92%	4,913	17.72%
<b>Total</b>	<b>5,349,665,524.32</b>	<b>100.00%</b>	<b>27,719</b>	<b>100.00%</b>

## (2) Original Principal Balance

Original Principal Balance (RMB)	Aggregate Outstanding Lease Principal Balance as of the Cut-Off Date (RMB)	Percentage of Outstanding Lease Principal Balance as of Cut-Off Date	Number of Contracts	Percentage of Total Number of Contracts
<b>&gt; 50,000.00 and &lt;= 100,000.00</b>	956,597.03	0.02%	10	0.04%
<b>&gt; 100,000.00 and &lt;= 150,000.00</b>	352,569,852.19	6.59%	2,767	9.98%
<b>&gt; 150,000.00 and &lt;= 200,000.00</b>	1,238,119,274.41	23.14%	7,724	27.87%

> 200,000.00 and <= 250,000.00	1,936,119,976.84	36.19%	10,420	37.59%
> 250,000.00 and <= 300,000.00	768,173,904.89	14.36%	3,613	13.03%
> 300,000.00 and <= 350,000.00	373,732,117.68	6.99%	1,485	5.36%
> 350,000.00 and <= 400,000.00	178,550,384.49	3.34%	584	2.11%
> 400,000.00	501,443,416.79	9.37%	1,116	4.03%
<b>Total</b>	<b>5,349,665,524.32</b>	<b>100.00%</b>	<b>27,719</b>	<b>100.00%</b>

## (3) Current Outstanding Lease Principal Balance

Current Outstanding Lease Principal Balance (RMB)	Aggregate Outstanding Lease Principal Balance as of the Cut-Off Date (RMB)	Percentage of Outstanding Lease Principal Balance as of Cut-Off Date	Number of Contracts	Percentage of Total Number of Contracts
> 0 and <= 50,000.00	11,199,343.40	0.21%	279	1.01%
> 50,000.00 and <= 100,000.00	75,047,885.02	1.40%	970	3.50%
> 100,000.00 and <= 150,000.00	663,861,414.18	12.41%	4,971	17.93%

> 150,000.00 and <= 200,000.00	2,003,690,483.98	37.45%	11,574	41.75%
> 200,000.00 and <= 250,000.00	1,412,606,035.72	26.41%	6,483	23.39%
> 250,000.00 and <= 300,000.00	495,827,804.11	9.27%	1,836	6.62%
> 300,000.00 and <= 350,000.00	184,574,706.52	3.45%	572	2.06%
> 350,000.00 and <= 400,000.00	106,150,171.73	1.98%	280	1.01%
> 400,000.00	396,707,679.66	7.42%	754	2.72%
<b>Total</b>	<b>5,349,665,524.32</b>	<b>100.00%</b>	<b>27,719</b>	<b>100.00%</b>

## (4) Current Tenor

<b>Current Tenor (Month)</b>	<b>Aggregate Outstanding Lease Principal Balance as of the Cut-Off Date (RMB)</b>	<b>Percentage of Outstanding Lease Principal Balance as of Cut-Off Date</b>	<b>Number of Contracts</b>	<b>Percentage of Total Number of Contracts</b>
>12 and <=24	235,645,947.59	4.40%	912	3.29%

>24 and <=36	1,764,825,561.20	32.99%	8,475	30.57%
>36 and <=48	1,806,769,235.73	33.77%	8,594	31.00%
>48 and <=60	1,542,424,779.80	28.83%	9,738	35.13%
<b>Total</b>	<b>5,349,665,524.32</b>	<b>100.00%</b>	<b>27,719</b>	<b>100.00%</b>

## (5) Remaining Tenor

Remaining Tenor (Month)	Aggregate Outstanding Lease Principal Balance as of the Cut-Off Date (RMB)	Percentage of Outstanding Lease Principal Balance as of Cut-Off Date	Number of Contracts	Percentage of Total Number of Contracts
>0 and <=6	272,072,768.97	5.09%	1,422	5.13%
>6 and <=12	551,169,938.98	10.30%	3,055	11.02%
>12 and <=24	2,468,049,506.16	46.13%	12,895	46.52%
>24 and <=36	1,990,097,785.39	37.20%	9,927	35.81%
>36 and <=48	68,275,524.82	1.28%	420	1.52%



<b>Total</b>	<b>5,349,665,524.32</b>	<b>100.00%</b>	<b>27,719</b>	<b>100.00%</b>
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## (6) Seasoning

<b>Seasoning (Month)</b>	<b>Aggregate Outstanding Lease Principal Balance as of the Cut-Off Date (RMB)</b>	<b>Percentage of Outstanding Lease Principal Balance as of Cut-Off Date</b>	<b>Number of Contracts</b>	<b>Percentage of Total Number of Contracts</b>
<b>&gt;0 and &lt;=6</b>	436,596,074.50	8.16%	1,980	7.14%
<b>&gt;6 and &lt;=12</b>	1,135,585,275.34	21.23%	5,615	20.26%
<b>&gt;12 and &lt;=24</b>	2,048,138,826.09	38.29%	9,875	35.63%
<b>&gt;24 and &lt;=36</b>	1,248,098,554.44	23.33%	6,656	24.01%
<b>&gt;36 and &lt;=48</b>	428,742,079.55	8.01%	2,802	10.11%
<b>&gt;48 and &lt;=60</b>	52,504,714.40	0.98%	791	2.85%
<b>Total</b>	<b>5,349,665,524.32</b>	<b>100.00%</b>	<b>27,719</b>	<b>100.00%</b>

## (7) Internal Classification

Internal Classification	Aggregate Outstanding Lease Principal Balance as of the Cut-Off Date (RMB)	Percentage of Outstanding Lease Principal Balance as of Cut-Off Date	Number of Contracts	Percentage of Total Number of Contracts
Stage 1	5,349,665,524.32	100.00%	27,719	100.00%
<b>Total</b>	<b>5,349,665,524.32</b>	<b>100.00%</b>	<b>27,719</b>	<b>100.00%</b>

Note: Please refer to Section 6.1.6 for the introduction of the “three-stage” impairment model under IFRS 9.

(8) Interest Rate

Interest Rate	Aggregate Outstanding Lease Principal Balance as of the Cut-Off Date (RMB)	Percentage of Outstanding Lease Principal Balance as of Cut-Off Date	Number of Contracts	Percentage of Total Number of Contracts
>0% and <=3.00%	30,270,642.46	0.57%	115	0.41%
>3.00% and <=6.00%	2,267,158,308.71	42.38%	12,990	46.86%
>6.00% and <=9.00%	3,020,658,491.84	56.46%	14,471	52.21%
>9.00% and <=12.00%	31,578,081.31	0.59%	143	0.52%

<b>Total</b>	<b>5,349,665,524.32</b>	<b>100.00%</b>	<b>27,719</b>	<b>100.00%</b>
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## (9) Payment Method Type

<b>Payment Method Type</b>	<b>Aggregate Outstanding Lease Principal Balance as of the Cut-Off Date (RMB)</b>	<b>Percentage of Outstanding Lease Principal Balance as of Cut-Off Date</b>	<b>Number of Contracts</b>	<b>Percentage of Total Number of Contracts</b>
<b>Direct Debit</b>	5,349,665,524.32	100.00%	27,719	100.00%
<b>Total</b>	<b>5,349,665,524.32</b>	<b>100.00%</b>	<b>27,719</b>	<b>100.00%</b>

## (10) Interest Rate Type

<b>Interest Rate Type</b>	<b>Aggregate Outstanding Lease Principal Balance as of the Cut-Off Date (RMB)</b>	<b>Percentage of Outstanding Lease Principal Balance as of Cut-Off Date</b>	<b>Number of Contracts</b>	<b>Percentage of Total Number of Contracts</b>
<b>Fixed</b>	5,349,665,524.32	100.00%	27,719	100.00%
<b>Total</b>	<b>5,349,665,524.32</b>	<b>100.00%</b>	<b>27,719</b>	<b>100.00%</b>

## (11) Secured

<b>Secured</b>	<b>Aggregate Outstanding Lease Principal Balance as of the Cut-Off Date (RMB)</b>	<b>Percentage of Outstanding Lease Principal Balance as of Cut-Off Date</b>	<b>Number of Contracts</b>	<b>Percentage of Total Number of Contracts</b>
<b>Secured</b>	5,349,665,524.32	100.00%	27,719	100.00%
<b>Total</b>	<b>5,349,665,524.32</b>	<b>100.00%</b>	<b>27,719</b>	<b>100.00%</b>

## 2. Customer related stratification tables

### (1) Customer State

<b>Customer State</b>	<b>Aggregate Outstanding Lease Principal Balance as of the Cut-Off Date (RMB)</b>	<b>Percentage of Outstanding Lease Principal Balance as of Cut-Off Date</b>	<b>Number of Contracts</b>	<b>Percentage of Total Number of Contracts</b>
<b>Guangdong</b>	721,341,429.61	13.48%	3,652	13.18%
<b>Sichuan</b>	488,428,007.52	9.13%	2,472	8.92%
<b>Jiangsu</b>	487,182,040.44	9.11%	2,748	9.91%
<b>Shandong</b>	408,918,377.65	7.64%	2,107	7.60%

<b>Zhejiang</b>	357,816,560.98	6.69%	1,965	7.09%
<b>Henan</b>	254,461,494.65	4.76%	1,301	4.69%
<b>Hunan</b>	244,476,635.94	4.57%	1,270	4.58%
<b>Fujian</b>	213,473,028.78	3.99%	1,133	4.09%
<b>Chongqing</b>	212,946,501.78	3.98%	1,072	3.87%
<b>Shaanxi</b>	198,738,407.70	3.71%	1,014	3.66%
<b>Hebei</b>	191,465,257.83	3.58%	985	3.55%
<b>Hubei</b>	177,776,417.80	3.32%	931	3.36%
<b>Guizhou</b>	160,387,588.98	3.00%	745	2.69%
<b>Anhui</b>	152,902,236.36	2.86%	821	2.96%
<b>Guangxi</b>	150,462,777.83	2.81%	746	2.69%

<b>Beijing</b>	119,119,436.67	2.23%	569	2.05%
<b>Liaoning</b>	112,368,427.00	2.10%	569	2.05%
<b>Jiangxi</b>	109,328,104.06	2.04%	591	2.13%
<b>Shanghai</b>	104,341,038.47	1.95%	557	2.01%
<b>Yunnan</b>	103,089,646.80	1.93%	508	1.83%
<b>Shanxi</b>	74,159,410.66	1.39%	380	1.37%
<b>Tianjin</b>	68,411,952.23	1.28%	352	1.27%
<b>Jilin</b>	55,318,819.75	1.03%	285	1.03%
<b>Inner Mongolia</b>	53,488,374.06	1.00%	269	0.97%
<b>Heilongjiang</b>	53,219,810.87	0.99%	276	1.00%
<b>Gansu</b>	25,845,425.47	0.48%	142	0.51%

<b>Qinghai</b>	17,895,587.65	0.33%	90	0.32%
<b>Hainan</b>	17,396,095.05	0.33%	90	0.32%
<b>Ningxia</b>	10,842,899.36	0.20%	60	0.22%
<b>Xinjiang</b>	2,105,229.44	0.04%	10	0.04%
<b>Tibet</b>	1,958,502.93	0.04%	9	0.03%
<b>Total</b>	<b>5,349,665,524.32</b>	<b>100.00%</b>	<b>27,719</b>	<b>100.00%</b>

## (2) Industry Sector

<b>Industry Sector</b>	<b>Aggregate Outstanding Lease Principal Balance as of the Cut-Off Date (RMB)</b>	<b>Percentage of Outstanding Lease Principal Balance as of Cut-Off Date</b>	<b>Number of Contracts</b>	<b>Percentage of Total Number of Contracts</b>
<b>Wholesale and retail</b>	1,472,332,004.48	27.52%	7,467	26.94%
<b>Leasing and Professional Services</b>	532,736,390.83	9.96%	2,748	9.91%

<b>Manufacturing</b>	487,963,545.00	9.12%	2,492	8.99%
<b>Construction</b>	474,967,329.34	8.88%	2,307	8.32%
<b>Real Estate</b>	271,761,572.53	5.08%	1,460	5.27%
<b>Education</b>	266,057,715.25	4.97%	1,444	5.21%
<b>Research and technical services</b>	265,951,452.59	4.97%	1,341	4.84%
<b>Services</b>	222,092,219.65	4.15%	1,230	4.44%
<b>Information transmission, software and IT service</b>	221,845,656.05	4.15%	1,152	4.16%
<b>Public Administration, Social Welfare and Social Organizations</b>	217,267,365.11	4.06%	1,180	4.26%
<b>Finance</b>	210,584,215.89	3.94%	1,168	4.21%
<b>Health and social service</b>	157,774,847.72	2.95%	872	3.15%
<b>Accommodation and Catering</b>	156,360,075.19	2.92%	818	2.95%



<b>Services</b>				
<b>Culture, Sports and Entertainment</b>	131,363,685.59	2.46%	702	2.53%
<b>Transportation, storage and postal services</b>	125,950,846.19	2.35%	670	2.42%
<b>Agriculture, forestry, animal husbandry and fishery</b>	62,932,963.74	1.18%	306	1.10%
<b>Utilities</b>	38,014,478.66	0.71%	198	0.71%
<b>Water Conservancy, Environment and Public Facilities Management</b>	20,604,382.66	0.39%	101	0.36%
<b>Mining</b>	12,642,023.52	0.24%	61	0.22%
<b>International Organization</b>	462,754.33	0.01%	2	0.01%
<b>Total</b>	<b>5,349,665,524.32</b>	<b>100.00%</b>	<b>27,719</b>	<b>100.00%</b>

## (3) Customer Age

<b>Customer Age</b>	<b>Aggregate Outstanding Lease Principal Balance as of the Cut-</b>	<b>Percentage of Outstanding Lease Principal Balance as</b>	<b>Number of Contracts</b>	<b>Percentage of Total</b>
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	<b>Off Date (RMB)</b>	<b>of Cut-Off Date</b>		<b>Number of Contracts</b>
<b>&gt;=18, and &lt;20</b>	493,398.56	0.01%	3	0.01%
<b>&gt;=20 and &lt;30</b>	848,137,140.90	15.85%	4,679	16.88%
<b>&gt;=30 and &lt;40</b>	2,720,154,225.70	50.85%	14,340	51.73%
<b>&gt;=40 and &lt;50</b>	1,277,787,944.75	23.89%	6,309	22.76%
<b>&gt;=50 and &lt;60</b>	449,277,735.35	8.40%	2,112	7.62%
<b>&gt;=60 and &lt;70</b>	53,815,079.06	1.01%	276	1.00%
<b>Total</b>	<b>5,349,665,524.32</b>	<b>100.00%</b>	<b>27,719</b>	<b>100.00%</b>

## (4) Customer Income

<b>Customer Income (RMB)</b>	<b>Aggregate Outstanding Lease Principal Balance as of the Cut-Off Date (RMB)</b>	<b>Percentage of Outstanding Lease Principal Balance as of Cut-Off Date</b>	<b>Number of Contracts</b>	<b>Percentage of Total Number of Contracts</b>

>0 and <= 100,000	519,046,636.08	9.70%	2,997	10.81%
>100,000 and <= 200,000	1,668,196,919.88	31.18%	9,334	33.67%
>200,000 and <= 300,000	1,209,192,395.58	22.60%	6,374	23.00%
>300,000 and <= 400,000	618,606,739.79	11.56%	3,141	11.33%
>400,000 and <= 500,000	280,880,582.89	5.25%	1,407	5.08%
>500,000 and <= 1,000,000	686,781,356.42	12.84%	3,055	11.02%
>1,000,000	366,960,893.68	6.86%	1,411	5.09%
<b>Total</b>	<b>5,349,665,524.32</b>	<b>100.00%</b>	<b>27,719</b>	<b>100.00%</b>

## (5) Internal Credit Score

Internal Credit Score	Aggregate Outstanding Lease Principal Balance as of the Cut-Off Date (RMB)	Percentage of Outstanding Lease Principal Balance as of Cut-Off Date	Number of Contracts	Percentage of Total Number of Contracts
A	1,697,427,472.46	31.73%	8,770	31.64%

<b>B</b>	2,645,208,324.54	49.45%	13,526	48.80%
<b>C</b>	854,204,862.31	15.97%	4,658	16.80%
<b>D</b>	152,824,865.01	2.86%	765	2.76%
<b>Total</b>	<b>5,349,665,524.32</b>	<b>100.00%</b>	<b>27,719</b>	<b>100.00%</b>

Note: The Internal (Retail) Credit Level (A-B-C-D) is developed and utilized by MBLC as an important indicator to evaluate the potential credit risk level for all applications of retail customers. It also provides detailed guidance for credit decision-making. The Credit Level is generated on basis of score results out of data driven statistical scorecard models applied within MBLC. It follows alphabetic ascending order to indicate the potential credit risk level of potential application, whereas “A” represents the lowest credit risk level and “D” represents the relatively highest credit risk level. Applications with a credit risk level of C or D will only be approved if the risks are considered to be manageable by MBLC through diligent analysis.

### 3. Vehicle related stratification tables

#### (1) Vehicle Condition

<b>Vehicle Condition</b>	<b>Aggregate Outstanding Lease Principal Balance as of the Cut-Off Date (RMB)</b>	<b>Percentage of Outstanding Lease Principal Balance as of Cut-Off Date</b>	<b>Number of Contracts</b>	<b>Percentage of Total Number of Contracts</b>
<b>New</b>	5,349,665,524.32	100.00%	27,719	100.00%

<b>Total</b>	<b>5,349,665,524.32</b>	<b>100.00%</b>	<b>27,719</b>	<b>100.00%</b>
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## (2) Vehicle Class

<b>Vehicle Class</b>	<b>Aggregate Outstanding Lease Principal Balance as of the Cut-Off Date (RMB)</b>	<b>Percentage of Outstanding Lease Principal Balance as of Cut-Off Date</b>	<b>Number of Contracts</b>	<b>Percentage of Total Number of Contracts</b>
<b>Mercedes-Benz</b>				
<b>A-Class</b>	945,404,902.71	17.67%	6,076	21.92%
<b>B-Class</b>	42,054,010.85	0.79%	339	1.22%
<b>C-Class</b>	875,483,223.00	16.37%	5,407	19.51%
<b>CLA-Class</b>	60,007,789.11	1.12%	437	1.58%
<b>CLS-Class</b>	28,276,918.57	0.53%	103	0.37%
<b>E-Class</b>	1,116,717,687.15	20.87%	5,209	18.79%

<b>G-Class</b>	2,394,549.31	0.04%	6	0.02%
<b>GLA-Class</b>	189,297,082.73	3.54%	1,365	4.92%
<b>GLB-Class</b>	367,701,702.86	6.87%	2,007	7.24%
<b>GLK/GLC-Class</b>	1,142,183,902.89	21.35%	5,386	19.43%
<b>GLS/GL Class</b>	66,721,674.32	1.25%	120	0.43%
<b>M/GLE-Class</b>	261,628,695.06	4.89%	685	2.47%
<b>R-Class</b>	3,037,973.72	0.06%	28	0.10%
<b>S-Class</b>	213,557,286.08	3.99%	420	1.52%
<b>SLK / SLC CLASS</b>	390,915.57	0.01%	2	0.01%
<b>V-Class</b>	24,041,471.36	0.45%	74	0.27%
<b>VITO</b>	10,765,739.03	0.20%	55	0.20%

<b>Total</b>	<b>5,349,665,524.32</b>	<b>100.00%</b>	<b>27,719</b>	<b>100.00%</b>
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## (3) Origination LTV

<b>Origination LTV</b>	<b>Aggregate Outstanding Lease Principal Balance as of the Cut-Off Date (RMB)</b>	<b>Percentage of Outstanding Lease Principal Balance as of Cut-Off Date</b>	<b>Number of Contracts</b>	<b>Percentage of Total Number of Contracts</b>
<b>&gt;0% and &lt;=50%</b>	599,834,166.55	11.21%	2,972	10.72%
<b>&gt;50% and &lt;=60%</b>	1,477,828,146.17	27.62%	7,936	28.63%
<b>&gt;60% and &lt;=70%</b>	1,487,477,930.01	27.81%	7,557	27.26%
<b>&gt;70% and &lt;=80%</b>	783,219,307.05	14.64%	3,593	12.96%
<b>&gt;80%</b>	1,001,305,974.54	18.72%	5,661	20.42%
<b>Total</b>	<b>5,349,665,524.32</b>	<b>100.00%</b>	<b>27,719</b>	<b>100.00%</b>

#### **7.1.4 Legality of the Underlying Assets**

1. Legal Compliance in Underlying Assets and its Operation
  - (a) Definition of Underlying Assets

The relevant definitions relating to the Underlying Assets are as follows:

"Entrusted Lease Receivables" means the Lease Receivables entrusted by the Originator to the Issuer Administrator on the Closing Date under the Trust Agreement.

"Lease Receivable" means lease receivables claims by the Originator against the relevant Lessee for the payment of principal and interest (including the Final Instalment payable should the Lessee elect to repurchase the Leased Vehicle pursuant to the Lease Agreement) under a Lease Agreement, but excluding any fee, compensation, fines or other amounts payable by the Lessee in connection with the return of the Leased Vehicle following a Lessee Return Event.

"Lease Agreement" means any lease agreement (as may be amended, supplemented and/or extended from time to time) between the Originator in its capacity as Lessor and a Lessee in relation to the Leased Vehicle(s), in particular, including in the form of standard business terms governing the Originator's relationship with the respective Lessee.

"Lessee" means, in respect of a Lease Receivable, a Person (including private consumer and business owner) to whom the Originator leases vehicles on the terms of the relevant Lease Agreement.

"Leased Vehicle" means any vehicle leased under the Lease Agreement.

"Closing Date" means the delivery date of the Trust Assets of the Property Right Trust, which is the date on which the Originator delivers the Trust Assets to the Trustee, and it shall be the same day as the Trust Effective Date.

"Vehicle Purchase Agreement" means the vehicle purchase agreement entered into between MBLC as the seller and FOTIC (in the capacity as the trustee of the Fund Trust) as the buyer on or about the Signing Date.

"Fund Trust" means the FOTIC - MB Leasing No. 4 Single Fund Trust established pursuant to the Fund Trust Agreement.

"Fund Trust Agreement" means the Trust Agreement for FOTIC - MB Leasing No. 4 Single Fund Trust dated 27 April 2022 between MBLC as the grantor and FOTIC as the trustee.



(b) Eligibility Criteria of the Entrusted Lease Receivables

According to the Master Definitions and Common Terms Agreement and the Trust Agreement, each of the Entrusted Lease Receivables shall satisfy the following Eligibility Criteria as of the Cut-off Date:

- (i) such Lease Receivable has been originated by the Originator pursuant to a Lease Agreement governed by PRC Law;
- (ii) each Lease Receivable has been originated in the PRC in the ordinary course of the Originator's business in compliance with the Credit and Collection Policy;
- (iii) each Lessee to which such Lease Receivable relates is a resident of the PRC;
- (iv) the Originator is the sole legal owner of the Leased Vehicles, and the Leased Vehicles are free of mortgage, pledge or any other security interests or encumbrances (other than security interests or encumbrances granted in favour of the Originator);
- (v) the Lease Receivables are free of mortgage, pledge or any other security interests or encumbrances;
- (vi) the Lessees as mortgagor and the Originator as mortgagee have entered into mortgage agreements in respect of the relevant Leased Vehicles, and such mortgages have been duly registered with the relevant registration authorities;
- (vii) the vehicle registration certificate of each Leased Vehicle is held by the Originator;
- (viii) such Lease Receivable may be segregated and identified at any time for the purpose of leasing contractual relationship and at any time be identified as a Lease Receivable;
- (ix) such Lease Receivable can be and by the Closing Date will have been validly entrusted to the Issuer Administrator according to the relevant Lease Agreement, such entrustment is not subject to any legal restriction which prevents the valid transfer thereof to the Issuer

Administrator;

- (x) such Lease Receivable is free of third party rights, including any set-off rights, any defence, retention or revocation rights of the relevant Lessee;
- (xi) such Lease Receivable constitutes the legal, valid and binding obligations of the Lessee(s), enforceable against the Lessee(s) in accordance with its terms;
- (xii) such Lease Receivables are denominated in RMB;
- (xiii) the Leased Vehicles are Mercedes-Benz or smart brand vehicles, and such Leased Vehicles are new at the time of the commencement of the leasing;
- (xiv) the relevant Lessee has the obligation to make monthly rent payments in accordance with the schedule as specified in the relevant Lease Agreement;
- (xv) the interest rate applicable to each Lease Receivable is fixed;
- (xvi) the Originator has paid the Vehicle Sale Price for the relevant Leased Vehicles, and the Leased Vehicles have been delivered to the relevant Lessees;
- (xvii) each Lease Receivable has a seasoning above or equal to one (1) month;
- (xviii) according to MBLC's records, the Lessee is not insolvent;
- (xix) each Lease Receivable is classified as "Stage 1" according to the Originator's internal classification;
- (xx) at origination, the relevant Lessee is not an employee of the Originator;
- (xxi) for each Lease Receivable, the Outstanding Lease Principal Balance as of the Cut-Off Date is no more than 80% of the Vehicle Sale Price;
- (xxii) As of the Cut-Off Date, no Lease Receivable is overdue and no Lease

Receivable has been delinquent for more than thirty (30) consecutive days;

- (xxiii) each Lease Agreement has a specific repayment schedule;
  - (xxiv) the lease term under each Lease Agreement is no more than sixty (60) months;
  - (xxv) the remaining lease term of each Lease Agreement as of the Cut-Off Date is more than four (4) months;
  - (xxvi) no security deposit is payable by the Lessees to the Originator under the Lease Agreements; and
  - (xxvii) neither the Lease Receivables nor the Leased Vehicles are related to national defense, military project or other State's secrets.
- (c) Legal Compliance in the Operation of Finance Lease Business

According to the Approval on the Establishment of Mercedes-Benz Leasing Co., Ltd (Jing Shang Wu Zi Zi [2011] No. 900) issued by Beijing Municipal Commission of Commerce (currently the Beijing Municipal Bureau of Commerce) on 15 December 2011, Beijing Municipal Commission of Commerce approved that the business scope of the Company are financial leasing services, leasing services, acquisition of property for lease within and outside China, disposal and maintenance of the residual value of the leased assets, consultancy and guarantee for leasing transactions; and that the operation term for MBLC is thirty (30) years.

According to the PRC Certificate of Approval for Establishment of Enterprises with Foreign Investment (Shang Wai Zi Jing Zi [2011] No. 20933) issued by Beijing Municipal People's Government, and according to the search result of the foreign investment information of MBLC obtained by the handling lawyers of FenXun from the Unified Platform of the Business System of Ministry of Commerce (date of query: 10 May 2022), the industry invested by MBLC is financial leasing service and the operation term is thirty (30) years.

According to the Business License (unified social credit code: 911100005877260101) issued by the Beijing Municipal Chaoyang District Administration for Market Regulation on 22 June 2021, the business scope of MBLC is Financial leasing; leasing; purchasing lease assets within and outside of China; residual value disposal and maintenance of leased property; consultancy and security for leasing transactions; automobile leasing,

business consultancy; enterprise management consultancy wholesales of automotive parts, communication device, electronics; software development; technical development, transfer, consulting, and service; trading of used automobile (specific business scope and the business activities are at the discretion of the market players according to laws; for activities subject to approval according to laws, shall be conducted according to the contents approved by relevant authorities; business activities prohibited or restricted by the national or municipal industrial policies are not allowed.).

Considering the confirmation of MBLC, the handling lawyers of FenXun are of the opinion that the Originator is qualified to operate finance lease business and the operation of the finance lease business complies with the Laws and Regulations and relevant national industrial policies.

## 2. Authenticity, Legality, and Ownership of Underlying Assets

In terms of the Entrusted Lease Receivables and all relevant Ancillary Interests:

In the course of its automobile financial leasing business, MBLC entered into the Finance Lease and the Guarantee Agreements and Mortgage Contract (the specific names of the agreements are subject to those of the executed versions) with each Lessee. For the purpose of this project, MBLC selected 27,719 eligible Finance Lease and the Guarantee Agreements in accordance with the Eligibility Criteria; The Lease Receivables and all relevant Ancillary Interests of MBLC under the aforementioned selected agreements (to the extent they have not been fully performed, transferred or prepaid) are the Underlying Assets. The scope of such Underlying Assets and related information are subject to those provided by the Originator to the Trustee in accordance with clauses 2.1 and 2.3 of the Trust Agreement.

Due to the large volume of the Entrusted Lease Receivables, which renders one-by-one verification impractical, and given that MBLC is highly homogenized in the auto financial leasing business, where the agreements adopted are all standardized, the handling lawyers of FenXun reviewed the Entrusted Lease Receivables by way of sampling in consideration of practical feasibility. FOTIC extracted agreements as samples (the "Sample Assets") from the above agreements according to the following sampling method: 1. A total of 130 samples were selected, and 45, 40 and 45 samples were selected respectively for each sampling dimension (i.e. lease term, repayment type and credit score); 2. Lease Agreements with different lease terms were extracted according to their respective proportions; 3. Lease Agreements with different product types were extracted according to their respective proportions; 4. Lease Agreements of different credit scores are sampled according to their

respective proportions; 5. after sampling in accordance with the above method, random sampling was applied until the total number of samples reached 120 (as applicable). The quantity distribution of the Initial Sample Assets is as follows:

Sampling Dimension		Number of Samples	Total
Lease Term (month)	(24,36]	2	45
	(36,48]	30	
	(48,60]	13	
Repayment Type	Balloon	34	40
	Non-Balloon	6	
Credit Score	A	14	45
	B	23	
	C	7	
	D	1	
Total			130

Due to the large volume and the diversification of the Entrusted Lease Receivables, and given that the auto financial leasing business of MBLC is highly homogenized, the agreements for which are generally standardized, the handling lawyers of FenXun are of the opinion that the above sampling method is reasonable, and the Sample Assets extracted according to the above sampling method are in general representative of the Entrusted Lease Receivables and may reflect the overall status of the Entrusted Lease Receivables.

The handling lawyers of FenXun have duly conducted verification in respect of all Sample Assets, and the verified materials include the Finance Lease and the Guarantee Agreements (regardless of the name of such document, the Finance Lease and the Guarantee Agreement represents any and all documents between MBLC and the Lessee on the rights and obligations in respect of the financial leasing of the vehicle), its schedule, system data of fund disbursement, system data of each rent payment, Mortgage Contract, the ID card of the Lessee and of the Guarantor (if any), Motor Vehicle Sales Uniform Invoice, Motor Vehicle Register Certificate; based on the above, the MBLC Confirmation Letter, the handling lawyers of FenXun are of the opinion that as of the Sample Due Diligence Reference Day (i.e. 9 February 2022), each Sample Asset is authentic, legal, valid, and is a property right held by the Originator.

To conclude, the handling lawyers of FenXun are of the opinion that, as of the Sample Due Diligence Reference Day, the formation and acquisition of the Sample Assets are in compliance with the Trust Law, the Civil Code and other relevant Laws and Regulations, and the Sample Assets are property rights in

nature, and are authentic, legal, valid, with clear ownership, and are legally held by the Originator and can be entrusted to the Trustee in accordance with the Trust Agreement. Provided that the Originator effectively selects the Entrusted Lease Receivables based on the Eligibility Criteria, and that the representations and warranties of the Originator in clause 14 of the Trust Agreement are authentic, legal and valid, the Originator legally owns the Entrusted Lease Receivables, which are authentic, legal, valid, and with clear ownership and can be entrusted to the Trustee in accordance with the Trust Agreement.

In terms of the formation and acquisition of the rights, interests and benefits of the Consideration payable by the Fund Trust under the Vehicle Purchase Agreement:

- (i) MBLC proposes to sign the Fund Trust Agreement with FOTIC and entrusts its lawfully owned funds to FOTIC to establish the Fund Trust. According to the Fund Trust Agreement, the Fund Trust shall be established on the date of the Fund Trust Agreement, and shall be effective on the date when all of the following conditions are satisfied: (1) the Fund Trust Agreement has been executed by MBLC and FOTIC and has become effective; (2) MBLC has transferred the full amount of the initial Trust Funds to the Trust Asset Account in accordance with the Fund Trust Agreement; (3) FOTIC has completed the registration of trust product in respect of the Fund Trust at China Trust Registration Co., Ltd.
- (ii) After the Fund Trust becomes effective, FOTIC, on behalf of Fund Trust, will enter into the Vehicle Purchase Agreement with the MBLC in accordance with the instruction of MBLC. Subject to the terms and conditions of the Vehicle Purchase Agreement, in the event that a Lessee Return Event has occurred under the Lease Agreement relating to a Leased Vehicle, FOTIC (on behalf of the Fund Trust) agrees to purchase from MBLC, and MBLC agrees to sell to FOTIC (on behalf of the Fund Trust), such Leased Vehicle. FOTIC (on behalf of the Fund Trust) and MBLC agree that the Consideration of each Relevant Vehicle shall equal to the amount of relevant Final Instalment. The above Lessee Return Event means in terms of any Lease Agreement with Return Option (except Defaulted Lease Receivable): (1) the relevant Lessee effectively chooses to return relevant Leased Vehicles to MBLC based on the relevant terms of Lease Agreement and the practice of MBLC from time to time; or (2) on the last day of the calendar month in which the Final Instalment Due Date falls (or, if as of such day, the Lessee is delinquent in paying any amount under the

Lease Agreement other than the Final Instalment, the last day of the calendar month in which the Lessee has fully paid such delinquent amount), the Lessee has neither paid the Final Instalment nor selected to return the relevant Leased Vehicle. Return Option means the option contemplated under a Lease Agreement allowing the relevant Lessee to return the relevant Leased Vehicle at the end of the lease term.

Upon the due verification of the handling lawyers of FenXun, as of the date of this Legal Opinion, Fund Trust Agreement and the Vehicle Purchase Agreement are in compliance with the Civil Code, the Trust Law and other relevant Laws and Regulations. After the Fund Trust and the Vehicle Purchase Agreement become effective, MBLC will be entitled to the right, interests and benefits to request FOTIC (on behalf of the Fund Trust) to pay the Consideration under the Vehicle Purchase Agreement. Such Underlying Assets are authentic, legal, valid, with clear ownership, and are legally held by the Originator and can be entrusted to the Trustee in accordance with the Trust Agreement.

### 3. The Encumbrance of Underlying Assets

The handling lawyers of FenXun enquired the Unified Registration and Disclosure System for Movable Assets Financing of Credit Reference Center of the People's Bank of China (date of query: 10 May 2022), and according to the MBLC Confirmation Letter, the handling lawyers of FenXun are of the opinion that as of the foregoing date of query, there are no third-party limitation or encumbrances of rights such as mortgages and pledges on the Underlying Assets.

### 4. Cash Flow Generated from the Underlying Assets as Repayment Support for the Asset Backed Notes

According to the Trust Agreement, the Servicing Agreement and the Bank Account Agreement, unless such authorisation is revoked by the Issuer Administrator, the Servicer is authorised and entitled (and in that respect also obligated) to collect and transfer the Collections, in its own name and for the account of the Issuer Administrator, to the Issuer Administrator. The Servicer shall, on each Collections Transfer Date, transfer all Collections of the Entrusted Lease Receivables and Ancillary Interests during the Collection Period to the Operating Account (meaning an account of the Issuer Administrator opened on or before the Closing Date with the Account Bank or any successor account bank) or as otherwise instructed by the Issuer Administrator. The Originator shall instruct FOTIC (on behalf of the Fund Trust) to pay the Consideration payable under the Vehicle Purchase Agreement from time to time directly to the Operating Account.

The Trustee will use all Collections under the above Entrusted Lease Receivables and Ancillary Interests and Consideration paid by FOTIC (on behalf of the Fund Trust) for repayment of principal and payment of interest to Noteholders for the Asset Backed Notes as agreed in the Trust Agreement.

The handling lawyers of FenXun are of the opinion that according to the above arrangement, the cash flow generated by Underlying Assets will be used as support for the repayment of the principal and interest of Asset Backed Notes.

5. Legality and Validity of Trust of the Underlying Assets

(a) No statutory or contractual limitation on the transfer/entrustment of the Sample Assets and Vehicle Purchase Agreement

According to article 545 of the Civil Code, a creditor may transfer its creditor's rights in whole or in part to a third party, except under any of the following circumstances: (1) where transfer is not allowed according to the nature of the creditor's rights; (2) where transfer is not allowed according to the agreements between the parties; or (3) where transfer is not allowed pursuant to the law. If the parties agree that non-pecuniary claims shall not be transferrable, such agreement may not be asserted against a bona fide third party. If the parties agree that the pecuniary claims shall not be transferrable, such agreement shall not be asserted against a third party.

According to article 547 of the Civil Code, where a creditor transfers its creditor's rights, the transferee shall obtain the accessory rights related to the creditor's rights, unless the accessory rights belong exclusively to the creditor. The acquirement of accessory rights by the transferee shall not be affected by the failure to handle the transfer registration formalities for such accessory rights or failure to transfer the occupation of such accessory rights.

According to article 696 of the Civil Code, if the creditor transfers all or part of the creditor's rights without notice to the guarantor, such transfer shall not be effective on the guarantor. If transfer of the creditor's rights is prohibited under the agreement between the guarantor and the creditor and the creditor transfers the creditor's rights without written consent of the guarantor, the guarantor shall be released from the guaranteed liability towards the transferee.

As duly verified by the handling lawyers of FenXun, the Lease Agreements corresponding to the Sample Assets do not include provisions that restrict the assignment/entrustment by the Originator of the Lease Receivables and all relevant Ancillary Interests and the corresponding Guarantee Agreements (or guarantee provisions) do not include provisions that exempt the Guarantor



from guarantee obligations after the assignment/trust of Lease Receivables; the Vehicle Purchase Agreements do not include provisions that restrict the assignment/entrustment by the Originator of the rights under the Vehicle Purchase Agreement.

The handling lawyers of FenXun are of the opinion that there are no statutory or agreed limitations for the Lease Receivables and all relevant Ancillary Interests under the Lease Agreement corresponding to the Sample Assets to be assigned/entrusted, and the corresponding guarantee is to be assigned/entrusted together with the Lease Receivables. Provided that the Originator effectively selected the Entrusted Lease Receivables that satisfy the Eligibility Criteria and that the Originator's representations and warranties in clause 14 of the Trust Agreement are authentic, legal and valid, there are no statutory or agreed limitations for the Entrusted Lease Receivables to be transferred/entrusted, and the corresponding guarantee is to be assigned/entrusted together with the Lease Receivables; there are no statutory or agreed limitations for the rights under the Vehicle Purchase Agreement under the Vehicle Purchase Agreements to be assigned/entrusted.

(b) Entrustment of the Underlying Assets

As duly verified by the handling lawyers of FenXun, the Trust Agreement provides that:

The Property Right Trust shall be established upon execution and effectiveness of the Trust Agreement. Upon the Conditions Precedent as set out in schedule 9 (*Conditions Precedent Related to the Entrustment of the Underlying Assets*) have been fulfilled to the satisfaction of, or waived by the Trustee, the Originator shall entrust all rights, interests and benefits of the Underlying Assets to the Trustee on such date in accordance with the Trust Agreement, and such date shall be the Trust Effective Date.

The handling lawyers of FenXun are of the opinion that the covenant to deliver the Underlying Assets in the Trust Agreement does not contravene laws or regulations. After the Fund Trust and the Vehicle Purchase Agreement become effective, the entrustment of the Underlying Assets to the Trustee shall have the legal effect upon the legal and valid execution and actual performance of the Trust Agreement by relevant parties; the acquisition by the Trustee (on behalf of the Property Right Trust) to acquire the Underlying Assets is authentic and valid, and there is no legal obstacle.

### **7.1.5 Management and Operation Arrangement of the Underlying Assets**

1. Appointment of Servicer

Pursuant to the Servicing Agreement, the Issuer Administrator appoints Mercedes-Benz Leasing Co., Ltd. with regard to all Entrusted Lease Receivables and the Ancillary Interests as its Servicer and as its lawful agent to service, collect and administer such Entrusted Lease Receivables and the Ancillary Interests and to collect the Collections from the Lessees on behalf of the Issuer Administrator in accordance with the Servicer's Credit and Collection Policy as applicable from time to time and to perform all related functions in the same manner and with the same degree of care and diligence as it services receivables and collateral other than such Entrusted Lease Receivables and the Ancillary Interests. For the avoidance of doubt, the Servicer shall be authorised to modify the terms of an Entrusted Lease Receivable in accordance with its Credit and Collection Policy, as applicable from time to time, provided that the latest payment due under any Entrusted Lease Receivable shall not be extended beyond the Legal Maturity Date (except in circumstances where clause 5.1(a)(iii) of the Trust Agreement applies).

## 2. The Services

Pursuant to the Servicing Agreement, The Servicer shall, with regard to the Entrusted Lease Receivables or the Ancillary Interests (as appropriate):

- (i) collect any and all amounts payable, from time to time, by the Lessees under or in relation to the Lease Agreements as and when they fall due;
- (ii) identify the Collections as either Principal Collection or Interest Collection, or as the case may be, Recovery Collection or Repurchase Price;
- (iii) endeavour to seek Recovery Collections due from Lessees in accordance with the Credit and Collection Policy, whereby the Servicer has the right to deduct any costs incurred from the collection, and the Servicer shall provide proper invoices evidencing such costs upon the request of the Issuer Administrator;
- (iv) keep records in relation to the Entrusted Lease Receivables which can be segregated from all other records of the Servicer relating to other receivables made or serviced by such Servicer otherwise;
- (v) keep records for all taxation purposes;
- (vi) hold, subject to the data protection laws and banking secrecy rules of the PRC and the provisions of the Servicing Agreement, all records relating to the Entrusted Lease Receivables in its possession for, and to the order of, the Issuer Administrator and co-operate with any party to the Transaction Documents to the extent required under or in connection with any of the Transaction Documents;
- (vii) release on behalf of the Issuer Administrator any Ancillary Interests in accordance with its Credit and Collection Policy;

- (viii) enforce the Ancillary Interests upon an Entrusted Lease Receivable becoming a Defaulted Lease Receivable in accordance with the Credit and Collection Policy and apply the enforcement proceeds to the relevant secured obligations, and insofar as such enforcement proceeds are applied to Entrusted Lease Receivables and constitute Collections, pay such Collections to the Issuer Administrator into the Operating Account on the relevant Collections Transfer Date;
- (ix) make available Monthly Servicer Reports on each Servicer Report Performance Date to the Issuer Administrator and the Account Bank which shall include the information on the performance of the Portfolio in relation to the Collection Period immediately preceding the relevant Servicer Report Performance Date, as well as the related information with regards to the payments to be made on the immediately following Payment Date under the Notes;
- (x) assist the Issuer Administrator's auditors and provide, subject to the data protection laws and banking secrecy rules of the PRC, information to them upon request; and
- (xi) promptly notify all Lessees following the occurrence of a Servicer Termination Event (a "Servicer Termination Event Notice"), or, if the Servicer fails to deliver such Servicer Termination Event Notice within five (5) Business Days after the Servicer Termination Event, the Issuer Administrator shall have the right to deliver or to instruct a successor Servicer or an agent that is compatible with the data protection laws and banking secrecy rules of the PRC to deliver on its behalf the Servicer Termination Event Notice.

## 7.2 UNDERLYING ASSETS CASH FLOW GENERATION MECHANISM AND HISTORICAL DATA

The Underlying Assets under this Transaction include: (1) the Entrusted Lease Receivables and all Ancillary Interests in relation to such Entrusted Lease Receivables; and (2) the rights, interests and benefits of the Consideration payable by the Fund Trust under the Vehicle Purchase Agreement. The cash flow would be generated from the Collections of such Underlying Assets.

As of 30 December 2021, the static historical data of the Agility Products and the Finance Lease with Balloon Products for vintage 2016 to 2020 is as follows:

	Vintage Pools				
	2016	2017	2018	2019	2020
Cumulative Net Loss Rates	0.31%	0.67%	0.68%	0.37%	0.23%
Cumulative Prepayment Rates	10.00%	11.73%	14.69%	12.00%	6.61%
Cumulative Purchase Rates	83.68%	72.52%	65.94%	28.37%	5.82%
Cumulative Extension Rates	22.32%	25.33%	28.83%	11.58%	0.64%

Cumulative Return Rates	0.04%	0.01%	0.00%	0.00%	0.00%
Cumulative Default Rates	0.74%	1.37%	1.32%	0.68%	0.36%

#### Notes:

Cumulative Net Loss Rates means the sum of net loss divided by the sum of original principal amount. Net loss means principal charge-off minus recovery after charge-off.

Cumulative Prepayment Rates means the sum of prepayment amount divided by the sum of original principal amount. The prepayment amount (full early termination only) is the amount the lessee paid to early terminate the lease contract which equals to the Outstanding Lease Principal Amount of a lease contract at the time of early termination.

Cumulative Purchase Rates means the sum of purchase amount divided by the sum of original principal amount. The purchase amount is the amount the lessee paid to repurchase the leased vehicle which equals to (i) the final instalment amount or (ii) the prepayment amount (full early termination only).

Cumulative Extension Rates means the sum of extension amount divided by the sum of original principal amount. The extension amount is the Outstanding Lease Principal Amount when the lease contract is extended.

Cumulative Return Rates means the sum of return amount divided by the sum of original principal amount. The return amount is the Outstanding Lease Principal Amount which the lessee is not obliged to pay after returning the leased vehicle.

Cumulative Default Rates means the sum of default amount divided by the sum of original principal amount. The default amount (solely for the purpose of the above table) means the Outstanding Lease Principal Amount of such contracts at the time when they became delinquent more than 90 days.

From dynamic historical performance perspective, the historical average of default rate and prepayment rate of the Agility Products and Finance Lease with Balloon Products are 0.44% and 4.11% respectively for the period from January 2016 to December 2021. The default rate is defined as delinquency amount of 91-120 days at month T divided by the current amount at month T-4 times 12. The prepayment rate is defined as prepayment amount at month T divided by the beginning balance at month T times 12.

### **7.3 UNDERLYING ASSETS CASH FLOW FORECASTS ANALYSIS AND PRESSURE TESTS**

#### **7.3.1 Cash Flow Forecast Preparation Basis and Basic Assumptions**

- (a) The cash flow forecast statement is prepared based on the premise that the Trust Plan maintains the existing operating model during the term of the Notes,

and it reflects the cash inflows and outflows during the duration of the Trust Plan;

- (b) During the term of the Notes, there are no significant changes in terms of the tax policies and relevant tax preferential policies (if any) followed by the Company;
- (c) During the term of the Notes, there is no discrepancy in terms of the repayment collection under various financing lease contracts for the Trust Plan, and there are no ineligible Underlying Assets, and the Company shall maintain its risk review capability for the contracts;
- (d) The cash inflows of the Trust Plan during each period is estimated according to the repayment schedule under the financing lease contracts for the Underlying Assets;
- (e) The cash flow is calculated based on a fixed default rate and a prepayment rate that applies to all Underlying Assets rather than on the assumption that the default or the prepayment only applies to a single asset. In terms of the default or the prepayment of the finance lease receivables, the effect of penalty after the occurrence of default or commission after prepayment is not considered in the calculation of cash flow;
- (f) The Trust Plan intends to raise RMB 4,500,000,000.00, all of which are Senior Notes; and RMB 849,665,524.32 from Subordinated Notes;
- (g) The expected annualised return of the Senior Notes is specified in each scenario, and there is no expected return for Subordinated Notes;
- (h) All interest income obtained through the Trust Plan from the originator shall be subject to VAT. The simplified taxation method is applicable for Trust Plan: 3% of VAT, and the Trust Plan is also subject to the urban maintenance and construction tax, educational surcharge and local educational surcharge of 12%;
- (i) Eligible investment is not considered;
- (j) The amount of General Reserve is RMB 26,748,327.62;
- (k) Fees include: trustee fee, servicing fee, rating agency fee, account bank fee and Beijing Financial Assets Exchange book building fee, registration fee and audit fee;
- (l) Originator will perform its obligations under the Trust Agreement in relation to the repurchase of the Entrusted Lease Receivables;
- (m) Priority of payments

The Issuer Administrator will distribute the Available Distribution Amount in accordance with the following Priority of Payments:

- (i) any due and payable taxes owed by the Issuer Administrator;
  - (ii) any due and payable amounts to the Trustee under the Trust Agreement;
  - (iii) (pro rata and pari passu) any due and payable Administration Expenses and any Servicing Fee;
  - (iv) (pro rata and pari passu) any due and payable Senior Interest Amount on the Senior Notes;
  - (v) the amount, if any, necessary to fund the General Reserve Account up to the General Reserve Required Amount;
  - (vi) (pro rata and pari passu) to the Senior Noteholders the payment of principal, until the Aggregate Outstanding Note Principal Amount of the Senior Notes is reduced to zero;
  - (vii) to the Subordinated Noteholders any due and payable Subordinated Notes Interest Amount on the Subordinated Notes;
  - (viii) to the Subordinated Noteholders, after the Aggregate Outstanding Note Principal of the Senior Notes is reduced to zero, principal amounts until the Aggregate Outstanding Note Principal Amount of the Subordinated Notes is reduced to zero;
  - (ix) any indemnity payments to any party under the transaction documents; and
  - (x) any remaining amounts to the Originator by way of a final success fee.
- (n) The Cut-Off date of the Trust Plan is 30 June 2021; the Closing Date is 28 October 2021; the Calculation Date is set as the last day of each calendar month; the Payment Date is set as the 26th day of each month and the Business Day Convention is not considered. The first Payment Date is 26 November 2021; The Collections Transfer Date of recoveries is the seventh working day before each Payment Date;
- (o) There are no significant changes in terms of national macroeconomic policies and industrial policies during the term of the Notes, and there are no other unpredictable factors and force majeure that could cause material adverse impacts;
- (p) When the Aggregate Outstanding Note Principal Amount is reduced to less than 10% of the Aggregate Outstanding Note Principal Amount as of the Closing Date, or the Senior Notes have been fully repaid, the Originator will have the option to acquire all outstanding Entrusted Lease Receivables (together with any related Ancillary Interests) against payment of the Repurchase Price. It is assumed that the Clean-up Call will be exercised.

### **7.3.2 Cash Flow Forecast under Benchmark Circumstance**

Unit: Yuan

Collection Period	The sum of principal and interest receivables	Principal receivables	Interest receivables
January 2022	96,640,323.20	68,452,766.57	28,187,556.63
February 2022	96,640,323.20	68,863,683.41	27,776,639.79
March 2022	96,640,323.20	69,277,128.17	27,363,195.03
April 2022	96,640,323.20	69,693,114.74	26,947,208.46
May 2022	203,130,654.61	176,601,949.08	26,528,705.53
June 2022	234,812,700.17	209,317,280.42	25,495,419.75
July 2022	182,053,768.75	157,791,986.77	24,261,781.98
August 2022	166,317,307.99	143,000,252.41	23,317,055.58
September 2022	164,653,544.62	142,199,943.36	22,453,601.26
October 2022	154,102,649.33	132,504,194.80	21,598,454.53
November 2022	159,487,939.29	138,681,711.38	20,806,227.91
December 2022	150,384,201.41	130,404,203.64	19,979,997.77
January 2023	206,045,307.59	186,850,139.63	19,195,167.96
February 2023	93,859,461.34	75,800,739.34	18,058,722.00
March 2023	142,225,437.80	124,611,480.53	17,613,957.27
April 2023	204,282,447.60	187,396,954.25	16,885,493.35
May 2023	218,704,265.02	202,797,808.37	15,906,456.65
June 2023	226,032,589.43	211,145,112.47	14,887,476.96
July 2023	231,782,150.17	217,958,755.28	13,823,394.89
August 2023	230,011,734.47	217,270,863.18	12,740,871.29
September 2023	246,929,983.01	235,264,493.65	11,665,489.36
October 2023	193,639,052.10	183,130,389.52	10,508,662.58
November 2023	214,142,766.98	204,524,740.00	9,618,026.98
December 2023	215,841,287.79	207,202,610.38	8,638,677.41
January 2024	281,968,188.71	274,322,441.74	7,645,746.97
February 2024	146,525,021.73	140,171,586.92	6,353,434.81
March 2024	223,203,631.36	217,519,244.99	5,684,386.37
April 2024	202,021,550.07	197,370,581.90	4,650,968.17
May 2024	179,112,691.71	175,419,545.14	3,693,146.57
June 2024	147,296,832.95	144,451,893.24	2,844,939.71
July 2024	105,815,176.91	103,671,156.66	2,144,020.25
August 2024	103,326,880.10	101,689,088.32	1,637,791.78
September 2024	92,202,261.74	91,052,655.85	1,149,605.89
October 2024	84,538,730.30	83,837,294.98	701,435.32
November 2024	9,986,889.16	9,709,355.71	277,533.45
December 2024	7,082,986.65	6,850,269.92	232,716.73
January 2025	10,435,843.57	10,234,342.49	201,501.08
February 2025	5,102,495.46	4,947,419.58	155,075.88
March 2025	4,598,838.34	4,466,124.80	132,713.54
April 2025	5,114,483.75	5,001,640.78	112,842.97
May 2025	3,698,766.01	3,608,823.16	89,942.85
June 2025	5,018,758.84	4,946,919.13	71,839.71
July 2025	3,218,256.17	3,168,980.65	49,275.52
August 2025	3,554,965.71	3,520,555.62	34,410.09
September 2025	1,899,269.99	1,882,432.60	16,837.39
October 2025	1,088,017.20	1,080,868.79	7,148.41
<b>Total</b>	<b>5,851,811,078.70</b>	<b>5,349,665,524.32</b>	<b>502,145,554.38</b>

### 7.3.3 Pressure Tests

The future distributable cash flow forecast of the Trust Plan

The pressure assumption scenarios of the cash flow forecast statement are as follows:

Scenario	Prepayment rate	Default rate	Recovery rate	Expected annualised return of the Senior Notes	Cash flow scenario analysis
Scenario 1	0.00%	0.00%	0.00%	3.20%	List 2
Scenario 2	4.00%	0.40%	0.00%	3.20%	List 3
Scenario 3	4.00%	1.00%	0.00%	3.20%	List 4
Scenario 4	8.00%	0.40%	0.00%	3.40%	List 5
Scenario 5	4.00%	0.40%	0.00%	3.70%	List 6
Scenario 6	8.00%	1.00%	0.00%	3.70%	List 7



Pressure assumption scenario 1: Assuming the default rate of the underlying asset pool is 0.00%, the recovery rate is 0.00%, the prepayment rate is 0.00%, and the expected annualised return of the Senior Notes is 3.20%. The results of the cash flow scenario analysis are presented in the following table:

List 2 Cash Flow Forecast Statement (Scenario 1)

Unit: Yuan

No.	Payment Date	The sum of principal and interest receivables	Clean-Up Call exercised (Yes/No)	Senior interest	The opening principal balance of the Senior Notes	Repayment of the senior principal
1	26/06/2022	589,691,947.41	No	14,991,780.82	4,500,000,000.00	566,550,000.00
2	26/07/2022	234,812,700.17	No	10,345,512.33	3,933,450,000.00	222,750,000.00
3	26/08/2022	182,053,768.75	No	10,084,970.96	3,710,700,000.00	170,550,000.00
4	26/09/2022	166,317,307.99	No	9,621,448.77	3,540,150,000.00	155,250,000.00
5	26/10/2022	164,653,544.62	No	8,902,750.68	3,384,900,000.00	154,350,000.00
6	26/11/2022	154,102,649.33	No	8,780,015.34	3,230,550,000.00	144,000,000.00
7	26/12/2022	159,487,939.29	No	8,118,049.32	3,086,550,000.00	149,850,000.00
8	26/01/2023	150,384,201.41	No	7,981,387.40	2,936,700,000.00	141,300,000.00
9	26/02/2023	206,045,307.59	No	7,597,361.10	2,795,400,000.00	197,100,000.00
10	26/03/2023	93,859,461.34	No	6,378,292.60	2,598,300,000.00	86,400,000.00
11	26/04/2023	142,225,437.80	No	6,826,862.47	2,511,900,000.00	134,100,000.00
12	26/05/2023	204,282,447.60	No	6,253,939.73	2,377,800,000.00	196,650,000.00
13	26/06/2023	218,704,265.02	No	5,927,947.40	2,181,150,000.00	211,950,000.00
14	26/07/2023	226,032,589.43	No	5,179,265.75	1,969,200,000.00	220,050,000.00
15	26/08/2023	231,782,150.17	No	4,753,854.25	1,749,150,000.00	225,900,000.00
16	26/09/2023	230,011,734.47	No	4,139,901.37	1,523,250,000.00	225,000,000.00
17	26/10/2023	246,929,983.01	No	3,414,575.34	1,298,250,000.00	243,000,000.00
18	26/11/2023	193,639,052.10	No	2,867,967.12	1,055,250,000.00	189,900,000.00
19	26/12/2023	214,142,766.98	No	2,275,989.04	865,350,000.00	211,500,000.00

20	26/01/2024	215,841,287.79	No	1,777,038.90	653,850,000.00	213,300,000.00
21	26/02/2024	281,968,188.71	No	1,197,330.41	440,550,000.00	280,350,000.00
22	26/03/2024	146,525,021.73	No	407,303.01	160,200,000.00	145,800,000.00
23	26/04/2024	223,203,631.36	No	39,136.44	14,400,000.00	14,400,000.00
24	26/05/2024	202,021,550.07	Yes	0.00	0.00	0.00

The coverage ratio for the aggregate of (1) the sum of principal and interest collection and (2) General Reserve over the principal and interest of the Senior Notes is 1.268.

Pressure assumption scenario 2: Assuming the default rate of the underlying asset pool is 0.40%, the recovery rate is 0.00%, the prepayment rate is 4.00%, and the expected annualised return of the Senior Notes is 3.20%. The results of the cash flow scenario analysis are presented in the following table:

List 3 Cash Flow Forecast Statement (Scenario 2)

Unit: Yuan

No.	Payment Date	The sum of principal and interest receivables	Clean-Up Call exercised (Yes/No)	Senior Interest	The opening principal balance of the Senior Notes	Repayment of the senior principal
1	26/06/2022	668,153,406.09	No	14,991,780.82	4,500,000,000.00	644,850,000.00
2	26/07/2022	245,543,693.88	No	10,139,572.60	3,855,150,000.00	234,000,000.00
3	26/08/2022	193,032,015.50	No	9,841,591.23	3,621,150,000.00	181,800,000.00
4	26/09/2022	176,506,793.62	No	9,347,493.70	3,439,350,000.00	165,600,000.00
5	26/10/2022	173,318,269.05	No	8,610,410.96	3,273,750,000.00	163,350,000.00
6	26/11/2022	162,499,431.41	No	8,453,470.68	3,110,400,000.00	152,550,000.00
7	26/12/2022	166,214,161.02	No	7,779,550.68	2,957,850,000.00	157,500,000.00
8	26/01/2023	156,863,738.07	No	7,610,814.25	2,800,350,000.00	147,600,000.00
9	26/02/2023	208,915,398.23	No	7,209,665.75	2,652,750,000.00	200,700,000.00
10	26/03/2023	99,868,873.50	No	6,019,278.90	2,452,050,000.00	92,700,000.00
11	26/04/2023	146,176,823.67	No	6,412,260.82	2,359,350,000.00	138,600,000.00
12	26/05/2023	203,414,190.60	No	5,840,876.71	2,220,750,000.00	196,650,000.00
13	26/06/2023	215,962,590.53	No	5,501,115.62	2,024,100,000.00	209,250,000.00
14	26/07/2023	221,078,021.12	No	4,773,304.11	1,814,850,000.00	215,550,000.00
15	26/08/2023	225,258,505.16	No	4,346,590.68	1,599,300,000.00	220,050,000.00
16	26/09/2023	222,081,020.35	No	3,748,536.99	1,379,250,000.00	217,800,000.00
17	26/10/2023	236,008,307.26	No	3,054,772.60	1,161,450,000.00	232,200,000.00
18	26/11/2023	185,478,053.96	No	2,525,523.29	929,250,000.00	182,250,000.00
19	26/12/2023	202,874,251.71	No	1,964,712.33	747,000,000.00	200,250,000.00

20	26/01/2024	203,234,956.65	No	1,485,961.64	546,750,000.00	201,150,000.00
21	26/02/2024	262,151,317.25	No	939,274.52	345,600,000.00	261,000,000.00
22	26/03/2024	137,002,605.70	No	215,092.60	84,600,000.00	84,600,000.00
23	26/04/2024	205,761,140.13	Yes	0.00	0.00	0.00

The coverage ratio for the aggregate of (1) the sum of principal and interest collection and (2) General Reserve over the principal and interest of the Senior Notes is 1.258.

Pressure assumption scenario 3: Assuming the default rate of the underlying asset pool is 1.00%, the recovery rate is 0.00%, the prepayment rate is 4.00%, and the expected annualised return of the Senior Notes is 3.20%. The results of the cash flow scenario analysis are presented in the following table:

List 4 Cash Flow Forecast Statement (Scenario 3)

Unit: Yuan

No.	Payment Date	The sum of principal and interest receivables	Clean-Up Call exercised (Yes/No)	Senior interest	The opening principal balance of the Senior Notes	Repayment of the senior principal
1	26/06/2022	667,100,268.05	No	14,991,780.82	4,500,000,000.00	643,950,000.00
2	26/07/2022	244,819,163.57	No	10,141,939.73	3,856,050,000.00	233,100,000.00
3	26/08/2022	192,365,800.89	No	9,846,483.29	3,622,950,000.00	180,900,000.00
4	26/09/2022	175,808,024.91	No	9,354,831.78	3,442,050,000.00	165,150,000.00
5	26/10/2022	172,546,080.87	No	8,618,695.89	3,276,900,000.00	162,450,000.00
6	26/11/2022	161,693,331.16	No	8,464,477.81	3,114,450,000.00	152,100,000.00
7	26/12/2022	165,306,929.68	No	7,791,386.30	2,962,350,000.00	156,150,000.00
8	26/01/2023	155,928,286.91	No	7,626,713.42	2,806,200,000.00	147,150,000.00
9	26/02/2023	207,560,888.39	No	7,226,787.95	2,659,050,000.00	198,900,000.00
10	26/03/2023	99,177,418.84	No	6,039,162.74	2,460,150,000.00	92,250,000.00
11	26/04/2023	145,089,189.30	No	6,435,498.08	2,367,900,000.00	137,700,000.00
12	26/05/2023	201,797,869.18	No	5,865,731.51	2,230,200,000.00	194,850,000.00
13	26/06/2023	214,136,680.65	No	5,531,690.96	2,035,350,000.00	207,450,000.00
14	26/07/2023	219,099,576.58	No	4,807,627.40	1,827,900,000.00	213,300,000.00
15	26/08/2023	223,128,329.71	No	4,388,173.15	1,614,600,000.00	217,800,000.00
16	26/09/2023	219,868,070.50	No	3,796,234.52	1,396,800,000.00	215,550,000.00
17	26/10/2023	233,540,056.97	No	3,106,849.32	1,181,250,000.00	229,500,000.00
18	26/11/2023	183,445,017.50	No	2,586,673.97	951,750,000.00	180,450,000.00
19	26/12/2023	200,550,393.42	No	2,028,624.66	771,300,000.00	198,000,000.00

20	26/01/2024	200,804,064.58	No	1,558,119.45	573,300,000.00	198,450,000.00
21	26/02/2024	258,882,082.38	No	1,018,770.41	374,850,000.00	257,400,000.00
22	26/03/2024	135,229,847.57	No	298,612.60	117,450,000.00	117,450,000.00
23	26/04/2024	202,993,917.85	Yes	0.00	0.00	0.00

The coverage ratio for the aggregate of (1) the sum of principal and interest collection and (2) General Reserve over the principal and interest of the Senior Notes is 1.247.

Pressure assumption scenario 4: Assuming the default rate of the underlying asset pool is 0.40%, the recovery rate is 0.00%, the prepayment rate is 8.00%, and the expected annualised return of the Senior Notes is 3.20%. The results of the cash flow scenario analysis are presented in the following table:

List 5 Cash Flow Forecast Statement (Scenario 4)

Unit: Yuan

No.	Payment Date	The sum of principal and interest receivables	Clean-Up Call exercised (Yes/No)	Senior interest	The opening principal balance of the Senior Notes	Repayment of the senior principal
1	26/06/2022	746,218,920.45	No	14,991,780.82	4,500,000,000.00	723,150,000.00
2	26/07/2022	256,294,305.35	No	9,933,632.88	3,776,850,000.00	244,800,000.00
3	26/08/2022	203,900,270.17	No	9,599,434.52	3,532,050,000.00	192,600,000.00
4	26/09/2022	186,547,045.41	No	9,075,984.66	3,339,450,000.00	176,400,000.00
5	26/10/2022	181,862,671.59	No	8,319,254.79	3,163,050,000.00	171,900,000.00
6	26/11/2022	170,731,517.44	No	8,129,372.05	2,991,150,000.00	161,550,000.00
7	26/12/2022	172,852,635.63	No	7,442,235.62	2,829,600,000.00	164,250,000.00
8	26/01/2023	163,219,497.55	No	7,243,910.14	2,665,350,000.00	154,800,000.00
9	26/02/2023	212,037,078.78	No	6,823,193.42	2,510,550,000.00	203,850,000.00
10	26/03/2023	105,580,415.77	No	5,662,474.52	2,306,700,000.00	99,000,000.00
11	26/04/2023	150,095,645.97	No	6,000,105.21	2,207,700,000.00	143,100,000.00
12	26/05/2023	203,091,494.49	No	5,430,180.82	2,064,600,000.00	196,650,000.00
13	26/06/2023	213,987,737.28	No	5,076,729.86	1,867,950,000.00	207,900,000.00
14	26/07/2023	217,146,402.52	No	4,366,158.90	1,660,050,000.00	211,950,000.00
15	26/08/2023	219,961,203.69	No	3,935,658.08	1,448,100,000.00	215,100,000.00
16	26/09/2023	215,557,293.22	No	3,351,057.53	1,233,000,000.00	211,500,000.00
17	26/10/2023	226,922,257.35	No	2,686,684.93	1,021,500,000.00	223,650,000.00
18	26/11/2023	178,722,738.64	No	2,168,403.29	797,850,000.00	175,950,000.00
19	26/12/2023	193,491,115.70	No	1,635,682.19	621,900,000.00	191,250,000.00

20	26/01/2024	192,738,942.64	No	1,170,424.11	430,650,000.00	191,250,000.00
21	26/02/2024	245,643,489.31	No	650,643.29	239,400,000.00	239,400,000.00
22	26/03/2024	129,097,904.53	Yes	0.00	0.00	0.00

The coverage ratio for the aggregate of (1) the sum of principal and interest collection and (2) General Reserve over the principal and interest of the Senior Notes is 1.256.



Pressure assumption scenario 5: Assuming the default rate of the underlying asset pool is 0.40%, the recovery rate is 0.00%, the prepayment rate is 4.00%, the expected annualised return of the Senior Notes increase to 3.70%, while other assumptions remain unchanged, the results of the cash flow scenario analysis are presented in the following table:

List 6 Cash Flow Forecast Statement (Scenario 5)

Unit: Yuan

No.	Payment Date	The sum of principal and interest receivables	Clean-Up Call exercised (Yes/No)	Senior interest	The opening principal balance of the Senior Notes	Repayment of the senior principal
1	26/06/2022	668,153,406.09	No	17,334,246.58	4,500,000,000.00	642,600,000.00
2	26/07/2022	245,543,693.88	No	11,730,723.29	3,857,400,000.00	232,200,000.00
3	26/08/2022	193,032,015.50	No	11,392,066.85	3,625,200,000.00	180,000,000.00
4	26/09/2022	176,506,793.62	No	10,826,423.01	3,445,200,000.00	164,250,000.00
5	26/10/2022	173,318,269.05	No	9,977,683.56	3,280,950,000.00	162,000,000.00
6	26/11/2022	162,499,431.41	No	9,801,193.56	3,118,950,000.00	151,650,000.00
7	26/12/2022	166,214,161.02	No	9,023,843.84	2,967,300,000.00	155,700,000.00
8	26/01/2023	156,863,738.07	No	8,835,356.71	2,811,600,000.00	146,700,000.00
9	26/02/2023	208,915,398.23	No	8,374,356.99	2,664,900,000.00	199,350,000.00
10	26/03/2023	99,868,873.50	No	6,998,109.04	2,465,550,000.00	91,800,000.00
11	26/04/2023	146,176,823.67	No	7,459,428.08	2,373,750,000.00	137,700,000.00
12	26/05/2023	203,414,190.60	No	6,800,042.47	2,236,050,000.00	195,750,000.00
13	26/06/2023	215,962,590.53	No	6,411,572.88	2,040,300,000.00	208,350,000.00
14	26/07/2023	221,078,021.12	No	5,571,135.62	1,831,950,000.00	214,650,000.00
15	26/08/2023	225,258,505.16	No	5,082,309.86	1,617,300,000.00	219,600,000.00
16	26/09/2023	222,081,020.35	No	4,392,224.38	1,397,700,000.00	216,900,000.00
17	26/10/2023	236,008,307.26	No	3,590,926.03	1,180,800,000.00	231,300,000.00
18	26/11/2023	185,478,053.96	No	2,983,771.23	949,500,000.00	182,250,000.00
19	26/12/2023	202,874,251.71	No	2,333,280.82	767,250,000.00	199,800,000.00

20	26/01/2024	203,234,956.65	No	1,783,192.19	567,450,000.00	200,700,000.00
21	26/02/2024	262,151,317.25	No	1,152,499.32	366,750,000.00	260,550,000.00
22	26/03/2024	137,002,605.70	No	312,198.90	106,200,000.00	106,200,000.00
23	26/04/2024	205,761,140.13	Yes	0.00	0.00	0.00

The coverage ratio for the aggregate of (1) the sum of principal and interest collection and (2) General Reserve over the principal and interest of the Senior Notes is 1.252.

Pressure assumption scenario 6: Assuming the default rate of the underlying asset pool is 1.00%, the recovery rate is 0.00%, the prepayment rate is 8.00%, the expected annualised return of the Senior Notes increase to 3.70%, while other assumptions remain unchanged, the results of the cash flow scenario analysis are presented in the following table:

List 7 Cash Flow Forecast Statement (Scenario 6)

Unit: Yuan

No.	Payment Date	The sum of principal and interest receivables	Clean-Up Call exercised (Yes/No)	Senior interest	The opening principal balance of the Senior Notes	Repayment of the senior principal
1	2022/6/26	745,092,743.04	No	17,334,246.58	4,500,000,000.00	719,550,000.00
2	2022/7/26	255,542,764.28	No	11,496,710.96	3,780,450,000.00	242,550,000.00
3	2022/8/26	203,201,404.01	No	11,117,729.59	3,537,900,000.00	190,800,000.00
4	2022/9/26	185,812,936.00	No	10,518,147.12	3,347,100,000.00	173,700,000.00
5	2022/10/26	181,055,924.57	No	9,650,613.70	3,173,400,000.00	170,100,000.00
6	2022/11/26	169,888,088.54	No	9,437,767.40	3,003,300,000.00	159,300,000.00
7	2022/12/26	171,911,770.86	No	8,648,876.71	2,844,000,000.00	162,000,000.00
8	2023/1/26	162,248,754.52	No	8,428,093.15	2,682,000,000.00	152,550,000.00
9	2023/2/26	210,663,493.85	No	7,948,710.00	2,529,450,000.00	201,600,000.00
10	2023/3/26	104,851,197.26	No	6,607,267.40	2,327,850,000.00	97,200,000.00
11	2023/4/26	148,980,318.23	No	7,009,741.23	2,230,650,000.00	140,850,000.00
12	2023/5/26	201,477,143.06	No	6,355,282.19	2,089,800,000.00	193,950,000.00
13	2023/6/26	212,177,307.64	No	5,957,643.70	1,895,850,000.00	205,650,000.00
14	2023/7/26	215,200,888.07	No	5,140,060.27	1,690,200,000.00	209,250,000.00
15	2023/8/26	217,878,363.17	No	4,653,834.66	1,480,950,000.00	212,400,000.00
16	2023/9/26	213,406,019.64	No	3,986,374.93	1,268,550,000.00	208,800,000.00
17	2023/10/26	224,544,409.51	No	3,222,801.37	1,059,750,000.00	220,500,000.00
18	2023/11/26	176,760,344.24	No	2,637,314.38	839,250,000.00	173,700,000.00

19	2023/12/26	191,270,033.02	No	2,024,001.37	665,550,000.00	188,550,000.00
20	2024/1/26	190,428,463.54	No	1,498,956.16	477,000,000.00	188,550,000.00
21	2024/2/26	242,572,159.75	No	906,444.25	288,450,000.00	241,200,000.00
22	2024/3/26	127,423,478.34	No	138,902.05	47,250,000.00	47,250,000.00
23	2024/4/26	188,722,010.00	Yes	0.00	0.00	0.00

The coverage ratio for the aggregate of (1) the sum of principal and interest collection and (2) General Reserve over the principal and interest of the Senior Notes is 1.240.

## **CHAPTER 8 COLLECTION, MANAGEMENT, INVESTMENT AND DISTRIBUTION MECHANISMS OF CASH FLOW**

### **8.1 COLLECTION AND MANAGEMENT OF CASH FLOW**

#### **8.1.1 Account Setting**

On or before the Closing Date, the Trustee shall open the General Reserve Account, the Commingling Reserve Account and the Operating Account, in each case in the name of the Issuer Administrator with the Account Bank.

##### **1. General Reserve Account**

The amount standing to the credit of the General Reserve Account as of the Closing Date will be RMB 26,748,327.62, being 0.5% of the Aggregate Outstanding Lease Principal Amount as of the Cut-Off Date. The Issuer Administrator shall have right to use the amounts standing to the credit of the General Reserve Account together with the other amounts forming the Available Distribution Amount and will apply those amounts according to the applicable Priority of Payments.

On each Payment Date prior to an Enforcement Event, the Issuer Administrator will credit to the General Reserve Account an amount such that the amount standing to the credit of the General Reserve Account is equal to the General Reserve Required Amount, subject to the Available Distribution Amount and in accordance with the Pre-enforcement Priority of Payments.

On any Payment Date, if any amount standing to the credit of the General Reserve Account exceeds the General Reserve Required Amount, the Issuer Administrator shall release such excess to the Originator outside the Priority of Payments. For the avoidance of doubt, any interest accrued (credited on the first Business Day following the 20<sup>th</sup> day of the last calendar month of each quarter) on the General Reserve Required Amount shall constitute part of the Available Distribution Amount on the Payment Date following each quarter in which the interest was allocated to the General Reserve Account and shall be transferred to the Operating Account on the related Account Bank Transfer Date.

The amounts standing to the credit of the General Reserve Account from time to time will serve as liquidity support for the interest on the Senior Notes throughout the life of the transaction and will serve as credit enhancement to the Notes.

##### **2. Commingling Reserve Account**

The amount standing to the credit of the Commingling Reserve Account as of the Closing Date will be RMB 0.

To mitigate Servicer commingling risk upon the occurrence of a Commingling Reserve Trigger Event, the Originator is obligated to deposit by the next

Payment Date into the Commingling Reserve Account an amount equal to the Commingling Reserve Required Amount.

The Issuer Administrator will use the amounts standing to the credit of the Commingling Reserve Account (up to the Commingling Reserve Required Amount) together with the other amounts forming the Available Distribution Amount and will apply those amounts according to the applicable Priority of Payments. For the avoidance of doubt, any interest accrued on the Commingling Reserve Required Amount shall not constitute part of the Available Distribution Amount and shall be paid to the Originator outside of the Priority of Payments.

### 3. Operating Account

Without prejudice to the right of the Originator, as Servicer, to commingle the Collections from the Entrusted Lease Receivables with its own funds, the Servicer as agent of the Issuer Administrator shall procure that, in relation to each relevant Entrusted Lease Receivable, all realised Collections in respect of the Entrusted Lease Receivables shall, at the intervals specified in clause 4.3 (Monthly transfer) of the Servicing Agreement, be on-paid to, and deposited into the Operating Account in accordance with the Servicing Agreement. For the avoidance of doubt, any interest accrued on the amounts standing to the credit of the Operating Account shall constitute part of the Available Distribution Amount for the relevant Collection Period in which the interest was allocated to the Operating Account.

#### 8.1.2 Collection of Cash Flow

The Servicer shall use all endeavours to realise all Collections payable under the Entrusted Lease Receivables and the Ancillary Interests, and to ensure payment of all sums due under or in connection with the Entrusted Lease Receivables and the Ancillary Interests on behalf of the Issuer Administrator and will on behalf of the Issuer Administrator enforce all covenants and obligations of the relevant Lessees assigned to the Issuer Administrator in the same manner as the Servicer does in relation to its receivables generally.

In the event that a Lessee Return Event has occurred with respect to any Entrusted Lease Receivable, the Originator shall be obliged to repurchase the affected Underlying Assets and pay a Repurchase Price, unless it has issued to FOTIC (in the capacity as the trustee for the Fund Trust) the Purchase Notice in respect of the Relevant Vehicle on the Purchase Notice Delivery Date in the next calendar month, and instructed it to pay the relevant Consideration to the Operating Account.

#### 8.1.3 Transfer of Collections

The Servicer shall, on each Collections Transfer Date, transfer all Collections of the related Collection Period to the Operating Account or as otherwise directed by the Issuer Administrator. To the extent the Servicer is aware of an

anticipated Servicer Shortfall, it will communicate such anticipated Servicer Shortfall to the Issuer Administrator as soon as reasonably possible.

## **8.2 APPLICATION AND INVESTMENT OF CASH FLOW**

To the extent that no obligations of the Issuer Administrator are due and payable, the Issuer Administrator is authorised and obliged to invest the amount standing to the credit of the Issuer Accounts in the Permitted Investments. The Account Bank shall, upon receipt of a respective transfer instruction duly executed by the Issuer Administrator, arrange for such transfer. The Issuer Administrator shall invest the amount standing to the credit of the Issuer Accounts in cash deposit with the Account Bank as the Permitted Investment.

## **8.3 DISTRIBUTION MECHANISM OF CASH FLOW**

### **8.3.1 Calculation and Distribution of Funds in the Issuer Account**

The Servicer shall provide the Trustee with the amount of interest collections of the Entrusted Lease Receivables for the relevant period at least five (5) Business Days prior to the following Servicer Report Performance Date. The Trustee shall send a distribution plan to the Servicer via email at least four (4) Business Days prior to the following Servicer Report Performance Date. The distribution plan shall include all applicable tax and fee amounts payable by the Issuer Administrator on the following Payment Date. The Servicer and the Trustee shall question any expenses that they consider to be unreasonable and the relevant Transaction Parties shall provide a written response to the Servicer or the Trustee. If such Transaction Party fails to provide a reasonable explanation to the satisfaction of the Servicer or the Trustee (as the case may be), the Servicer or the Trustee (as the case may be) shall have the right to note it on the Asset Operation Report and no payment for such expenses shall be made.

On each Trust Determination Date, the Issuer Administrator shall prepare and provide the Account Bank and the Originator with a distribution plan report in relation to the amounts payable by the Issuer Administrator on the corresponding Payment Date per emails; if there is a funds transfer between the Operating Account, the General Reserve Account, and the Commingling Reserve Account, such report shall include the relevant transfer information.

Principal and interest payments under the Asset Backed Notes shall be paid to the Noteholders (as recorded with the Registry as of the Trust Beneficial Interest Registration Date) in accordance with the applicable Priority of Payments. The Account Bank shall transfer the relevant funds to the relevant accounts opened with the SCH in accordance with the Trustee's instructions. SCH shall, no later than the relevant Payment Date, distribute the relevant funds to the designated accounts of each of the Noteholders through its payment system.

### **8.3.2 Pre-Enforcement Priority of Payments**

Prior to the occurrence of an Enforcement Event, the Issuer Administrator will distribute the Available Distribution Amount on each Payment Date in accordance with the following Pre-enforcement Priority of Payments:

1. any due and payable taxes owed by the Issuer Administrator;
2. any due and payable amounts to the Trustee under the Trust Agreement;
3. (pro rata and pari passu) any due and payable Administration Expenses and any Servicing Fee;
4. (pro rata and pari passu) any due and payable Senior Interest Amount on the Senior Notes;
5. the amount, if any, necessary to fund the General Reserve Account up to the General Reserve Required Amount;
6. (pro rata and pari passu) to the Senior Noteholders the payment of principal, until the Aggregate Outstanding Note Principal Amount of the Senior Notes is reduced to zero;
7. to the Subordinated Noteholders any due and payable Subordinated Notes Interest Amount on the Subordinated Notes;
8. to the Subordinated Noteholders, after the Aggregate Outstanding Note Principal of the Senior Notes is reduced to zero, principal amounts until the Aggregate Outstanding Note Principal Amount of the Subordinated Notes is reduced to zero;
9. any indemnity payments to any party under the Transaction Documents; and
10. any remaining amounts to the Originator by way of a final success fee.

### **8.3.3 Post-Enforcement Priority of Payments**

Upon the occurrence of an Enforcement Event, the Trustee will apply the Available Distribution Amount on each Payment Date towards the discharge of the claims of Noteholders and the other creditors of the Issuer Administrator in accordance with the following Post-enforcement Priority of Payments:

1. any due and payable taxes owed by the Issuer Administrator;
2. any due and payable amounts to the Trustee under the Trust Agreement;
3. (pro rata and pari passu) any due and payable Administration Expenses and any Servicing Fee;
4. (pro rata and pari passu) any due and payable Senior Interest Amount on the Senior Notes;



5. (pro rata and pari passu) the payment of principal to Senior Noteholders until the Aggregate Outstanding Note Principal Amount of the Senior Notes is reduced to zero;
6. to the Subordinated Noteholders any due and payable Subordinated Notes Interest Amount on the Subordinated Notes;
7. to the Subordinated Noteholders principal amounts until the Aggregate Outstanding Note Principal Amount of the Subordinated Notes is reduced to zero;
8. any indemnity payments to any party under the Transaction Documents; and
9. any remaining amounts to the Originator by way of a final success fee.

#### **8.4 CLEAN-UP CALL**

On any Payment Date, on which (after giving effect to payments made on such Payment Date), (1) the Aggregate Outstanding Note Principal Amount is reduced to less than 10% of the Aggregate Outstanding Note Principal Amount at the Closing Date, or (2) the Senior Notes have been fully repaid, the Originator will have the option under the Trust Agreement to acquire all outstanding Entrusted Lease Receivables (together with any related Ancillary Interests) against payment of the Repurchase Price subject to the following requirements:

1. the Repurchase Price should, together with funds credited to the General Reserve Account and the Operating Account be at least equal to the sum of (i) the Aggregate Outstanding Note Principal Amount of all Notes plus (ii) accrued interest thereon plus (iii) all claims ranking prior to the claims of the Noteholders according to the applicable Priority of Payments;
2. the Originator shall have notified the Issuer Administrator of its intention to exercise the Clean-Up Call at least 30 days prior to the contemplated settlement date of the Clean-Up Call; and
3. the earliest settlement date of the Clean-Up Call by the Originator shall be the Payment Date following such Payment Date.

In case of execution of Clean-Up Call, the Legal Maturity Date of the Notes shall be moved forward to the settlement date of the Clean-Up Call.

## **CHAPTER 9 RISK RETENTION**

### **9.1 RETENTION OF THE NOTES**

The scheduled issuance size of the Subordinated Asset Backed Notes is no more than RMB 849,665,524.32. The Subordinated Asset Backed Notes will be retained by the Originator and will not be transferred during the term of such Subordinated Asset Backed Notes.

## CHAPTER 10 USE OF PROCEEDS AND COMPLIANCE STATEMENT

### 10.1 USE OF PROCEEDS

The total registration amount of this asset-backed notes project is RMB 25 billion, and the issuance size of this series is RMB 5,349,665,524.32. The funds raised under these Asset Backed Notes will be used to supplement the working capital, fund the leasing business and repay existing bank loans or matured bonds, and in the meantime, to provide additional funding channel and further optimize asset and liability structure of MBLC, which purposes are in compliance with the laws, regulations and policies of the State.

Since MBLC was established in 2012, its business volume has increased over the years, and correspondingly the related operating costs have increased, which gives rise to increasing demand for working capital. On the other hand, additional funding is also required to support the further development of the leasing business. From 2019 to end of March 2022, MBLC's net amount of financial leasing receivables is RMB 51.4 billion, RMB 59.4 billion, RMB 56.2 billion and RMB 54.5 billion respectively. As the main business of the company, the financial leasing business of MBLC steadily increases. Therefore, with the further development of business, MBLC expects to invest more leasing assets in the future. Based on the registration amount of RMB 25 billion, the company expects that the funds used for funding the leasing business and repaying the existing bank loans or matured bonds respectively account for about 50%. Any balance will be used to supplement the working capital.

### 10.2 UNDERTAKINGS

The Originator undertakes that:

- (a) during the term of these Asset Backed Notes, in the case of any change to the use of the raised funds, it will disclose the relevant information in advance;
- (b) the use of the raised funds complies with the industrial policies, laws and regulations of the State, and such funds will not be used for real estate business, financial investment or wealth management products, and there would not be any non-compliant use of such funds.

## **CHAPTER 11 INFORMATION DISCLOSURE ARRANGEMENTS**

### **11.1 INFORMATION DISCLOSURE DOCUMENTS**

During the issuance period and the term of these Asset Backed Notes, the Issuer Administrator will make information disclosure by means of Asset Operation Report and such other reports as may be deemed necessary by the Issuer Administrator, through which the Noteholders would obtain information in relation to the management, utilization, disposal, income and expenditure of the Trust. The information disclosure of these Asset Backed Notes will be published on the websites of SCH, China Money and such other websites as may be designated by NAFMII.

As the disclosure responsible party for the Asset Operation Report, the Issuer Administrator will provide the quarterly Asset Operation Report to the Registry on each Asset Operation Report Date, which shall reflect the status of the corresponding Trust Assets and the payment information in relation to the Notes of each Class. In addition, prior to 30 April each year, the Issuer Administrator will disclose the annual Asset Operation Report in respect of the previous year.

### **11.2 METHODS AND TIME OF INFORMATION DISCLOSURE**

#### **11.2.1 Information Disclosure during the Issuance Period**

The Originator shall disclose the following documents on the websites of China Money ([www.chinamoney.com.cn](http://www.chinamoney.com.cn)) and SCH ([www.shclearing.com](http://www.shclearing.com)) two (2) Business Days prior to the Issue Date:

- (a) the Offering Circular;
- (b) rating report and follow-up rating arrangement;
- (c) legal opinions issued by FenXun;
- (d) the auditing reports of the Originator for the past three fiscal years, and the most recent unaudited financial statements of the Originator;
- (e) other documents as may be required by the NAFMII.

#### **11.2.2 Information Disclosure during the Term of the Notes**

The Trustee shall carry out the relevant information disclosure through the websites of China Money and SCH, and other means as stipulated by NAFMII. The Trustee shall ensure the truthfulness, accuracy and completeness of the information disclosed, and there shall be no false records, misleading statements or major omissions.

The Trustee shall, on each Asset Operation Report Date, issue a monthly Asset Operation Report, and during the term of the Trust, issue an audited annual Asset Operation Report prior to 30 April each year.

During the term of the Trust, the Originator shall continually disclose information in accordance with the following requirements:

- (a) The Originator shall disclose the annual report of the previous year within four (4) months after the end of each fiscal year. The annual report shall contain the main information of the Originator during the reporting period, the audit report issued by the auditor, the audited financial statements, notes and other necessary information;
- (b) The Originator shall disclose the semi-annual report within two (2) months after the end of the first half of each fiscal year;
- (c) The Originator shall disclose quarterly financial statements within one (1) month after the end of the first three (3) months and nine (9) months of each fiscal year. The first quarter financial statements shall be disclosed no earlier than the disclosure of the previous year's annual report.
- (d) The financial statements section of the periodic report should contain at least a balance sheet, income statement and cash flow statement.

The Originator shall disclose the information above no later than the time pursuant to the requirements of domestic and foreign regulatory authorities, market self-regulatory organizations and stock exchanges, or when the Originator publishes the relevant information in other designated information disclosure channels.

The Trustee shall agree with the Rating Agency on the relevant arrangement in relation to the follow-up rating for the Senior Asset Backed Notes, and shall disclose the follow-up rating report of the previous year to the Noteholders before 31 July each year during the term of the Senior Asset Backed Notes.

### **11.3 INFORMATION DISCLOSURE REGARDING MAJOR EVENTS DURING THE TERM TO MATURITY OF THE NOTES**

#### **11.3.1 Events concerning the Originator**

During the term of the Asset Backed Notes, in the case of any material event not made known to the investors that is likely to impact the repayment capabilities of the Originator, the Originator shall promptly disclose and explain the reason, current status and possible implications of such event. In accordance with the Disclosure Rules, such material events include but are not limited to:

- (1) change of name;
- (2) significant change to the production and operation conditions of the Originator, including suspension of all or a material part of its business, significant changes to the external conditions of production and operation etc.;

- (3) change of auditor for financial statements, the Trustee or any Rating Agency;
- (4) change of 1/3 or more of the directors, 2/3 or more of the supervisors, the Chairman, the general manager or personnel with equivalent responsibilities;
- (5) inability of the legal representative, the chairman of the board of directors, the general manager or persons with equivalent responsibilities;
- (6) change of the controlling shareholder or the actual controller, or significant changes to the shareholding structure;
- (7) provision of significant asset mortgages, pledges, or external guarantees exceeding 20% of the net assets as of the end of the previous year;
- (8) the occurrence of sale, transfer, retirement, transfer without compensation in respect of its assets, as well as major investment acts or major asset restructuring to the extent potentially impact its solvency;
- (9) the occurrence of significant losses in excess of 10% of the net assets of the enterprise as of the end of the previous year, or the abandonment of claims or property in excess of 10% of the net assets as of the end of the previous year;
- (10) the shares of operation being subject to receivership;
- (11) loss of effective control over a significant subsidiary;
- (12) change in the credit enhancement arrangement of the Asset Backed Notes;
- (13) transfer of repayment obligations under the Asset Backed Notes;
- (14) assumption of debts of others at one time exceeding 10% of the net assets as of the end of the previous year, or new borrowings exceeding 20% of the net assets as of the end of the previous year;
- (15) failure to pay off its debts when due or conducting debt restructuring;
- (16) being suspected of violating the law and being investigated by the competent authorities, subject to criminal penalties, major administrative penalties or administrative supervision measures, disciplinary actions related to bond business made by market self-regulatory organizations, or there is a serious dishonest behaviour;
- (17) the legal representative, controlling shareholder, *de facto* controller, director, supervisor or senior management being suspected of violating

the law and being investigated by the competent authorities, taking compulsory measures, or having serious dishonest behaviour;

- (18) being involved in major litigation or arbitration;
- (19) assets being seized, detained or frozen, to the extent that may affect its solvency;
- (20) intending to distribute dividends, or the occurrence of capital reduction, merger, demerger, dissolution and bankruptcy filing;
- (21) being involved in market rumours which requires clarification;
- (22) change in the credit rating of the Asset Backed Notes;
- (23) entering into other significant contracts that may have a material impact on its assets, liabilities, equity and results of operations;
- (24) other matters required to be disclosed as agreed in the issuance documents or committed by the Originator;
- (25) other matters that may affect its solvency or the rights and interests of the Noteholders.

The Originator shall perform the above information disclosure obligations relating to any of the above material events within two (2) Business Days upon occurrence of the following:

- (i) the board of directors, board of supervisors or other competent decision-making organ has resolved on such material event;
- (ii) the relevant parties have entered into the letter of intent or agreement on such material event;
- (iii) any director, supervisor, senior management or personnel with equivalent duties becomes aware of such material event;
- (iv) a decision or notice is received from the relevant authority on such material event;
- (v) the amendment registration has been completed with the Administration for Market Regulation.

In the case that the information of a material event is leaked or has given rise to market rumors, the Originator shall perform the above information disclosure obligations relating to any of the above material events within two (2) Business Days upon occurrence of such circumstance.

For any major development or change with respect to a material event, the Originator shall disclose such development or change, as well as the implication thereof, within two (2) Business Days upon occurrence of such development or change.

### **11.3.2 Events concerning the Asset Backed Notes**

During the term of the Asset Backed Notes, in the case of any material event that is likely to significantly impact the investment value and judgement on investment decisions, the Originator and the Trustee shall disclose the relevant information and report to NAFMII within three (3) Business Days in accordance with the ABN Guidelines, the Disclosure Rules and other applicable laws and regulations from time to time. Such material events include but are not limited to:

- (a) an event impacting the interests of the investors (such as default in payment of the principal and interest of the Asset Backed Notes) has occurred or is expected to occur;
- (b) downgrade in credit rating or rating outlook of the Asset Backed Notes;
- (c) a loss in an amount exceeding 10% of the then outstanding principal balance of the Asset Backed Notes has occurred or is expected to occur with respect to the Underlying Assets;
- (d) a major adverse effect has occurred with respect to the operation of the Underlying Assets or their capability to generate the cash flow;
- (e) the Issuer Administrator, the Originator or a relevant intermediary agency is involved in illegal activities, legal disputes, adjustments of credit level, etc., which may have a material adverse effect to the interests of the investors;
- (f) major change in the business operation of the Issuer Administrator, the Originator or a relevant intermediary agency, or any resolution passed by any of the foregoing entities on capital decrease, merger, de-merge, dissolution, application for bankruptcy, which may adversely impact the competency of the foregoing entities in managing the business for the Asset Backed Notes and have a material adverse effect to the interests of the investors; or
- (g) any other event that may materially impact the interests of the investors.

### **11.4 ALLOCATION OF FOLLOW-UP ADMINISTRATION WORK DURING THE TERM TO MATURITY OF THE NOTES**

During the term of the Trust, the Lead Underwriter shall continuously carry out such follow-up administration work as tracing, monitoring and investigation in accordance with the laws and the relevant self-disciplinary rules of NAFMII, so as to timely and accurately understand the risk condition of the Originator and its solvency status. It shall supervise and guide the Originator to duly perform such obligations as information disclosure, repayment of principal and payment of interest etc. The Originator shall cooperate with the Lead Underwriter in relation to such work.



## CHAPTER 12 INVESTORS PROTECTION MECHANISM

### 12.1 ENFORCEMENT EVENT

Enforcement Event refers to the event that an Issuer Administrator Event of Default has occurred and the Noteholders have served an Enforcement Notice on the Issuer Administrator.

Issuer Administrator Event of Default means any of the following events:

- (a) an Insolvency Event has occurred with respect to the Issuer Administrator;
- (b) subject to the Available Distribution Amount and in accordance with the Pre-enforcement Priority of Payments, a default occurs in the payment of interest on the Controlling Notes on any Payment Date (and such default is not remedied within five (5) Business Days of its occurrence, or such longer period as approved at a Controlling Noteholders' Meeting) or the payment of the principal of the Notes on the Legal Maturity Date (and such default is not remedied within five (5) Business Days of its occurrence, or such longer period as approved at a Controlling Noteholders' Meeting) in respect of the Controlling Notes (other than the Subordinated Notes);
- (c) the Issuer Administrator fails to perform or observe any of its other material obligations under the Conditions or the Transaction Documents (other than the Subordinated Notes) and such failure continues for a period of thirty (30) days (or such longer period as approved at a Controlling Noteholders' Meeting) following the service by the Noteholders on the Issuer Administrator of a notice requiring the same to be remedied, provided that no notice shall be required if it is the unanimous decision of the Controlling Noteholders at a Controlling Noteholders' Meeting that such failure is incapable of being remedied; or
- (d) it is or will become unlawful for the Issuer Administrator to perform or comply with any of its obligations under or in respect of the Senior Notes or any Transaction Document (other than under or in respect of the Subordinated Notes),

provided that it shall not be an Issuer Administrator Event of Default until after a unanimous decision has been made by the Controlling Noteholders at the relevant Controlling Noteholders' Meeting that the replacement of the Issuer Administrator with another trustee which meets the Trustee Qualified Standard is not viable.

### 12.2 LIABILITY FOR BREACH OF CONTRACT

The Trustee shall not by reason of any provision of the Trust Agreement be released from any liability resulting from its negligence, fraud, wilful misconduct or breach of contract, and shall not be released from liability

resulting from its breach of any of its obligations as a trustee under any Transaction Document.

Notwithstanding the fact that a Noteholder may not be a party to the Trust Agreement, the Trustee agrees (a) that each Noteholder may demand performance by the Trustee of its obligations hereunder and (b) to give effect to sub-clause (a) above, that the Trust Agreement shall, in respect of each Noteholder, be construed as an agreement for the unrestricted benefit of third parties, provided that each Noteholder may claim performance by the Trustee only if a period of ten (10) Business Days has elapsed after the occurrence of an Enforcement Event and the Trustee has not performed any of its obligations as set out therein.

Each party to the Transaction Documents acknowledges and the Trustee (representing the Noteholders) agrees that, save for the legal proceedings or arbitration against the Trustee for its negligence, fraud, wilful misconduct or its breach of contract under the Transaction Documents to which it is a party, recourse to the Trust, the Trustee, the obligations of the Trust and the obligations of the Trustee under the Notes shall be limited to the Trust Assets and the amount available from time to time in accordance with the applicable Priority of Payments. Each party further agrees and the Trustee (representing the Noteholders) undertakes that during the term of the Trust (which commences on the Trust Effective Date and ends on the Trust Termination Date) plus one (1) year and one (1) day after the Trust Termination Date, no party shall bring any legal proceeding or arbitration to terminate the Trust. For the avoidance of doubt, this provision does not restrict any party from bringing any legal proceeding or arbitration for damages against another party due to such other party's fraud, breach of contract, wilful misconduct or negligence.

The Transaction Parties, other than the Trustee, shall not have any liability for the obligations of the Trustee and nothing in the Transaction Documents shall constitute the giving of a guarantee, an indemnity or the assumption of a similar obligation by such parties in respect of the performance by the Trustee of its obligations.

## **12.3 INVESTOR PROTECTION MECHANISM**

In order to protect the legitimate interests of the Noteholders of the Asset Backed Notes, the Issuer Administrator and the Lead Underwriter have established the investor protection mechanism with respect to the following circumstances:

### **12.3.1 Measures against Downgrade of Rating or Rating Prospect**

According to the follow-up rating arrangement of the Rating Agency, the Rating Agency will carry out continuous follow-up rating against the Senior Asset Backed Notes during the term of their credit rating and issue the periodic follow-up rating reports at least once a year. Further, the Rating

Agency will, when it deems necessary, carry out follow-up rating from time to time and adjust the original credit rating where necessary.

During the term of the Senior Asset Backed Notes, the Issuer Administrator and the Lead Underwriter will actively communicate with the Rating Agency. In the event that the Rating Agency carries out the follow-up rating against the Senior Asset Backed Notes, the Issuer Administrator and the Lead Underwriter will timely supplement relevant information as required by the Rating Agency and be responsible for the relevant communication and explanation during the analysis process of the follow-up rating.

In the event of the downgrade of the follow-up rating of the Senior Asset Backed Notes, the Issuer Administrator and the Lead Underwriter will adopt one or more of the following measures to protect the lawful interests of the Noteholders of the Asset Backed Notes:

1. To disclose the downgrade of the follow-up rating;
2. To communicate with the Rating Agency in a timely manner, investigate the reason for downgrade and determine the responsibilities of the parties;
3. To convene the Asset Backed Notes Noteholders' Meeting to discuss the protection of the investors and formulate relevant plans;
4. To urge the parties to implement the resolutions passed by the Asset Backed Notes Noteholders' Meeting.

### **12.3.2 Measures against Deterioration of Cash Flow of Underlying Assets or Other Events Affecting Investors' Interests**

MBLC is appointed by the Issuer Administrator as the Servicer and shall be responsible for the administration of the Underlying Assets. The Servicer shall, in accordance with the Servicing Agreement, be responsible for the collection and administration of the Entrusted Lease Receivables and the Ancillary Interests thereof, and the transfer of the Collections. The Servicer shall, on each Servicer Report Performance Date, submit to the Issuer Administrator a Monthly Servicing Report, which shall set out the status of Collections during the relevant Monthly Period.

The Issuer Administrator and the Lead Underwriter will actively communicate with the Rating Agency, closely monitor the asset quality and arrange for recovery and disposal of overdue receivables. In the event that the Issuer Administrator or the Lead Underwriter, based on the Monthly Servicing Report, discovers that the cash flow of the Underlying Assets deteriorates and is not sufficient to cover the principal or interest of the Senior Asset Backed Notes, one or more of the following measures shall be taken to protect the legitimate interests of the Noteholders of Asset Backed Notes:

1. To disclose the fact that the cash flow of the Underlying Assets deteriorates and is not sufficient to cover the principal or interest of the Senior Asset Backed Notes;
2. To communicate with the Rating Agency in a timely manner, investigate the reason for deterioration of the cash flow of the Underlying Assets and determine the responsibilities of the parties;
3. To convene the Asset Backed Notes Noteholders' Meeting to discuss the protection of the investors and formulate relevant plans;
4. To urge the parties to implement the resolutions passed by the Asset Backed Notes Noteholders' Meeting.

### **12.3.3 Measures against Deviation of the Cash Flow of Underlying Assets from Forecast**

Due to risk factors such as the defaults in the asset pool and early termination of the leases, in the future the actual cash flow of the Underlying Assets may deviate from the forecast. These Asset Backed Notes implement mechanisms such as tiered structure, reserve accounts, excess spread and Enforcement Events etc. with a view to providing credit support to the repayment of the principal and interest of the Senior Asset Backed Notes. In the event that the deviation of the actual cash flow of the Underlying Assets from the prospect is relatively minor, the payment of principal and interest of Senior Asset Backed Notes would not be affected.

### **12.3.4 Measures against Title Disputes Regarding Underlying Assets**

In the event that the title to the Underlying Assets is transferred or under seizure, attachment or freeze, the Issuer Administrator and the Lead Underwriter shall, together with the Originator, determine if such event shall fall within the scope of repurchase scenarios pursuant the Trust Agreement; if so, the Issuer Administrator and the Originator shall perform the relevant obligations under the Trust Agreement; otherwise, the Issuer Administrator and the Lead Underwriter shall take one or more of the following measures to protect the legitimate interests of the Noteholders of Asset Backed Notes:

1. To disclose the fact that the title to the Underlying Assets is transferred or under seizure, attachment or freeze;
2. To convene the Asset Backed Notes Noteholders' Meeting to discuss the protection of the investors, formulate Underlying Assets disposal plans and urge the parties to implement to the same.

### **12.3.5 Arrangement for Creditors' Right Protection and Repayment upon occurrence of Enforcement Event under the Asset Backed Notes**

Upon occurrence of an Enforcement Event under the Asset Backed Notes which is not cured or remedied in accordance with the Transaction Documents, the Issuer Administrator and the Lead Underwriter shall take one or more of the following measures to protect the legitimate interests of the Noteholders of Asset Backed Notes:

1. To disclose the fact that an Enforcement Event has occurred under the Asset Backed Notes;
2. To convene the Asset Backed Notes Noteholders' Meeting to determine the sale, transfer or other ways of disposal of all or part of the Trust.

#### **12.4 MECHANISM AND POWER OF ASSET BACKED NOTES NOTEHOLDERS' MEETING**

The Asset Backed Notes Noteholders' Meeting of each Class shall be composed by the Noteholders of the Notes of such Class. The Noteholders who have acquired the Notes of the relevant Class by way of subscription or other legitimate means, or purchased the same from the Interbank Bond Market, shall automatically become members of the Asset Backed Notes Noteholders' Meeting of such Class.

Asset Backed Notes Noteholders' Meetings are held on an irregular basis. Noteholders or its attorney of each Class will participate in the meeting and vote separately. Unless otherwise provided in laws and regulations, resolutions passed by an Asset Backed Notes Noteholders' Meeting shall have same effect and be binding on Noteholders, including those who attended the meeting, were absent from the meeting, voted against the proposals, abstained from voting, had no voting rights, and acquired the Notes after the relevant resolutions have been passed.

##### **12.4.1 Conveners of the Asset Backed Notes Noteholders' Meetings**

Asset Backed Notes Noteholders' Meetings shall be convened by the Lead Underwriter or the Trustee.

##### **12.4.2 Convening of the Asset Backed Notes Noteholders' Meetings**

The convener shall convene an Asset Backed Notes Noteholders' Meeting in the case of any of the following circumstances:

1. to early terminate the Trust in accordance with Clause 6.2(c) of the Trust Agreement;
2. to approve the proposal involving the modification of the rights of the Noteholders or the basic characteristics of the Notes, regardless of whether such rights of Noteholders or the characteristics of the Notes are based on the Transaction Documents or other documents, including without limitation,

- changing the Applicable Priority of Payments, altering the principal amount or interest rate or calculation method of the Notes, changing the payment currency of the Notes, changing the payment time of the principal or interest of any Class of the Notes, changing the Legal Final Maturity Date of the Notes, changing the quorum or percentage of voting right required for presenting or voting at an Asset Backed Notes Noteholders' Meeting or the minimum number of votes required to pass any specific matter;
3. the Trustee resigns, or the Trustee shall be replaced pursuant to the Transaction Documents upon the occurrence of a Trustee Replacement Event;
  4. to amend the Conditions, which will have a Material Adverse Effect on the Noteholders' rights and interests;
  5. to change the credit enhancement arrangement of the Notes;
  6. a material adverse change has occurred with respect to the credit enhancement arrangement of the Notes or solvency of institutions which provide credit enhancement services (if any);
  7. to include or change the option clauses, investor protection mechanism or investor protection clauses in any Transaction Document;
  8. to release or discharge any responsibilities or obligations of the Trustee, the Servicer (including any successor Servicer) under any Transaction Document or to alter clauses in the Trust Agreement which relate to Noteholders' rights or obligations;
  9. to have a third party undertake the repayment obligations under the Notes;
  10. to authorise a third party to exercise relevant rights on behalf of all Noteholders;
  11. a change has occurred in respect of the title to the Entrusted Lease Receivables or Ancillary Interests, or the Entrusted Lease Receivables or Lease Collateral is under attachment, seizure, freeze, which has a Material Adverse Effect on the Noteholders' rights and interests;
  12. principals or interests of the Senior Notes or of other domestic and foreign bonds issued by the Originator are not duly and timely distributed;
  13. a meeting is proposed by Noteholder(s) (individually or collectively) holding not less than 30% of the outstanding principal balance of the Notes of such Class;
  14. the Originator is under capital decrease (except for the case where the capital decrease is due to the repurchase and cancellation of shares from equity incentive plans or implementing performance commitment compensation carried out by the Originator and the aggregate capital decrease ratio

- throughout the term of the Notes is less than 5% of the registered capital of the Originator at the time of issuance), merge, de-merge, dissolution, applies for bankruptcy, is taken over, ordered to suspend production or business, or the qualification or license of the Originator is suspended or revoked;
15. the net assets of the Originator are reduced, at a single time by more than 10% of the most recently audited net assets, or in twenty-four months' time accumulatively by 10% of the net assets (as most recently audited when the first action resulting to reduction of net assets took place) due to a sale, assignment or free transfer of assets, debt write-off, accounting errors correction, changes in accounting policies (except for changes required by laws, administrative regulations or the national unified accounting policies), or changes in accounting estimates and other reasons, or a reduction of assets that does not satisfy the foregoing standards but has a major adverse effect on the operating revenue, net profits, cash flows, continuous operation or other aspects of the Originator;
  16. any event that may result in Originator losing actual control over its major subsidiaries;
  17. the Originator intends to carry out major asset restructuring;
  18. to exchange, convert or replace the Notes of any Class for, into or with the stocks, bonds, other debts or notes of any special purpose administrator, person or legal person established or to be established;
  19. the Servicer or the Account Bank shall be replaced pursuant to the Transaction Documents upon the occurrence of a Servicer Termination Event or an Account Bank Replacement Event;
  20. to determine the appointment of the successor Servicer under the Trust;
  21. termination, major amendment, modification or supplement of the Transaction Documents, except for minor technical changes or those made in accordance with the mandatory requirements of the applicable PRC laws;
  22. to determine the declaration of the occurrence of an Enforcement Event and the issuance of the Enforcement Notice upon occurrence of an Enforcement Event;
  23. a settlement plan for non-cash Trust Assets is submitted by the Trustee in the liquidation process of the Trust;
  24. to increase the Trustee Fee or the Servicer Fee;
  25. to authorize the Trustee to execute all necessary documents, and take all necessary actions or matters for implementing the resolutions made at the Asset Backed Notes Noteholders' Meeting;

26. to elect and appoint representatives (whether or not being Noteholders) and authorizing such representatives to implement the resolutions made at the Asset Backed Notes Noteholders' Meeting;
27. to supervise and review the management, income and expense status of the Trustee and each intermediary agency with respect to the Trust Assets and to request clarifications from the Trustee and each intermediary agency on relevant matters;
28. downgrade of the credit rating of the Senior Notes;
29. the actual cash flow of the Trust Assets is below expectation with a deviation of more than 10%;
30. other matters that shall be resolved by the Asset Backed Notes Noteholders' Meeting in accordance with the provisions of laws, regulations and regulatory documents (including but not limited to the *ABN Guidelines, Rules of Meetings of Holders of Debt Financing Instruments of Non-Financial Enterprises in the Interbank Bond Market*) or the Transaction Documents;
31. other circumstances that the Trustee deems necessary to convene an Asset Backed Notes Noteholders' Meeting.

#### **12.4.3 The Convening Procedure of the Asset Backed Notes Noteholders' Meetings**

With respect to the Asset Backed Notes Noteholders' Meeting composed of Noteholders of each Class, Noteholder(s) holding individually or collectively 30% or more of the outstanding principal balance of the Notes of such Class may request the convener to convene an Asset Backed Notes Noteholders' Meeting for a matter which is of the Noteholders' common interest. The Noteholder(s) proposing the convener to convene the meeting shall submit a written application and specify the matters to be discussed and the reasons thereof under such application.

During the term of the Notes, provided that any of the major events or information disclosure modification events listed in the Rules for Information Disclosure on Debt Financing Instruments of Non-financial Enterprises in the Inter-bank Bond Market (save for situations listed in Clause 15.2.1 of the Trust Agreement) occurs in respect of the Originator or the institutions which provide credit enhancement services, the convener may voluntarily convene an Asset Backed Notes Noteholders' Meeting, or at a written request by Noteholder(s) individually or collectively holding 10% or more of the outstanding principal balance of the Notes of a relevant Class, the Originator or institutions which provide credit enhancement services;

After receiving a written request to convene an Asset Backed Notes Noteholders' Meeting, the convener shall notify the requesting party in writing



within five (5) Business Days upon filing of the written request, whether such request is approved.

In the event that the convener does not or fails for other reasons to convene the meeting within ten (10) Business Days upon the requesting party's written request in accordance with this Agreement, each of the Noteholder(s) individually or collectively holding 30% or more of the outstanding principal balance of the Notes of such Class, the Originator, or institutions which provide credit enhancement services may convene the meeting on their own and notify the Trustee to attend the meeting.

The Trustee shall attend the Asset Backed Notes Noteholders' Meeting and take inquiries in the meeting.

In the event that the convener proposes to convene or the Noteholders convene an Asset Backed Notes Noteholders' Meeting on their own, the convener shall announce the convening of the Asset Backed Notes Noteholders' Meeting at the websites of SCH ([www.shclearing.com](http://www.shclearing.com)) and Interbank Lending Centre ([www.chinamoney.com.cn](http://www.chinamoney.com.cn)) at least ten (10) business days in advance, the contents of which shall include but not be limited to:

- (a) the issuance status of the Notes and the background of the Asset Backed Notes Noteholders' Meeting;
- (b) the names and contact information of the convener and the person in charge of the meeting;
- (c) the time and venue of the meeting;
- (d) formality of the meeting: an Asset Backed Notes Noteholders' Meeting can be held on-site, off-site or in a combination of both;
- (e) procedures of the meeting: convening method, voting method, voting deadline and other relevant matters of the Asset Backed Notes Noteholders' Meeting;
- (f) voting rights registration date: one (1) Business Day prior to the Asset Backed Notes Noteholders' Meeting;
- (g) deadline for submission of bond account material to confirm participation eligibility for the meeting: Noteholders who fail to submit their participation eligibility for the meeting to the convener prior to the Asset Backed Notes Noteholders' Meeting may not participate in the Asset Backed Notes Noteholders' Meeting or exercise voting rights;
- (h) requirements on eligibility documents: participants shall provide attendance receipts, powers of attorney, identity documents, bonds

account documents on voting rights registration date, act within the scope of authorization and perform their entrusted duties in the Asset Backed Notes Noteholders' Meetings.

The convener shall communicate with the Originator, Noteholders, institutions which provide credit enhancement services and other relevant parties, and prepare proposals for the Asset Backed Notes Noteholders' Meeting. The convener shall circulate the proposals to the Noteholders at least seven (7) Business Days prior to the Asset Backed Notes Noteholders' Meeting, and submit the proposal to the Asset Backed Notes Noteholders' Meeting for review and discussion. In the event that the proposal contents relate to the Originator, institutions which provide credit enhancement services, the Trustee and other relevant institutions, the proposal shall be circulated simultaneously to the relevant institutions. In the event that a Noteholder or any relevant institution does not receive the proposal, it may request for the proposal from the convener.

The Originator, institutions which provide credit enhancement services and Noteholder(s) that individually or collectively hold 10% or more of the outstanding principal balance of the Notes of such Class may put forward a supplemental proposal in writing to the convener within five (5) Business Days prior to the meeting.

The convener may put forward supplemental amendments to the proposal, or refine the proposal without altering the true intention of the requesting party to conclude a final proposal, and submit the same to the Asset Backed Notes Noteholders' Meeting for review and discussion. The convener shall send the final proposal to the Noteholders and relevant institutions at least three (3) Business Days prior to the meeting, and disclose the extracts of the final proposal, which shall include the subject, main contents, implementation procedures of the proposal and the response timeline.

Proposals of an Asset Backed Notes Noteholders' Meeting shall have clear resolution items, comply with laws, regulations and inter-bank market self-discipline rules, conform to social morals, and shall not disturb social economic order, harm social public interests and legal rights and interests of third parties.

In the event that the Originator discloses a special risk warning notice regarding the redemption of principal and interests of the Notes, company credit bonds default or other emergencies that seriously affect the rights and interests of the Noteholders, the convener may reasonably shorten the convening procedures of an Asset Backed Notes Noteholders' Meeting, provided that the same is in favour of the protection of rights and interests of the Noteholders. In such case, the convener shall disclose the announcement of commencement of the meeting prior to the Asset Backed Notes

Noteholders' Meeting, circulate the proposal to the Noteholders and relevant institutions, and, at the same time, disclose the extract of the proposal.

An Asset Backed Notes Noteholders' Meeting is effective only if it is attended by Noteholders collectively representing more than 50% of the total voting rights of the Notes of the relevant Class

#### **12.4.4 The Form of the Asset Backed Notes Noteholders' Meetings**

The Asset Backed Notes Noteholders' Meeting may be conducted on-site or by means of communications. The Noteholders may exercise their voting rights on-site or by means of communications.

Noteholders who exercise their voting rights by means of communications are deemed to attend the Asset Backed Notes Noteholders' Meeting in person. Where a Noteholder exercises its voting rights by means of communications, the expression of its intention to exercise its voting rights (the "Expression of Intention") shall be delivered to the convener at least three (3) Business Days prior to the Asset Backed Notes Noteholders' Meeting. In the event that a Noteholder serve more than one Expressions of Intention successively, the later one shall prevail, except for in the circumstance where the later one does not satisfy the foregoing time requirements. In the event that a Noteholder intends to attend the Asset Backed Notes Noteholders' Meeting in person after having exercised its voting rights by means of communications, it shall revoke the previous Expression of Intention to exercise the voting rights in the same manner no later than one (1) Business Day prior to the Asset Backed Notes Noteholders' Meeting. In the event that the revocation fails to be made in a timely manner, the voting rights exercised by means of communications shall prevail. In the event that a Noteholder designates an attorney to attend the Asset Backed Notes Noteholders' Meeting while exercising its voting rights by means of communications, the attendance by the attorney shall prevail.

Asset Backed Notes Noteholders' Meetings shall be witnessed by at least two lawyers on site. Witnessing lawyers shall, in principle, be the ones who issued legal opinion on the issuance of the Notes. Witnessing lawyers shall issue legal opinion on the convening, holding, voting procedures, participation eligibility, validity of the voting rights, proposal types, validity of the meeting, effectiveness of the resolutions and other relevant matters of the meeting. The legal opinion shall be disclosed together with the resolutions of the Asset Backed Notes Noteholders' Meeting.

#### **12.4.5 Proceeding of the Asset Backed Notes Noteholders' Meetings**

##### **1. Voting and Resolution**

A Noteholder or its attorney shall have one vote per each 100 RMB face value of the Notes held by it when attending the Asset Backed Notes Noteholders'

Meeting. A Noteholder who does not present at the Asset Backed Notes Noteholder's Meeting shall not participate in the voting, and the voting rights held by it shall be counted towards the total voting rights.

The Originator and its major affiliates who hold Notes (except for the Subordinated Notes held by the Originator) shall actively disclose its affiliation to the convener and shall not participate in the voting. The voting rights held by such entities shall not be counted towards the total voting rights.

For the purpose of this clause, "major affiliates" include but are not limited to:

- (a) the controlling shareholder and actual controller of the Originator;
- (b) the consolidated subsidiaries of the Originator;
- (c) the entity that takes over the repayment obligations under the Notes;
- (d) the institution which provides credit enhancement services for the Notes;
- (e) other affiliated parties which may affect the impartiality of the voting.

The preceding Business Day prior to the Asset Backed Notes Noteholders' Meeting is the voting rights registration date. The Noteholders registered by the end of the voting rights registration date are entitled to attend the Asset Backed Notes Noteholders' Meeting and exercise the voting rights in accordance with the Notes held by them. The Noteholders registered by the end of the voting rights registration date shall be determined based on the relevant data information recorded with the Registry. The convener shall confirm the participation eligibility of the Noteholders or its attorney and register their names and shares.

The Originator, the entity that takes over the repayment obligations under the Notes, institutions which provide credit enhancement services and other relevant parties shall cooperate with the convener to convene the Asset Backed Notes Noteholders' Meetings, and attend the Asset Backed Notes Noteholders' Meeting as required by the convener. The Trustee shall attend the Asset Backed Notes Noteholders' Meeting and keep itself informed about the Asset Backed Notes Noteholders' Meeting. The Rating Agency may attend the Asset Backed Notes Noteholders' Meeting as invited by the convener, and consistently follow up with the status of the Asset Backed Notes Noteholders' Meeting.

All proposals to the Asset Backed Notes Noteholders' Meeting shall be resolved within three (3) Business Days from the first day of the meeting.

The convener shall, on the voting deadline, enquire the list of the Noteholders on that day and verify with the Registry on the Notes account information of the relevant Noteholders. The votes that do not correspond with relevant face

value of the Notes at the voting deadline shall be deemed null and void, and shall not be counted towards the voting of the proposal.

In the event that the relevant Noteholders fails to vote, votes against the rules and procedures, or abstains from voting, it shall be deemed that the voting rights held by such Noteholders have been abstained, and the face value of the Notes held by such Noteholders shall be counted towards the voting of the proposal.

Noteholders may designate attorneys to attend the Asset Backed Notes Noteholders' Meeting and the attorneys shall provide the convener with powers of attorney issued by the Noteholders with specified scope of authorization and shall exercise voting rights within such scope. Each Noteholder may only issue one copy of powers of attorney and designate one attorney.

A Noteholder may not exercise its voting rights in a separate manner with respect to one proposal when attending the Asset Backed Notes Noteholders' Meeting. Where a Noteholder is a legal person or other entity, it may only have one representative.

## 2. Matters for Resolution

The resolutions on matters under items (ii) to (x) of Clause 15.2(a) of these Conditions at the Asset Backed Notes Noteholders' Meeting constituted by Noteholders of each Class shall be resolved by Noteholder(s) individually or collectively representing more than 50% of the total voting rights of the Notes of such Class and approved by Noteholder(s) individually or collectively representing more than 90% of the total voting rights of the Notes of such Class. The resolution on matters under item (i) of Clause 15.2(a) of these Conditions shall be unanimously resolved by 100% of all Noteholders (the principal under whose Notes have not been unconditionally repaid in full).

The resolutions on matters under items (xviii) to (xxv) of Clause 15.2(a) of these Conditions at an Asset Backed Notes Noteholders' Meeting constituted by Noteholders of each Class shall be resolved by Noteholder(s) individually or collectively representing more than 50% of the total voting rights of the Notes of such Class and approved by Noteholder(s) individually or collectively representing more than 75% of the total voting rights of the Notes of such Class.

Matters other than those set out in Clauses 15.5(a) and 15.5(b) above of these Conditions at an Asset Backed Notes Noteholders' Meeting constituted by Noteholders of each Class shall be resolved by Noteholder(s) individually or collectively representing more than 50% of the total voting rights of the Notes of such Class and approved by Noteholder(s) individually or collectively

representing more than 50% of the total voting rights of the Notes of such Class.

3. Voting of the Proposal

An Asset Backed Notes Noteholders' Meeting shall respectively discuss and vote on each proposal listed in the agenda. The Asset Backed Notes Noteholders' Meeting shall not resolve on matters which are not included in announcements and proposals.

4. Conflicts between Resolutions

Where there are different or conflicting resolutions on the same matter made by the Asset Backed Notes Noteholders' Meeting of different Classes, unless otherwise agreed in this Agreement, the validity of the resolutions made by the Asset Backed Notes Noteholders' Meeting of each Class shall be determined in accordance with the following rules:

- (a) In the event that the Asset Backed Notes Noteholders' Meetings of all Classes resolve on the same matter, the resolution made by the Controlling Noteholders' Meeting shall prevail;
- (b) In the event that the Asset Backed Notes Noteholders' Meetings of certain (but not all) Classes have made resolutions on the same matter, the resolution made by the Controlling Noteholders' Meeting (if any) shall prevail; in the event that the Controlling Noteholders' Meeting does not resolve on the matter, it shall be deemed that the Controlling Noteholders' Meeting does not agree with the resolutions made by Asset Backed Notes Noteholders' Meetings of other Classes on such matter and that the current Asset Backed Notes Noteholders' Meeting has not passed any effective resolutions on the matter.

In the event that the Asset Backed Notes Noteholders' Meeting of a Class does not resolve on a matter, it shall be deemed that the Asset Backed Notes Noteholders' Meeting of such Class does not agree with the resolutions made by Asset Backed Notes Noteholders' Meetings of other Classes on such matter.

In the event that a matter falls within the scope of multiple categories under Clause 15.5 of these Conditions, the category requiring the most stringent quorum shall prevail.

5. Written Resolution

Written resolutions passed by Noteholder(s) or their representatives holding voting rights of the Notes of such Class shall have the same effect as resolutions passed by the Noteholder(s) or their representatives individually or collectively representing the corresponding voting rights at the Asset Backed

Notes Noteholders' Meeting convened and held in accordance with these Conditions. Such written resolutions may be executed in one or more counterparts by Noteholders holding Notes of such Class or their representatives.

6. Acknowledgement of Resolutions and Consent of Third Parties

In the event that a resolution of the Asset Backed Notes Noteholders' Meeting of any Class adversely affect the rights of Noteholders of any other Class, such resolution shall be acknowledged by the resolution of the Asset Backed Notes Noteholders' Meeting of such other Class.

The acknowledgement of the above resolution shall be resolved by Noteholder(s) holding individually or collectively more than 75 % of the outstanding principal balance of the Notes of such Class and approved by Noteholders holding more than 75% of the total voting rights of the Noteholders present at the Asset Backed Notes Noteholders' Meeting.

In respect of a third party other than a Noteholder, the resolutions of the Asset Backed Notes Noteholders' Meeting shall not prejudice the rights, interests or benefits of such third party under this Agreement and other Transaction Documents without written consent of such third party.

7. Implementation of Resolutions

The resolutions of the Asset Backed Notes Noteholders' Meeting shall be implemented by the persons designated by the Asset Backed Notes Noteholders' Meeting. The Asset Backed Notes Noteholders' Meeting may authorize the Trustee to implement the resolutions of the Asset Backed Notes Noteholders' Meeting.

The persons designated by the Asset Backed Notes Noteholders' Meeting may represent the Noteholders and conduct litigation or non-litigation acts with respect to the Trust for the interests of all Noteholders.

The authority, remuneration, calculation methods of remuneration and payment schedule and other relevant matters of the persons designated by the Noteholders in accordance with Clause 15.10(a) of these Conditions shall be decided by the Asset Backed Notes Noteholders' Meeting upon appointment of such persons.

8. Meeting Minutes

The Asset Backed Notes Noteholders' Meeting shall keep meeting minutes of the resolutions, and the convener and the Trustee shall sign and seal the minutes.

9. Filing and Announcement of Resolutions

An Asset Backed Notes Noteholders' Meeting shall keep written meeting minutes for examination. Meeting minutes of the Asset Backed Notes Noteholders' Meeting shall be signed by the representative of the convener and witnessing lawyers present. The convener shall disclose the announcement of meeting resolutions through channels approved by the NAFMII within two (2) Business Days after the voting deadline of the Asset Backed Notes Noteholders' Meeting. The announcement of meeting resolutions includes but is not limited to the following contents:

- (a) the voting rights held by the Noteholders attending the meeting;
- (b) the effectiveness of the meeting;
- (c) extracts, voting results and effectiveness of each proposal.

#### 10. Response to Resolutions

The Originator shall respond to resolutions made by the Asset Backed Notes Noteholders' Meeting. In the event that the resolutions involve institutions which provide credit enhancement services, the Trustee and other relevant institutions, the above-mentioned institutions shall also respond.

The convener shall submit the meeting resolutions to the Originator and relevant institutions within two (2) Business Days upon the voting deadline of the meeting, and timely communicate on behalf of Noteholders with relevant institutions on the resolutions. Relevant institutions shall respond to the resolutions of the Asset Backed Notes Noteholders' Meeting within five (5) Business Days upon receiving meeting resolutions. The convener shall disclose through channels recognized by NAFMII on the following Business Day after receiving such response from relevant institutions.

#### 11. Retention Period

The meeting announcement, meeting proposal, register of entities and personnel attending the meeting, register of voting entities and personnel, meeting minutes, voting documents, announcement of meeting resolutions, response to resolutions of an Asset Backed Notes Noteholders' Meeting (if any), legal opinion, register of the Noteholders obtained by the convener from the Registry at the end of the voting rights registration date and the meeting voting deadline and other meeting documents and materials shall be retained by the convener for at least five (5) years upon the redemption of the Notes. In the event that the convener is the Originator or institutions which provide credit enhancement services, the above-mentioned meeting documents and materials shall be retained by the law firm whose lawyers witnessed the Asset Backed Notes Noteholders' Meeting.

### 12.5 FORCE MAJEURE



Force majeure refers to the situation where the relevant obligor under these Asset Backed Notes is unable to perform its contractual obligations due to the circumstance which is unforeseeable, unavoidable and insurmountable.

Force majeure includes and is not limited to the following:

- (a) incidents resulted from natural forces such as floods, fires, earthquakes and tsunamis etc.;
- (b) the occurrence of risk incidents in international and domestic financial markets;
- (c) failure of trading systems or venue;
- (d) social incidents such as wars, strikes, terrorist attacks etc.

In the event that a party is unable to perform its obligations under these Asset Backed Notes due to force majeure, it shall be exempted in part or in whole from the liabilities in light of the implication of such force majeure, unless otherwise prescribed under the laws. If the force majeure occurs after the delay of performance by such party, such party shall not be exempted from the liabilities.

## **12.6 WAIVER**

A failure to exercise or delay in exercising a right or remedy provided by any Transaction Document or by law does not constitute a waiver of the right or remedy or a waiver of other rights or remedies. No single or partial exercise of a right or remedy provided by any Transaction Document or by law prevents further exercise of the right or remedy or the exercise of another right or remedy.

## CHAPTER 13 GOVERNING LAW AND DISPUTE RESOLUTIONS

### 13.1 GOVERNING LAW

Each Transaction Document shall be governed by and will be construed in accordance with the laws of the PRC.

### 13.2 CHOICE OF ARBITRATION

1. Arbitration. Any disputes, disagreement or claims (the "Dispute") which occur because of or in connection with a Transaction Document shall be settled by friendly negotiations by the relevant Transaction Parties. If the Dispute is not settled through friendly consultations, then any relevant Transaction Party shall have a right to submit the Dispute to the China International Economic and Trade Arbitration Commission (the "Arbitrator"), to be arbitrated in Beijing and in accordance with its arbitration rules. The arbitration language shall be both Chinese and English unless the parties to the arbitration at the time unanimously agree otherwise.

The arbitration tribunal shall consist of three (3) arbitrators jointly selected by all parties or specified by the Arbitrator in accordance with its arbitration rules.

2. Continuing Performance. During the course of arbitration, except for the matters in dispute under arbitration, each Transaction Party shall continue to perform according to the relevant Transaction Document and the other Transaction Documents.
3. Waiver of Immunity. Each Transaction Party irrevocably agrees, in any legal proceeding or arbitration in relation to the contract for itself or its assets, such party or its representative shall not claim immunity (whether based on sovereign immunity, or for other reasons) against such legal proceeding or arbitration proceeding (including but not limited to litigation, arbitration, pre-litigation injunction over property, seizure of other property, obtaining a judgment or arbitral award, execution or enforcement of a judgment or arbitral award). Each Transaction Party agrees to irrevocably give up any immunity possessed now or hereafter obtained or granted over itself or its assets, and agrees to any judgment or rulings from such legal proceeding or arbitration, including but not limited to any judgment or ruling to enforce any of its assets (regardless of the actual or proposed use of such property) from such legal proceeding or arbitration.

## **CHAPTER 14 TAXATION**

### **14.1 TAXES APPLICABLE TO THE INVESTMENT IN THE TRUST**

#### Enterprise Income Tax

According to the related provisions of the tax law, enterprise income tax is not imposed on the Trust, for the time being, on the part of the profits of Trust projects that are allocated in the current year to the institutional investors

### **14.2 DISCLAIMER**

The taxation listed above shall not constitute tax advice or basis for tax payment for the investors. The investors of these Asset Backed Notes shall comply with the applicable laws and regulations in relation to taxation in the payment of the relevant taxes.

## CHAPTER 15 SUMMARY OF MAJOR TRANSACTION DOCUMENTS

Contract Name	Master Definitions and Common Terms Agreement
Contracting Parties	<p>Mercedes-Benz Leasing Co., Ltd., as the Grantor, the Originator, and the Servicer</p> <p>China Foreign Economy and Trade Trust Co., Ltd., as the Trustee and the Issuer Administrator</p> <p>Industrial and Commercial Bank of China Limited Beijing Municipal Branch, as the Account Bank</p> <p>Bank of China Limited, as the Lead Underwriter</p> <p>Industrial and Commercial Bank of China Limited, as the Joint Lead Underwriter</p>
Originator's Representations and Warranties	<p>1. Corporate Representations and Warranties of the Originator</p> <p>(a) Incorporation</p> <p>The Originator has legal personality and is duly incorporated and validly existing as a limited liability company under the laws of the PRC, and has its registered office at 5F 601-2, Tower 3, 8 Wangjing Road, Chaoyang District, Legal Representative: Benjamin Mitchell William Lee, Beijing 100102, People's Republic of China.</p> <p>(b) Solvency</p> <p>No Insolvency Event has occurred in respect of the Originator.</p> <p>(c) Consents</p> <p>The Originator (i) has obtained all authorisations, approvals, licences and consents, and (ii) has made all necessary declarations, applications, filings, registrations, notifications and reporting procedures as required in connection with its business pursuant to any relevant law and regulatory rules applicable to the Originator in China.</p> <p>(d) Financial statements</p> <p>The most recent financial statements of the Originator were prepared in accordance with international accounting standards or accounting principles generally accepted in China</p>

	<p>consistently applied.</p> <p>(e) Material adverse change</p> <p>There has been no material adverse change in the condition or business of the Originator, in each case from that set forth in the most recent financial statements, financial or otherwise which, in any case, is material in the context of the issue and the offering of the Notes as of the Closing Date.</p> <p>2. Transaction Document Representations and Warranties of the Originator</p> <p>(a) Corporate Power</p> <p>The Originator has the requisite power and authority to enter into each relevant Transaction Document and to undertake and perform the obligations expressed to be assumed by it therein.</p> <p>(b) Authorisation</p> <p>All acts, conditions and things required to be done, fulfilled and performed in order:</p> <ul style="list-style-type: none"> <li>(i) to enable the Originator lawfully to enter into each relevant Transaction Document; and</li> <li>(ii) to enable the Originator lawfully to exercise its rights under and perform and comply with the obligations expressed to be assumed by it in the relevant Transaction Document;</li> </ul> <p>have been done, fulfilled and performed and are in full force and effect or, as the case may be, have been effected and no steps have been taken to challenge, revoke or cancel any such authorisation obtained or effected.</p> <p>(c) No Breach of Law, Charter or Contract</p> <p>The entry of the Originator into and the execution and, where applicable, delivery of the relevant Transaction Document and the performance by the Originator of its obligations under the relevant Transaction Document do not and will not conflict with or constitute a breach or infringement of any of the terms of, or constitute a default by, the Originator under:</p> <ul style="list-style-type: none"> <li>(i) the Originator's articles of association;</li> <li>(ii) any relevant law (including but not limited to</li> </ul>
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	<p>relevant consumer credit law, data protection law, anti-bribery law and anti-money laundering law of the PRC) and regulatory rules; or any agreement, indenture, contract, mortgage, deed or other instrument to which the Originator is a party or which is binding on it or any of its assets, where such conflict, breach, infringement or default might have a Material Adverse Effect on the Originator, any relevant Transaction Document or any Entrusted Lease Receivables.</p> <p>(d) Valid and Binding Obligations</p> <p>The obligations expressed to be assumed by the Originator under the relevant Transaction Document will, upon their due execution and delivery by or on behalf of the Originator, constitute legal, valid, binding and enforceable obligations in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, moratorium, reorganisation or other similar laws affecting the enforcement of the rights of creditors generally.</p> <p>3. Lease Receivables Representations and Warranties of the Originator</p> <p>As of the Closing Date, the Originator represents and warrants the Issuer Administrator the following:</p> <p>(a) that all Entrusted Lease Receivables comply with the Eligibility Criteria on the Cut-Off Date;</p> <p>(b) that it has not altered the Entrusted Lease Receivables' legal existence or otherwise waived, altered or modified any provision in relation to any Entrusted Lease Receivable, unless made in accordance with the provisions of the Servicing Agreement;</p> <p>(c) that all information given in respect of the Entrusted Lease Receivables including any related Ancillary Interests is true and correct in all material aspects, a Lease Agreement identifier therein allows each Entrusted Lease Receivable to be identifiable in the Originator's systems; and</p> <p>(d) that the Financed Vehicle's identification number stated in each of the Lease Agreements or any information or document relating thereto, allows each Leased Vehicle relating to a Lease Receivable to be separately</p>
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	identified.
Originator Covenants	<p>1. Corporate Covenants of the Originator</p> <p>The Originator shall:</p> <p>(a) Conduct</p> <p>At all times carry on and conduct its affairs in a proper and efficient manner in compliance with any relevant law and regulatory rules from time to time in force in China.</p> <p>(b) Consents</p> <p>Obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents necessary under any relevant law and regulatory rules from time to time in force in China or in any other applicable jurisdiction in connection with its business or to enable it lawfully perform its obligations under the relevant Transaction Document to which it is a party.</p> <p>2. Transaction Document Covenants of the Originator</p> <p>The Originator shall:</p> <p>(a) Compliance with Relevant Transaction Documents</p> <p>At all times comply with and perform all its obligations under the relevant Transaction Document.</p> <p>(b) Information</p> <p>Supply to the Issuer Administrator such other information (including non-financial information) as it may from time to time reasonably request.</p> <p>3. Lease Receivables Covenants of the Originator</p> <p>The Originator shall:</p> <p>(a) Servicer Termination Event</p> <p>Promptly and no later than within five (5) Business Days after the occurrence of a Servicer Termination Event, issue to the Issuer Administrator a statement of an authorised officer of the Originator setting forth the details of such Servicer Termination Event and the action which the Originator proposes to take with respect thereto (for the avoidance of doubt, any such proposal</p>

	<p>shall not limit the Issuer Administrator's rights resulting from the occurrence of such Servicer Termination Event).</p> <p>(b) Ancillary Interests Information</p> <p>Supply such information as the Issuer Administrator may from time to time reasonably request in respect of the Ancillary Interests, including, for the avoidance of doubt, information reasonably required by the Issuer Administrator for any realisation of such Ancillary Interests.</p> <p>(c) Performance and Compliance with Purchased Lease Receivables (including Ancillary Interests) and Lease Agreements</p> <p>At its expense, in a timely manner, fully perform and comply with all provisions and covenants required to be observed by it under the Lease Agreements and Lease Ancillary Interests documents pertaining to the Entrusted Lease Receivables as if the rights and interests in such Entrusted Lease Receivables, including the Ancillary interests, had not been entrusted hereunder.</p> <p>(d) Payment of Collections</p> <p>Procure that any moneys received by it with regard to an Entrusted Lease Receivable will be paid as Collections on such Entrusted Lease Receivable into the Operating Account from time to time, and so long as it is the Servicer, and not otherwise required by PRC tax law, shall not deduct any such value added tax from the Collections.</p> <p>(e) Sales, Adverse Claims</p> <p>Except as otherwise provided in the Transaction Documents, not sell, assign (cause as assignment by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Adverse Claim upon (especially, the filing of any financing statement) in respect of any related Lease Agreement, Collections, the Issuer Accounts into which any Collections of any Entrusted Lease Receivables are paid, or assign any right to receive income in respect thereof or attempt, purport or agree to do any of the foregoing or anything which has a similar commercial effect.</p> <p>(f) Portfolio Information</p> <p>Provide to the Issuer Administrator the Portfolio Information of the Entrusted Lease Receivables to be entrusted to the Issuer</p>
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	<p>Administrator on the Closing Date.</p> <p>(g) Required Reserves</p> <p>Fund each General Reserve Required Amount and Commingling Reserve Required Amount in accordance with clauses 10.2 and 10.3 of the Trust Agreement.</p>
<p>Servicer's Representations and Warranties</p>	<p>1. Corporate Representations and Warranties of the Servicer</p> <p>The Servicer makes, mutatis mutandis, the same corporate representations and warranties as set out for the Originator in Schedule 3 – Originator's Representations and Warranties, Part 1 of the Master Definitions and Common Terms Agreement.</p> <p>2. Transaction Document Representations and Warranties of The Servicer</p> <p>(a) No Servicer Termination Event</p> <p>No event exists which would constitute a Servicer Termination Event, so far as the Servicer is aware.</p> <p>(b) Analogy</p> <p>The Servicer further makes, mutatis mutandis, the same Transaction Document representation and warranties as set out for the Originator in Schedule 3 - Originator's Representations and Warranties, Part 2 of the Master Definitions and Common Terms Agreement.</p> <p>3. Lease Receivable Representations and Warranties of the Servicer</p> <p>The Servicer makes no representations and warranties in respect of the Entrusted Lease Receivables. The Servicer's representations and warranties here shall not influence its obligations and liabilities as Originator.</p>
<p>Servicer Covenants</p>	<p>1. Corporate Covenants of the Servicer</p> <p>The Servicer covenants, mutatis mutandis, on the same terms as set out for the Originator in Schedule 4 - Originator Covenants, Part 1 of the Master Definitions and Common Terms Agreement.</p>

	<p>2. Transaction Document Covenants of the Servicer</p> <p>The Servicer shall obtain and keep in force all necessary consents and authorisations which may be necessary in connection with the performance of the Services.</p> <p>3. Lease Receivable Covenants of the Servicer</p> <p>The Servicer shall, unless otherwise agreed in writing with the Issuer Administrator:</p> <p>(a) Standard of care</p> <p>Give such time and attention and will exercise such skill, care and diligence in the performance of the Services as the Servicer does in servicing receivables and collateral other than the Entrusted Lease Receivables and the Ancillary Interests.</p> <p>(b) Credit and Collection Policy</p> <p>Comply with the Credit and Collection Policy with regard to the realisation of Collections in respect of each Entrusted Lease Receivable and any related Ancillary Interests.</p> <p>(c) Issuer Administrator's best interests</p> <p>Subject to the Credit and Collection Policy, act in the best interests of the Issuer Administrator in the Servicer's relations with Lessees and in its exercise of any discretion arising from its performance of the Services.</p> <p>(d) Compliance with Lease Agreements</p> <p>At its own expense and in a timely manner fully perform and comply with all provisions, covenants and other promises required to be observed by the Servicer under the Lease Agreements and Ancillary Interests documents in connection with the Entrusted Lease Receivables.</p> <p>(e) Compliance with legal requirements</p> <p>Comply with all legal requirements (including, for the avoidance of doubt, any applicable consumer protection legislation) in relation to all Entrusted Lease Receivables and the related Ancillary Interests.</p> <p>(f) Information systems</p> <p>Have systems in place in relation to the relevant Entrusted</p>
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	<p>Lease Receivables and the related Ancillary Interests that are capable of providing the information to which the Issuer Administrator is entitled pursuant to the relevant Transaction Document, shall use all reasonable endeavours to maintain such systems in working order and shall, subject in all cases to the relevant data protection law and banking secrecy rules of the PRC, permit the Issuer Administrator, any firm of independent internationally recognised public accountants (who are subject to a professional duty of confidentiality) and/or any other representatives of the Issuer Administrator (subject to a professional duty of confidentiality in relation to the affairs of the Servicer) to enter during business hours and upon two (2) Business Days' prior written notice upon the premises of the Servicer to:</p> <ul style="list-style-type: none"><li>(i) conduct periodic audits of the Entrusted Lease Receivables, the related Ancillary Interests and any records related thereto;</li><li>(ii) inspect and satisfy itself or themselves that the systems are in place, maintained in working order and are capable of providing the information to which it or they are entitled pursuant to the relevant Transaction Document and which information the Servicer has failed to supply within three (3) Business Days of receiving written notice or to verify any such information which has been provided and which the Issuer Administrator has reason to believe is inaccurate;</li><li>(iii) examine and make copies of and extracts from all records related to the Entrusted Lease Receivables and Ancillary Interests as are in the reasonable opinion of the Issuer Administrator relevant to the collection of the Entrusted Lease Receivables but, for the avoidance of doubt, the Issuer Administrator shall have no right to examine and make copies of and extracts from records (i) in respect of which the Servicer has a duty of confidentiality under a Lease Agreement or (ii) which contain confidential information of the Servicer; however, on the request of the Issuer Administrator, the Servicer shall use all reasonable endeavours that its duty of confidentiality is waived; and</li><li>(iv) discuss matters relating to Entrusted Lease Receivables and any related Ancillary Interests or the relevant Servicer's performance hereunder or under the contracts with any of the officers or employees of the relevant Servicer having knowledge of such matters,</li></ul>
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	<p>provided that no records, files or other information other than that which the Issuer Administrator is entitled so to examine, copy or make extracts from shall be removed from the Servicer's premises, and such records, files or other information shall remain confidential in accordance with the relevant data protection law and banking secrecy rules of the PRC and shall not be used by, or disclosed or divulged to any Person (except to the extent and in the circumstances permitted by the relevant Transaction Document and in accordance with applicable law (in particular, but without limitation, in relation to data protection and banking secrecy of the PRC)) without the prior written consent of the Servicer, provided that such consent may not be unreasonably withheld or delayed.</p> <p>(g) No power</p> <p>Provided in respect of above (a) to (f) that (except as otherwise required or expressly permitted in a Transaction Document) the Servicer shall not have any power to enter into any new contracts on behalf of the Issuer Administrator or to act as any form of branch, agency or representative of the Issuer Administrator or to direct, administer or manage any aspect of the Issuer Administrator's business (without prejudice to the specific activities expressly contemplated in the relevant Transaction Document). Equally, the Servicer shall be liable only to perform the Services herein specified, and the Issuer Administrator shall have no right to direct the Servicer to do or perform anything other than the Services.</p>
<p>Issuer Administrator's Representations and Warranties</p>	<p>1. Corporate Representations and Warranties of the Issuer Administrator</p> <p>(a) Incorporation</p> <p>The Issuer Administrator is a trust company with limited liability incorporated and validly existing under the laws of the People's Republic of China, with its registered address at Floor 6, Central Tower, Chemsunny World Trade Center, No. 28 Fuxingmennei Street, Xicheng District, Legal Representative: Qiang LI, Beijing 100031, People's Republic of China and with full power and authority to own its property and assets and conduct its business as described in the Offering Circular.</p> <p>(b) Litigation</p> <p>No litigation, arbitration or administrative proceedings of or before any court, tribunal or governmental body have been commenced or, so far as the Issuer Administrator is aware, are</p>

	<p>pending or threatened against the Issuer Administrator or any of its assets or revenues which may have a Material Adverse Effect on the Issuer Administrator, any relevant Transaction Document or any Entrusted Lease Receivables.</p> <p>(c) Solvency</p> <p>No Insolvency Event has occurred in respect of the Issuer Administrator.</p> <p>(d) Consents</p> <p>The Issuer Administrator (i) has obtained all authorisations, approvals, licences and consents, and (ii) has made all necessary filings, registrations and notification procedures as required in connection with its business and the consummation of the transactions contemplated by the relevant Transaction Documents pursuant to any relevant law and regulatory rules applicable to the Issuer Administrator in China.</p> <p>(e) No Governmental Investigation</p> <p>No governmental or official investigation or inquiry concerning the Issuer Administrator is progressing or pending or, so far as the Issuer Administrator is aware, has been threatened in writing which may have a Material Adverse Effect on the Issuer Administrator, any relevant Transaction Document, or any of the Entrusted Lease Receivables.</p> <p>2. Transaction Document Representations and Warranties of The Issuer Administrator</p> <p>(a) Corporate Power</p> <p>The Issuer Administrator has the requisite power and authority to:</p> <ul style="list-style-type: none"> <li>(i) enter into each relevant Transaction Document;</li> <li>(ii) create and issue the Notes; and</li> <li>(iii) undertake and perform the obligations expressed to be assumed by it therein.</li> </ul> <p>(b) Authorisation</p> <p>All acts, conditions and things required to be done, fulfilled and performed, including all relevant resolutions of its board of</p>
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	<p>directors are satisfied, in order:</p> <ul style="list-style-type: none"> <li>(i) to enable the Issuer Administrator lawfully to issue, distribute and perform the terms of the Notes and distribute the Offering Circular in accordance with the Trust Agreement;</li> <li>(ii) to enable the Issuer Administrator lawfully to enter into each relevant Transaction Document;</li> <li>(iii) to enable the Issuer Administrator lawfully to exercise its rights under and perform and comply with the obligations expressed to be assumed by it in the relevant Transaction Document;</li> </ul> <p>(c) No breach of Law or Contract</p> <p>The entry by the Issuer Administrator into and the execution (and, where appropriate, delivery) of the relevant Transaction Document and the performance by the Issuer Administrator of its obligations under the relevant Transaction Document do not and will not conflict with or constitute a breach or infringement by the Issuer Administrator of:</p> <ul style="list-style-type: none"> <li>(i) the Issuer Administrator's articles of association;</li> <li>(ii) any relevant law (including but not limited to relevant anti-bribery law and anti-money laundering law) and regulatory rules; or</li> <li>(iii) any agreement, indenture, contract, mortgage, deed or other instrument to which the Issuer Administrator is a party or which is binding on it or any of its assets,</li> </ul> <p>where such conflict, breach, infringement or default may have a Material Adverse Effect on the Issuer Administrator, any relevant Transaction Document, the Notes or any Entrusted Lease Receivables.</p> <p>(d) Valid and binding obligations</p> <p>To the best knowledge of the Issuer Administrator, on the Signing Date, there is not and does not exist continually any fact or situation, and the completion of the transaction under this Agreement or other Transaction Documents to which the Issuer Administrator is a party will not result in any fact or situation which would be in breach or would be reasonably expected to cause the Issuer Administrator to be in breach of</p>
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	<p>its obligations under any Transaction Documents or any agreements or clauses in relation to it as a Transaction Party or its assets. The obligations expressed to be assumed by the Issuer Administrator under the relevant Transaction Document (including the Notes) are legal and valid obligations, binding on it and enforceable against it in accordance with their terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, moratorium, reorganisation or other similar laws affecting the enforcement of the rights of creditors generally.</p> <p>(e) Offering Circular</p> <p>The Offering Circular contains all information with respect to the Issuer Administrator and the Notes which is material in the context of the issue of the Notes.</p> <p>After the Senior Notes are issued in accordance with the Underwriting Agreement and have been registered and deposited with the SCH, it imposes a legal, valid and binding payment obligation on the Issuer Administrator, and the Noteholders can enforce their rights hereunder.</p>
Issuer Administrator Covenants	<p>1. Corporate Covenants of the Issuer Administrator</p> <p>The Issuer Administrator shall:</p> <p>(a) Financial Statements</p> <p>Cause audited financial statements to be prepared in respect of each of its financial years and upon the Trust Liquidation Event, audited financial statements shall be in such form as it will comply with all relevant law and regulations applicable to it;</p> <p>As soon as the audited financial statements become available and in any event within one-hundred and eighty (180) days of the end of each fiscal year of the Issuer Administrator or upon the Trust Liquidation Event, deliver to the Servicer two copies of its audited financial statements for such financial year.</p> <p>(b) Existence and Conduct</p> <p>At all times maintain its existence and carry on and conduct its affairs in a proper and efficient manner in compliance with any relevant law and regulatory rules from time to time in force in China.</p> <p>(c) Consents</p>

	<p>Obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents necessary under any relevant law and regulatory rules from time to time in force in China or in any other applicable jurisdiction:</p> <ul style="list-style-type: none"> <li>(i) in connection with its business; or</li> <li>(ii) to enable it lawfully to perform its obligations under the relevant Transaction Documents.</li> </ul> <p>(d) General Positive Covenants</p> <p>Until after the Trust Termination Date, save to the extent otherwise permitted by the Transaction Documents the Issuer Administrator shall:</p> <ul style="list-style-type: none"> <li>(i) pay its own liabilities out of its own funds;</li> <li>(ii) realise, or procure the realisation of, all amounts arising from rights under the Transaction Document when due and shall collect, or procure the collection of, the proceeds of all rights under the Transaction Documents, credit, or procure the crediting of, all proceeds from rights under the Transaction Documents to the Issuer Accounts and not use any moneys standing to the credit of the Issuer Accounts for the time being other than for the purposes specified in, and in accordance with, the provisions of the Transaction Document;</li> <li>(iii) it will at any time maintain the Issuer Accounts.</li> </ul> <p>2. Transaction Document Covenants of the Issuer Administrator</p> <p>The Issuer Administrator shall:</p> <p>(a) Compliance with Relevant Transaction Documents</p> <p>At all times comply with and perform all its obligations under the relevant Transaction Document and the Notes.</p> <p>(b) Exercise Rights</p> <p>Preserve and/or exercise and/or enforce its rights under and pursuant to the Notes and the relevant Transaction Document.</p>
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	<p>(c) Notification of Issuer Event of Default</p> <p>Deliver notice to the Noteholders and the Servicer forthwith upon becoming aware of any Issuer Administrator Event of Default.</p> <p>(d) Notification of Breach of Issuer Administrator Warranties and Undertakings</p> <p>Immediately notify the Originator if the Issuer Administrator becomes aware of any breach of the representations and warranties or of any breach of any undertaking given by the Issuer in any Transaction Document.</p> <p>(e) Notification of Legal Proceedings</p> <p>If any legal proceedings are instituted against it by any of its creditors or in respect of any of the Entrusted Lease Receivables, including any litigation or claim calling into question in any material way the Issuer Administrator's interest therein, immediately notify the Originator of such proceedings.</p> <p>3. Lease Receivable Covenants of the Issuer Administrator</p> <p>The Issuer Administrator shall:</p> <p>(a) Interests in the Entrusted Lease Receivables</p> <p>At all times own, exercise and protect its rights in respect of the Entrusted Lease Receivables and its interest in the Entrusted Lease Receivables and perform and comply with its obligations in respect of the Entrusted Lease Receivables under the terms of the relevant Transaction Documents.</p> <p>(b) Negative Covenant</p> <p>Not until the Trust Termination Date, save to the extent permitted by the Transaction Documents, permit any person other than the Issuer Administrator to have any interest in the Entrusted Lease Receivables.</p> <p>(c) VAT or Other Similar Tax</p> <p>The Trustee shall pay the required VAT and surcharges and shall issue VAT invoices to the Originator in accordance with relevant laws and regulations.</p>
Dispute Resolution	1. Governing Law

	<p>Each Transaction Document shall be governed by and will be construed in accordance with the laws of the PRC.</p> <p>2. Choice of Arbitration</p> <p>(a) Arbitration</p> <p>Any disputes, disagreement or claims (the "Dispute") which occur because of or in connection with a Transaction Document shall be settled by friendly negotiations by the relevant Transaction Parties. If the Dispute is not settled through friendly consultations, then any relevant Transaction Party shall have a right to submit the Dispute to the China International Economic and Trade Arbitration Commission (the "Arbitrator"), to be arbitrated in Beijing and in accordance with its arbitration rules. The arbitration language shall be both Chinese and English unless the parties to the arbitration at the time unanimously agree otherwise.</p> <p>The arbitration tribunal shall consist of three (3) arbitrators jointly selected by all parties or specified by the Arbitrator in accordance with its arbitration rules.</p> <p>(b) Continuing Performance</p> <p>During the course of arbitration, except for the matters in dispute under arbitration, each Transaction Party shall continue to perform according to the relevant Transaction Document and the other Transaction Documents.</p> <p>(c) Waiver of Immunity</p> <p>Each Transaction Party irrevocably agrees, in any legal proceeding or arbitration in relation to the contract for itself or its assets, such party or its representative shall not claim immunity (whether based on sovereign immunity, or for other reasons) against such legal proceeding or arbitration proceeding (including but not limited to litigation, arbitration, pre-litigation injunction over property, seizure of other property, obtaining a judgment or arbitral award, execution or enforcement of a judgment or arbitral award). Each Transaction Party agrees to irrevocably give up any immunity possessed now or hereafter obtained or granted over itself or its assets, and agrees to any judgment or rulings from such legal proceeding or arbitration, including but not limited to any judgment or ruling to enforce any of its assets (regardless of the actual or proposed use of such property) from such legal</p>
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	proceeding or arbitration.
Limited Recourse	<p>Each party to the Transaction Documents acknowledges and the Trustee (representing the Noteholders) agrees that, save for the legal proceedings or arbitration against the Trustee for its negligence, fraud, wilful misconduct or its breach of contract under the Transaction Documents to which it is a party, recourse to the Trust, the Trustee, the obligations of the Trust and the obligations of the Trustee under the Notes shall be limited to the Trust Assets and the amount available from time to time in accordance with the applicable Priority of Payments. Each party to this Agreement further agrees and the Trustee (representing the Noteholders) undertakes that during the term of the Trust (which commences on the Trust Effective Date and ends on the Trust Termination Date) plus one (1) year and one (1) day after the Trust Termination Date, no party shall bring any legal proceeding or arbitration to terminate the Trust. For the avoidance of doubt, this provision does not restrict any party from bringing any legal proceeding or arbitration for damages against another party due to such other party's fraud, breach of contract, wilful misconduct or negligence.</p> <p>The Transaction Parties, other than the Trustee, shall not have any liability for the obligations of the Trustee and nothing in the Transaction Documents shall constitute the giving of a guarantee, an indemnity or the assumption of a similar obligation by such parties in respect of the performance by the Trustee of its obligations.</p>
Limitation on Transfer of Contractual Rights and Obligations	Except where any Transaction Document provides otherwise or with the prior written consent of the Trustee, a Transaction Party (other than the Trustee in its capacity as Trustee on behalf of the Noteholders) may not assign or transfer, or purport to assign or transfer, a claim under any Transaction Document to which it is a party, excluding the assignment of the claims of the Issuer Administrator under and pursuant to the relevant Transaction Documents.
Effectiveness Provision	This Agreement shall become effective after it is signed by the Legal Representative or the Authorised Representative of each party and affixed with their respective company seals or contract seals.
Contract Name	Trust Agreement
Contracting Parties	Mercedes-Benz Leasing Co., Ltd., as the Grantor, the Originator, and the Servicer

	China Foreign Economy and Trade Trust Co., Ltd., as the Trustee and the Issuer Administrator
Primary Rights and Obligations of the Contracting Parties	<p>1. Originator/Grantor</p> <p>(a) Primary Rights</p> <p>(i) To receive the Purchase Price and Subordinated Notes in accordance with the Trust Agreement;</p> <p>(ii) To exercise the Clean-Up Call if the conditions prescribed by the Trust Agreement are met.</p> <p>(b) Primary Obligations</p> <p>(i) To entrust the Underlying Assets in accordance with the Trust Agreement;</p> <p>(ii) To warrant that each of its representations and warranties in respect of the Entrusted Lease Receivables under the Trust Agreement as of the Cut-off Date is true and accurate;</p> <p>(iii) To perform the relevant repurchase obligations upon occurrence of the repurchase scenarios under the Trust Agreement.</p> <p>2. Trustee / Issuer Administrator</p> <p>(a) Primary Rights</p> <p>(i) To receive the Trustee Fee;</p> <p>(ii) To manage, utilise and dispose of the Trust Assets in accordance with the terms of the Trust Agreement;</p> <p>(iii) To convene a Controlling Noteholders' Meeting in accordance with the terms of the Trust Agreement;</p> <p>(iv) To entrust the Servicer and the Account Bank to provide service for the Trust.</p> <p>(b) Primary Obligations</p> <p>(i) To arrange for the issuance and registration of the Asset Backed Notes;</p> <p>(ii) To pay the Purchase Price to the Originator in accordance with the Trust Agreement;</p>

	<ul style="list-style-type: none"> <li>(iii) To disclose information of the Trust Assets and Notes on a regular basis;</li> <li>(iv) To prepare the accounting statements of the Trust Assets, and to arrange for necessary audits, monitoring of ratings and other matters;</li> <li>(v) To handle the liquidation upon the liquidation of the Trust, and prepare a liquidation report;</li> <li>(vi) To perform each of its undertakings under the Trust Agreement.</li> </ul>
Dispute Resolution	Please refer to the Master Definitions and Common Terms Agreement.
Limitation on Transfer of Contractual Rights and Obligations	Subject to clause 11 (Assignment and subcontracting) of the Common Terms, no party shall be entitled to assign or transfer all or any of its rights, benefits and obligations hereunder except with the prior written consent of each other party hereto, such consent not to be unreasonably withheld.
Effectiveness Provision	This Agreement shall become effective from the date of execution by the Legal Representative or the Authorised Representative of each party and being affixed with their respective company seals or contract seals, and except as otherwise provided by this Agreement, the terms of this Agreement establish and constitute the continuing obligations of each party to this Agreement, and this Agreement shall remain in force until the Trust Termination Date.
Contract Name	Servicing Agreement
Contracting Parties	<p>Mercedes-Benz Leasing Co., Ltd., as the Grantor, the Originator, and the Servicer</p> <p>China Foreign Economy and Trade Trust Co., Ltd., as the Trustee and the Issuer Administrator</p>
Primary Rights and Obligations of the Contracting Parties	<p>1. Issuer Administrator</p> <p>(a) Primary Rights</p> <ul style="list-style-type: none"> <li>(i) To request the Servicer to collect and transfer all Collections payable under the Entrusted Lease Receivables and Ancillary Interests;</li> <li>(ii) To request the Servicer to provide the relevant</li> </ul>

	<p>information relating to the Entrusted Lease Receivables and Ancillary Interests.</p> <p>(b) Primary Obligations</p> <p>(i) To assist the Servicer in exercising all rights and remedies under and in connection with the relevant Underlying Assets;</p> <p>(ii) To furnish the Servicer with all necessary authorisations, consents or confirmations in such form and to an extent as required.</p> <p>2. Servicer</p> <p>(a) Primary Rights</p> <p>(i) To receive Servicing Fee;</p> <p>(ii) To manage the Entrusted Lease Receivables and Ancillary Interests.</p> <p>(b) Primary Obligations</p> <p>(i) To collect any and all amounts payable, from time to time, by the Lessees under or in relation to the Lease Agreements as and when they fall due;</p> <p>(ii) To identify the Collections as either Principal Collection or Interest Collection, or as the case may be, Recovery Collection or Repurchase Price;</p> <p>(iii) To endeavour to seek Recovery Collections due from Lessees in accordance with the Credit and Collection Policy, whereby the Servicer has the right to deduct any costs incurred from the collection, and the Servicer shall provide proper invoices evidencing such costs upon the request of the Issuer Administrator;</p> <p>(iv) To keep records in relation to the Entrusted Lease Receivables which can be segregated from all other records of the Servicer relating to other receivables made or serviced by such Servicer otherwise;</p> <p>(v) To keep records for all taxation purposes;</p> <p>(vi) To hold, subject to the data protection laws and banking secrecy rules of the PRC and the</p>
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	<p>provisions of the Servicing Agreement, all records relating to the Entrusted Lease Receivables in its possession for, and to the order of, the Issuer Administrator and co-operate with any party to the Transaction Documents to the extent required under or in connection with any of the Transaction Documents;</p> <p>(vii) To release on behalf of the Issuer Administrator any Ancillary Interests in accordance with its Credit and Collection Policy;</p> <p>(viii) To enforce the Ancillary Interests upon an Entrusted Lease Receivable becoming a Defaulted Lease Receivable in accordance with the Credit and Collection Policy and apply the enforcement proceeds to the relevant secured obligations, and insofar as such enforcement proceeds are applied to Entrusted Lease Receivables and constitute Collections, pay such Collections to the Issuer Administrator into the Operating Account on the relevant Collections Transfer Date;</p> <p>(ix) To make available Monthly Servicer Reports on each Servicer Report Performance Date to the Issuer Administrator and the Account Bank which shall include the information on the performance of the Portfolio in relation to the Collection Period immediately preceding the relevant Servicer Report Performance Date, as well as the related information with regards to the payments to be made on the immediately following Payment Date under the Notes;</p> <p>(x) To assist the Issuer Administrator's auditors and provide, subject to the data protection laws and banking secrecy rules of the PRC, information to them upon request; and</p> <p>(xi) To promptly notify all Lessees following the occurrence of a Servicer Termination Event (a "Servicer Termination Event Notice"), or, if the Servicer fails to deliver such Servicer Termination Event Notice within five (5) Business Days after the Servicer Termination Event, the Issuer Administrator shall have the right to deliver or to instruct a successor Servicer or an agent that is compatible with the data protection laws and banking secrecy rules of the PRC to deliver on its</p>
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	<p>behalf the Servicer Termination Event Notice.</p> <p>(xii) Such other obligations to be performed by the Servicer in accordance with the provisions of laws, administrative regulations and rules, and the terms of the Servicing Agreement.</p>
Dispute Resolution	Please refer to the Master Definitions and Common Terms Agreement.
Limitation on Transfer of Contractual Rights and Obligations	<p>The Servicer may not resign as Servicer hereunder unless the Issuer Administrator has appointed a successor Servicer.</p> <p>The Issuer Administrator shall at any time after the occurrence of a Servicer Termination Event and without prejudice to the Issuer Administrator's other rights by notice in writing to the Servicer terminate the appointment of the Servicer hereunder and designate as a successor Servicer any organisation (including the Issuer Administrator itself) that is entitled to and has the ability to provide such services pursuant to applicable law with the required rating to succeed the Servicer.</p>
Effectiveness Provision	This Agreement shall become effective after it is signed by the Legal Representative or the Authorised Representative of each party and affixed with their respective company seals or contract seals.
Contract Name	Bank Account Agreement
Contracting Parties	<p>China Foreign Economy and Trade Trust Co., Ltd., as the Trustee and the Issuer Administrator</p> <p>Industrial and Commercial Bank of China Limited Beijing Municipal Branch, as the Account Bank</p> <p>Mercedes-Benz Leasing Co., Ltd., as the Servicer</p>
Primary Rights and Obligations of the Contracting Parties	<p>1. Issuer Administrator</p> <p>(a) Primary Rights</p> <p>(i) To request the Account Bank to provide information relating to the Issuer Accounts;</p> <p>(ii) To supervise the Account Bank's daily management, and in case the Administrator becomes aware of any breach by the Account Bank of its duties, to make claims against the Account</p>



	<p>Bank and may replace the Account Bank pursuant to this Bank Account Agreement;</p> <ul style="list-style-type: none"> <li>(iii) To invest the amount in the Issuer Accounts in Permitted Investments;</li> <li>(iv) To obtain the Account Bank Report;</li> <li>(v) To issue written notice regarding the Account Bank's breach of any of its obligations;</li> <li>(vi) To close the Issue Accounts in the Account Bank if the Account Bank Replacement Event occurs.</li> </ul> <p>(b) Primary Obligations</p> <ul style="list-style-type: none"> <li>(i) To supervise and urge the Account Bank to duly perform its duty and obligations;</li> <li>(ii) To pay the relevant fees for each period in accordance with the Account Bank Fee Letter.</li> </ul> <p>2. Account Bank</p> <p>(a) Primary Rights</p> <ul style="list-style-type: none"> <li>(i) To receive remuneration under the Account Bank Fee Letter;</li> <li>(ii) To review the payment instructions of the Trustee pursuant to the Bank Account Agreement.</li> </ul> <p>(b) Primary Obligations</p> <ul style="list-style-type: none"> <li>(i) To open the Issuer Accounts;</li> <li>(ii) To execute the payment instructions from the Trustee;</li> <li>(iii) To invest funds in the Issuer Accounts in Permitted Investments as instructed by the Trustee;</li> <li>(iv) To regularly provide information on the Issuer Accounts and Account Bank Reports.</li> </ul> <p>3. Servicer</p> <p>(a) Primary Rights</p>
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	<p>(i) to obtain the Account Bank Reports;</p> <p>(ii) to issue written notice regarding the Account Bank's breach of any of its obligations.</p> <p>(b) Primary Obligations</p> <p>The Servicer is a party hereto for the sole purpose of taking the benefit of this Agreement. The Account Bank and each of the other parties hereto agrees that it shall have no claim against the Servicer pursuant to, or in connection with, the provision hereof.</p>
Dispute Resolution	Please refer to the Master Definitions and Common Terms Agreement.
Limitation on Transfer of Contractual Rights and Obligations	<p>1. The Servicer may only terminate this Agreement by giving not less than three (3) Business Days' prior written notice to the Account Bank and the Issuer Administrator, provided that at all times there shall be an Account Bank with the Required Rating appointed and the relevant new Issuer Accounts shall be opened. If an Account Bank Replacement Event occurs, the Issuer Administrator is entitled to close the Issuer Accounts with the Account Bank in accordance with the following provisions.</p> <p>2. The Account Bank shall promptly notify each of the Issuer Administrator and the Servicer if an Account Bank Replacement Event occurs.</p> <p>3. In case the Issuer Administrator is entitled to close the Issuer Accounts under clause 7.1, the Account Bank shall, upon instruction of the Issuer Administrator, either:</p> <p>(a) procure the transfer of the Issuer Accounts to another bank which has the Required Rating (the "Successor Bank"); or</p> <p>(b) in the event of the Account Bank's cessation to satisfy the Required Rating only, find an irrevocable and unconditional guarantor with the Required Rating to issue a guarantee in support of the Account Bank in form and substance satisfactory to the Issuer Administrator, subject to a written confirmation from the Issuer Administrator. For the avoidance of doubt, anytime after an instruction of the Issuer Administrator as per clause 7.3(b), the Issuer Administrator may further instruct the Account Bank to procure the transfer of the Issuer Accounts in accordance with clause 7.3(a) above.</p>

	<p>In the case of (a) above, the Account Bank shall continue to provide services hereunder in any case until and unless a Successor Bank is validly appointed. For the avoidance of doubt, the term procure, as used in (a) above shall include (but not be limited to) that the Account Bank shall contact potential Successor Banks and discuss their availability for the role of Successor Bank, explain and discuss the terms of their engagement, especially the services to be provided as Account Bank, be obliged and entitled to provide information and data required in relation to the appointment of the Successor Bank and provide the Issuer Administrator with the contact details of a bank with the Required Rating and who is willing to enter into a bank account agreement substantially on the same terms as this Agreement.</p> <p>4. In case the Issuer Accounts are to be transferred to the Successor Bank under clause 7.3(a) above, the outgoing Account Bank shall discuss with the Issuer Administrator on reimbursing the Issuer Administrator for a) any up-front fees paid by the Issuer Administrator for periods after the date on which the substitution of the Account Bank is taking effect and b) the reasonable costs (including legal costs and administration costs) or pay any costs incurred for the purpose of appointing a Successor Bank up to an amount of twice of the outgoing Account Bank's annual fees received for acting as Account Bank pursuant to this Agreement.</p> <p>5. Upon the transfer of the Issuer Accounts to another bank pursuant to clause 7.3(a), the Issuer Administrator shall procure that, prior to the transfer:</p> <p>(a) the new Issuer Accounts shall be opened and made available substantially to the same extent and substantially in the same manner as the Issuer Accounts held at the Account Bank; and</p> <p>(b) the Successor Bank enters into an agreement substantially similar to the terms of this Agreement.</p>
Effectiveness Provision	This agreement shall become effective after it is signed by the Legal Representative or the Authorised Representative of each party and affixed with their respective company seals or contract seals.



## CHAPTER 16 CREDIT RATING

### 16.1 CREDIT RATING BY LIANHE

#### 16.1.1 Rating Opinion

Lianhe has analyzed the Underlying Assets, transaction structure, legal structure and related parties concerning the Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2022-1 Asset Backed Notes (the “Notes”), and factored them in the cash flow analysis and stress test of the Notes.

The Underlying Assets of the Transaction are 27,719 lease receivables held by the Mercedes-Benz Leasing Co., Ltd. (“MBLC”). The portfolio is well diversified (27,705 Lessees in total, with the single largest Lessee accounting for 0.02%), with a weighted average down payment ratio of 31.14%. Combined with the excellent historical performance (the expected cumulative default rate in 60 months is 3.39%, with an average recovery rate of 64.23%), the Underlying Assets are of good quality. It should be noted that the Final Instalment of the portfolio accounts for a high proportion (67.69%) in the outstanding receivables balance, indicating a heavy pressure for the Lessees. However, the repurchase arrangement of the Transaction ensures that the MBLC will be obliged to repurchase the Lease Receivables upon the occurrence of a Lessee Return Event or extension of Final Instalment. The long-term issuer rating of the MBLC is AAA<sub>pi</sub> and the outlook is stable, indicating strong support for the stable collection of cash flow and the timely repayment of the Senior Notes. In addition, the senior/subordinated structure, reserve account, excess spread, accumulated interests during cut-off to closing and trigger events also provide sufficient credit enhancement for the Senior Notes.

Taking the above factors into consideration, Lianhe has assigned AAA<sub>sf</sub> to the Senior Notes of Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2022-1 Asset Backed Notes.

The above rating of the Senior Notes reflects the capacity to repay interests on time and the principal in full on or before the Legal Maturity Date is extremely strong, therefore the risk of default is extremely low.

#### 16.1.2 Strengths

1. **The Underlying Assets are of good quality.** The Underlying Assets in the Transaction involves 27,719 personal auto financing lease receivables. Relevant Lessees spread across 31 provinces, autonomous regions and municipalities, with the single largest accounting for 0.02% of the outstanding receivables balance, indicating a good diversification. The weighted average down payment ratio of the portfolio is 31.14%. Based on historical data of the static pool provided by the MBLC, the expected cumulative default rate in 60 months is 3.39%, with an average recovery rate of 64.23%, indicating a good historical performance.
2. **Excess spread and accumulated interest during the period between cut-off date and closing date, provide certain credit support for the Senior Notes.** The weighted average interest rate of the asset pool is 6.32%, which is expected to have a certain excess spread with the Servicing Fee of relevant participating institutions and the expected issuance rate assumption of the Senior Notes of 3.20%; at the same time, the accumulated interest during the period between Cut-Off Date and Closing Date provides certain credit support for the Senior Notes.
3. **The senior/subordinated structure provides major credit enhancement for the Senior Notes.** The Transaction adopts a senior/subordinated structure as credit enhancement. Senior Notes have credit enhancement of 15.88% supported by the Subordinated Notes.
4. **The setup of reserve accounts, repurchase arrangement and trigger events provides further credit enhancement to the Senior Notes.** The setup of General Reserve Account and Commingling Reserve Account provides liquidity support to the Senior Notes, and repurchase arrangement, enforcement event and other triggers provide a further support for the interest and principal repayment of the Senior Notes.
5. **With an excellent credit profile, the MBLC has an extremely strong capacity to repurchase final instalment.** Benefitting from strong support from its shareholder, the MBLC has a leading position in auto financing leasing business in China. Lianhe has assigned AAapi long-term issuer rating to the MBLC, with a stable outlook, indicating strong capacity to fulfill obligations relating to the Transaction.

### 16.1.3 Concerns and Mitigants

1. **Final Instalment risk.** The Final Instalment of the portfolio accounts for 67.69% of the outstanding receivables balance, indicating a heavy pressure for the Lessees when the Final Instalment is due. The occurrence of a Lessee Return Event or extension of Final Instalment may have an adverse impact on the repayment of the Senior Notes.

**Risk mitigation:** In accordance with the Trust Agreement, the Vehicle Purchase Agreement signed by the Buyer/Grantor and Seller/Trustee and the FOTIC - MB Leasing No. 4 Single Fund Trust Agreement, if the relevant Lessee chooses not to pay the Final Instalment, the MBLC shall purchase or

notify FOTIC (on behalf of the Fund Trust) to purchase the Relevant Vehicle and pay relevant Consideration to the Operating Account on the Consideration Payment Date. In the event that the trust fund is not sufficient to pay relevant consideration, FOTIC shall timely notify the MBLC of the shortfall, and the MBLC, upon receiving the notice, shall replenish the trust fund to ensure the payment of relevant Consideration. If the Trustee does not receive relevant Consideration on the Consideration Payment Date, the MBLC will be obliged to repurchase the affected Underlying Assets and pay relevant Consideration to the Operating Account. If the relevant Lessee chooses to extend the payment of Final Instalment, MBLC will be obliged to repurchase the Underlying Assets and pay the relevant Final Instalment on the Collections Transfer Date corresponding to the Collection Period in which such extension becomes effective.

2. **Modelling risk.** Lianhe has established a model applicable to this program; however, due to multiple factors affecting auto financing lease receivables default and post-default recovery, there is a certain modelling risk in the mathematical methods and the relevant data adopted for quantitative analysis.

**Risk mitigation:** Lianhe tested the tolerance capacity of the Senior Notes by increasing default rate, reducing recovery rate and narrowing spread, so as to minimize the modelling risk.

## 16.2 CREDIT RATING BY S&P GLOBAL (CHINA) RATINGS

### 16.2.1 Rating Opinion

S&P Global (China) Ratings has assigned rating AAA<sub>spc(sf)</sub> to the Silver Arrow Benz Leasing 2022-1 Asset Backed Notes (SABL 2022-1 ABN) Senior Notes. The rating primarily reflects the following:

- **Credit Quality of the Securitized Assets:** We analyzed the originator's operational framework, risk management and track record, historical static and dynamic pool data, aggregated and securitized assets, and other qualitative and quantitative factors to derive our base-case assumptions which are further refined by forward-looking considerations. We have formed a base-case assumption of a default rate (1.40%) and recovery rate (15.00%). After applying the stress multiple, recovery haircut as well as extra stress on final instalment, return of the leased vehicles and the residual value loss caused by returned vehicles, the WA loss rate is 15.13% under our AAA<sub>spc(sf)</sub> rating stress scenario.
- **Payment Structure and Cash Flow Mechanics:** We model various combinations under default timing assumptions, prepayment rate assumptions, different triggers and payment structures, tax, fees and expenses assumptions. The asset cash flow are expected to be able to withstand stresses commensurate with the ratings assigned to the notes, and still meet payment obligations in a timely manner. We estimated the final S&P Global (China) Ratings CE buffer to be higher than 0%.

- **Operational and Administrative Risk:** The direct debit payment mechanism will reduce MBLC's operational risk to some extent. Although there is no back-up servicer, the general reserve can provide liquidity support to the transaction. We believe the participants in this transaction are capable of fulfilling the duties
- and responsibilities stipulated in the agreement given their experience and past track record.
- **Counterparty Risk:** Our assessment of counterparty risk takes into account payment interruption risk, account bank risk, commingling risk etc. The transaction documents have incorporated various credit quality triggers to mitigate the abovementioned counterparty risk.
- **Legal and Regulatory Risk:** We believe the legal structure of the special purpose trust (SPT) meets the principle of true sale and bankruptcy remoteness in securitization. This transaction is exposed to risk related to dispute over ownership and disposal of leased vehicles, as well as the originator's bankruptcy risk. We believe the abovementioned risk have been mitigated by the existing arrangements stipulated in the transaction documents to some extent.

## 16.2.2 Credit Highlights

### 1. Strengths

- Credit positive pool traits. The WA seasoning is 19.48 months, and the WA remaining tenor is 20.97 months, with a WA OLTV ratio of 68.86%.
- Geographical or obligor concentration risk is relatively low in the portfolio. As of the cut-off date, there are 27,719 leases in the portfolio and the average outstanding principal balance is CNY 193 thousand. Top 10 largest obligor accounts for 0.18% of total balance. Total lease claims are spread across 31 provinces, autonomous regions and municipalities directly under the central government.
- The senior notes have credit enhancement of 15.88% supported by subordinated notes with enough CE buffer based on our assessment.
- The transaction adopts a general reserve account. MBLC will deposit an upfront cash reserve (0.5% of pool balance as of cut-off date) to provide liquidity support for senior interest payments.
- MBLC follows the mature underwriting process, IT system & risk control, and securitization processes established within Mercedes-Benz Group AG.

### 2. Weaknesses

- Relatively short history for auto financial leasing and ABN in China; the data available for analysis has not gone through a full economic cycle.



- The transaction's underlying assets pool comprises of a large share of final Installments (accounting for 73.67% of the outstanding lease principal balance) and the lessees are expected to come under relatively high payment pressure at the end of the lease term. If the return rate or residual value loss rate of leased vehicles increases significantly in the future, the transaction may face short-term liquidity pressure.
- The transaction may be exposed to risk related to dispute over ownership and disposal of the leased vehicles, as well as originator's bankruptcy risk.
- The transaction is exposed to account bank risk, payment interruption risk, and commingling risk.

## CHAPTER 17 INSPECTION OF DOCUMENTS

### 17.1 DOCUMENTS FOR INSPECTION

The annexes to this Offering Circular and the documents for inspection consist of the following, which shall be integral parts of this Offering Circular:

1. Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2022-1 Asset Backed Notes Master Definitions and Common Terms Agreement
2. Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2022-1 Asset Backed Notes Trust Agreement
3. Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2022-1 Asset Backed Notes Servicing Agreement
4. Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2022-1 Asset Backed Notes Bank Account Agreement
5. Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2022-1 Asset Backed Notes Underwriting Agreement
6. Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2022-1 Asset Backed Notes Offering Circular
7. Credit Rating Report on Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2022-1 Asset Backed Notes (Lianhe)
8. Structured Finance Rating Report - Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2022-1 Asset Backed Notes (S&P Global (China) Ratings)
9. Mercedes-Benz Leasing Co., Ltd. Agreed-upon Procedures Report in relation to the Future Cash Flow Forecast of the Underlying Asset Pool of Asset Backed Notes Project
10. Mercedes-Benz Leasing Co., Ltd. Agreed-upon Procedures Report in relation to the Assets-Backed Notes Project
11. Legal Opinion on Silver Arrow China Mercedes-Benz Leasing Co., Ltd. 2022-1 Asset Backed Notes
12. Audited Financial Report of Mercedes-Benz Leasing Co., Ltd. from 2019 to 2021, unaudited Financial Statement of Mercedes-Benz Leasing Co., Ltd. for 2022 Q1.
13. Business qualification certificate, business license and articles of association of the Issuer Administrator
14. Business license and articles of association of Mercedes-Benz Leasing Co., Ltd.

15. Board resolutions of Mercedes-Benz Leasing Co., Ltd. on the issuance of these Asset Backed Notes
16. Notice of NAFMII on Acceptance of Registration (Zhong Shi Xie Zhu [2022] ABN No. 72)

## **17.2 INSPECTION ADDRESS**

Please contact the Originator, the Lead Underwriter or the Joint Lead Underwriter should you have any question regarding this Offering Circular or the above-mentioned documents for inspection.

1. Originator

Name: Mercedes-Benz Leasing Co., Ltd.

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Attention: Huang Xiaolei

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2. Lead Underwriter

Name: Bank of China Limited

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Attention: Song Wei

Tel: 010-6659 2489

3. Joint Lead Underwriter

Name: Industrial and Commercial Bank of China Limited

Address: 55 Fuxingmennei Street, Xicheng District, Beijing

Attention: He Shiyue

Tel: 010-81011218

## **17.3 WEBSITES**

Investors may download this Offering Circular from the websites of China Money ([www.chinamoney.com.cn](http://www.chinamoney.com.cn)) and SCH ([www.shclearing.com](http://www.shclearing.com)), or inspect this Offering Circular and the above-mentioned documents for inspection at the above-mentioned places in normal business hours on business days during the issuance period of these Asset Backed Notes.



## **CHAPTER 18 INSTITUTIONS IN RELATION TO THIS ISSUE**

### **18.1 ORIGINATOR**

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### **18.2 ISSUER ADMINISTRATOR**

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### **18.3 ACCOUNT BANK**

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### **18.4 LEAD UNDERWRITER/BOOKRUNNER**

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#### **18.6 SYNDICATE MEMBERS**

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Name: China Merchants Securities Co.,Ltd.

Address:No.1 Fuhua Road, Futian Street, Futian District, Shenzhen, PRC

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Attention: Feifan Wu, Yang Yi

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Fax: /

Name: HSBC Bank (China) Co, Ltd.

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## **18.7 ADMINISTRATION INSTITUTION DURING TERM OF NOTES**

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## **18.8 SERVICER**

Name: Mercedes-Benz Leasing Co., Ltd.

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## **18.9 LEGAL ADVISOR**

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### **18.10 RATING AGENCY**

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Name: S&P Ratings (China) Co., Ltd.

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### **18.11 ACCOUNTING ADVISOR**

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### **18.12 REGISTRY, DEPOSITORY, PAYING AGENT**

Name: Interbank Market Clearing House Co., Ltd.

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**18.13 CENTRALIZED BOOKBUILDING TECHNICAL SUPPORT INSTITUTION**

Name: Beijing Financial Assets Exchange Co. Ltd.

Address: 17 Financial Street, Xicheng, Beijing

Legal Representative: Guo Bing

Attention: Issue Department

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**Date: \_\_\_\_\_ 2022**

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**CHINA FOREIGN ECONOMY AND TRADE TRUST CO., LTD.**

**Date: \_\_\_\_\_ 2022**