
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other appropriate independent adviser.

If you have sold or transferred all your shares in China Aircraft Leasing Group Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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CALC

CHINA AIRCRAFT LEASING GROUP HOLDINGS LIMITED

中國飛機租賃集團控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock code: 1848)

**MAJOR TRANSACTION
IN RELATION TO THE PURCHASE OF TWO AIRBUS AIRCRAFT**

24 February 2016

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DEFINITIONS

In this circular, the following expressions shall (unless the context otherwise requires) have the following meanings:

“2014 Aircraft Purchase Agreement”	the two aircraft purchase agreements each entered into between Airbus and CALC (BVI) on 1 December 2014, pursuant to which CALC (BVI) agreed to purchase and Airbus agreed to sell certain Airbus aircraft, details of which are disclosed in the announcement of the Company dated 1 December 2014
“Airbus”	Airbus S.A.S., a company created and existing under the laws of France
“Announcement”	the announcement of the Company dated 12 January 2016 relating to the acquisition of the Second Batch Airbus Aircraft
“Board”	the board of Directors
“CALC (BVI)”	China Aircraft Leasing Company Limited, a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of the Company
“CALH”	China Aircraft Leasing Holdings Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands on 31 December 2010
“CE Aerospace”	China Everbright Aerospace Holdings Limited, a company incorporated in the Cayman Islands on 13 January 2009, a wholly-owned subsidiary of CEL and one of the Controlling Shareholders
“CEL”	China Everbright Limited, a company incorporated in Hong Kong on 25 August 1972 and listed on the Stock Exchange (Stock code: 165) and one of the Controlling Shareholders

DEFINITIONS

“Company”	China Aircraft Leasing Group Holdings Limited (中國飛機租賃集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the actual consideration payable by CALC (BVI) to Airbus for purchase of the Second Batch Airbus Aircraft (taking into account the price concession)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“First Aircraft Purchase Agreement”	the amendment to the 2014 Aircraft Purchase Agreement dated 31 December 2015 entered into by CALC (BVI) and Airbus pursuant to which CALC (BVI) agreed to purchase and Airbus agreed to sell the First Batch Airbus Aircraft
“First Batch Airbus Aircraft”	two Airbus A320-200 CEO series aircraft to be acquired pursuant to the First Aircraft Purchase Agreement
“FPAM”	Friedmann Pacific Asset Management Limited, a company incorporated in the British Virgin Islands and one of the Controlling Shareholders
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Latest Practicable Date”	19 February 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information in the circular
“Listing Date”	11 July 2014, the date of listing of the Company on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 30 June 2014
“RMB”	Renminbi, the lawful currency of the PRC
“Second Aircraft Purchase Agreement”	the amendment to the 2014 Aircraft Purchase Agreement entered into between Airbus and CALC (BVI) on 12 January 2016, pursuant to which CALC (BVI) agreed to purchase and Airbus agreed to sell the Second Batch Airbus Aircraft
“Second Batch Airbus Aircraft”	two Airbus A320-200 CEO series aircraft to be acquired pursuant to the Second Aircraft Purchase Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) with par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

In this circular, certain amounts denominated in US\$ are translated into HK\$ at the exchange rate shown below, but such conversions shall not be construed as representations that amounts in US\$ were or may have been converted into HK\$ at such rate or any other exchange rates or at all: US\$1 = HK\$7.80.

LETTER FROM THE BOARD

CALC

CHINA AIRCRAFT LEASING GROUP HOLDINGS LIMITED

中國飛機租賃集團控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock code: 1848)

Executive Directors:

Mr. Chen Shuang (*Chief Executive Officer*)

Ms. Liu Wanting

Non-executive Directors:

Mr. Tang Chi Chun

Mr. Guo Zibin

Ms. Chen Chia-Ling

Independent non-executive Directors:

Mr. Fan Yan Hok, Philip

Mr. Ng Ming Wah, Charles

Mr. Nien Van Jin, Robert

Mr. Cheok Albert Saychuan

Registered office in the Cayman Islands:

Maples Corporate Services Limited

PO Box 309, Ugland House

Grand Cayman, KY1-1104

Cayman Islands

Principal place of business in China:

Rooms 6026-14, 6/F

Joint Inspection Service Centre of Closed Area

1 American Road

Dongjiang Free Trade Port Zone

Tianjin, China

Principal place of business in Hong Kong:

28th Floor, Far East Finance Centre

16 Harcourt Road, Hong Kong

24 February 2016

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO THE PURCHASE OF TWO AIRBUS AIRCRAFT**

1. INTRODUCTION

Reference is made to the Announcement of the Company regarding the purchase of the Second Batch Airbus Aircraft by CALC (BVI) from Airbus pursuant to the Second Aircraft Purchase Agreement.

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with further details in relation to the Second Aircraft Purchase Agreement in accordance with the Listing Rules.

2. THE SECOND AIRCRAFT PURCHASE AGREEMENT

Date: 12 January 2016

Parties

- (1) CALC (BVI), as purchaser; and
- (2) Airbus, as vendor.

To the best of the Director's knowledge, information and belief and having made all reasonable enquiry, Airbus and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Aircraft to be acquired: Two Airbus A320-200 CEO series aircraft

Consideration

The list price for the Second Batch Airbus Aircraft (which comprises the airframe price, optional features price and engine price) is approximately US\$196 million (equivalent to approximately HK\$1.53 billion).

In accordance with customary business and industry practice, Airbus granted CALC (BVI) significant price concessions with regard to the Second Batch Airbus Aircraft to be purchased. Such price concessions were determined after arm's length negotiations between CALC (BVI) and Airbus. As a result, the Consideration for the Second Batch Airbus Aircraft to be purchased is considerably lower than the list price mentioned above for such aircraft. The Directors confirm that the extent of the price concessions granted to CALC (BVI) under the Second Aircraft Purchase Agreement is the same as the price concessions that CALC (BVI) had obtained under the 2014 Aircraft Purchase Agreement. The Company believes that there is no material impact of the price concessions obtained under the Second Aircraft Purchase Agreement on the operating costs of its fleet and the aircraft financing amount of the Second Batch Airbus Aircraft will be reduced due to the lower aircraft purchase price to be financed.

LETTER FROM THE BOARD

CALC (BVI) is subject to a confidentiality obligation under which none of the terms of the Second Aircraft Purchase Agreement can be disclosed to any third party without the written consent of Airbus. For the purpose of the disclosure obligations of the Company normally required under Chapter 14 of the Listing Rules, the Company has obtained such consent save for the Consideration.

It is normal business practice in the global airline industry to disclose the aircraft list price, instead of the consideration for aircraft acquisitions. Disclosure of the Consideration will result in the loss of the significant price concessions and hence will have a significant negative impact on the costs of the Company incurred in undertaking the purchase and will therefore not be in the interests of the Company and the Shareholders as a whole.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 14.58(4) and 14.66(4) of the Listing Rules in respect of the disclosure of the Consideration.

Payment and delivery terms

The Consideration will be partly settled from the Group's internal resources and partly by financing arrangements with banking institutions.

It is estimated that the Second Batch Airbus Aircraft will be delivered to the Company within eighteen (18) months from the date of the Second Aircraft Purchase Agreement.

The Consideration for each of the relevant Second Batch Airbus Aircraft will be paid according to its respective delivery schedule, with the two instalments to be paid prior to delivery of each of the Second Batch Airbus Aircraft (the "**Pre-delivery Payment**") and the balance, being a substantial portion of the Consideration, to be paid upon delivery of each of the Second Batch Airbus Aircraft. The Pre-delivery Payment is a progress payment to be made by the Company to Airbus at different milestones when the new aircraft ordered by the Company are being built. It represents 30% to 40% of the Consideration which is consistent with the historical purchase of aircraft with Airbus.

LETTER FROM THE BOARD

Source of funding

The Consideration will be funded through commercial bank loans, Pre-delivery Payment financing and the Group's working capital. It is expected that the percentage of the Consideration to be funded by bank loans and/or financing and the Group's working capital to be consistent with the Group's policy to maintain its debt-to-equity ratio at below 95%.

In respect of the Second Batch Airbus Aircraft, the Group is in discussion with various banks to obtain new Pre-delivery Payment financing and long-term bank borrowings. However, as at the Latest Practicable Date, no formal agreements have been reached on the Pre-delivery Payment financing and long-term bank borrowings.

Financial impact of the acquisition

As mentioned above, the Pre-delivery Payment and part of the Consideration are, as currently contemplated, being funded through the Group's working capital and bank loans from commercial banks. The acquisition will therefore result in an increase in the Group's debt-to-equity ratio, which is maintained at below 95%. The acquisition is not expected to have a substantial impact on the Group's cashflow position or its business operations. The acquisition is not expected to result in a material impact on the earnings, assets and liabilities of the Group.

3. REASONS FOR ENTERING INTO THE SECOND AIRCRAFT PURCHASE AGREEMENT

The Directors are of the view that completion of the Second Aircraft Purchase Agreement is not only in line with the growth strategy of the Group, but also demonstrates the ability of the Group to source new aircraft to match customer demand under dynamic market conditions.

Currently, the Group owns and manages a fleet of 65 aircraft as at the Latest Practicable Date. In addition to the purchase of the First Batch Airbus Aircraft announced by the Company on 31 December 2015, the Group now planned to acquire two more aircraft in response to the strong airline customers' demand of the Group's aircraft in 2016. The Group is in active discussion with various airline customers for the Second Batch Airbus Aircraft, but as at the Latest Practicable Date, no formal lease agreement has been reached.

LETTER FROM THE BOARD

All principal terms and conditions of the 2014 Aircraft Purchase Agreement shall apply to the Second Aircraft Purchase Agreement, unless otherwise agreed by the parties. The Directors consider that the terms of the Second Aircraft Purchase Agreement are fair and reasonable and in the interest of the Shareholders as a whole and would recommend the Shareholders to vote in favour of the resolutions to approve the Second Aircraft Purchase Agreement if it had been necessary to hold a general meeting for such purpose (refer to section 5 of this letter from the Board).

4. INFORMATION ABOUT THE GROUP AND AIRBUS

The Group is principally engaged in aircraft leasing business.

To the knowledge of the Directors, Airbus is principally engaged in the business of aircraft manufacturing and selling aircraft.

5. IMPLICATIONS OF THE LISTING RULES

Since the 2014 Aircraft Purchase Agreement was executed more than 12 months before the First Aircraft Purchase Agreement, no aggregation is required pursuant to Rule 14.22 of the Listing Rules. However, the transactions contemplated under the Second Aircraft Purchase Agreement shall be aggregated together with the First Aircraft Purchase Agreement pursuant to Rule 14.22 of the Listing Rules. As the applicable percentage ratio of the Second Aircraft Purchase Agreement and the First Aircraft Purchase Agreement on an aggregated basis is above 25% but below 100%, the acquisition under the Second Aircraft Purchase Agreement constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval of the Second Aircraft Purchase Agreement may be given by way of written Shareholders' approval in lieu of holding a general meeting if (1) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Second Aircraft Purchase Agreement; and (2) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the Second Aircraft Purchase Agreement.

So far as the Directors are aware after making reasonable enquiry, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Second Aircraft Purchase Agreement.

LETTER FROM THE BOARD

Written approvals of the Second Aircraft Purchase Agreement have been obtained from the following Shareholders:

Name	Number of Shares held	Approximate percentage of shareholding
CE Aerospace (<i>Note 1</i>)	207,639,479	34.27%
FPAM (<i>Note 2</i>)	<u>181,683,589</u>	<u>29.98%</u>
Total:	<u><u>389,323,068</u></u>	<u><u>64.25%</u></u>

Notes:

- (1) CE Aerospace is wholly-owned by CEL.
- (2) FPAM is owned as to 0.01% by Ms. Christina Ng (“**Ms. Ng**”) and 99.99% by Capella Capital Limited, which is in turn owned as to 10% by Ms. Ng and 90% by Mr. Poon Ho Man, spouse of Ms. Ng and the founder of the FPAM group.

CE Aerospace and FPAM constitute “a closely allied group of Shareholders” under Rule 14.45 of the Listing Rules for the reasons set out below:

- (1) CE Aerospace became a member of the Group since June 2011 as a strategic investor;
- (2) as at the date of this circular, CE Aerospace has not disposed of any of its shares in the Company. The Directors consider that CE Aerospace’s investment in the Company and the Group is of a long-term and strategic nature and that CE Aerospace and FPAM have established and will maintain a long-term and stable business relationship with each other; and
- (3) although they are not parties acting in concert within the meaning of the Code on Takeovers and Mergers, CE Aerospace and FPAM have voted unanimously on all Shareholders’ resolutions since inception of the Group (other than routine resolutions at annual general meetings).

On the basis that CE Aerospace and FPAM form a closely allied group of Shareholders, their written approvals may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

LETTER FROM THE BOARD

6. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the Board
China Aircraft Leasing Group Holdings Limited
CHEN SHUANG
Chairman, Executive Director
and Chief Executive Officer

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group (i) for the six months ended 30 June 2015 is disclosed on pages 31 to 66 of the interim report 2015 of the Company published on 24 September 2015; (ii) for the year ended 31 December 2014 is disclosed on pages 90 to 167 of the annual report 2014 of the Company published on 2 April 2015; and (iii) for each of the years ended 31 December 2012 and 2013 is disclosed on pages I-1 to I-56 (Appendix I) of the Prospectus, all of which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.calc.com.hk>).

2. STATEMENT OF INDEBTEDNESS

As of 31 December 2015, which is the latest practicable date for the purpose of determining the amount of indebtedness, the Company had outstanding interest-bearing balance of bank borrowings and long-term borrowings, convertible bonds and medium term notes in the total amount of HK\$19,569.5 million, HK\$796.5 million and HK\$400.5 million respectively.

As of 31 December 2015, the bank borrowings are secured by (a) in addition to other legal charges, all of the aircraft leased to airline companies by the Company under either finance leases or operating leases; (b) pledge of the shares in the special established vehicles of the Company owning the related aircraft; (c) guarantees from certain members of the Group; (d) pledge of deposits amounting to HK\$125.6 million; and (e) certain rights and benefits in respect of acquisition of aircraft.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as of 31 December 2015, being the latest practicable date for determining indebtedness, the Company did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or other similar indebtedness or finance lease commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments or guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Consideration for each aircraft will be paid according to the respective delivery schedule. The Company is required to pay the Pre-delivery Payment, which represents approximately 30%-40% of the Consideration. The remaining balance of the Consideration will be financed by the long-term aircraft borrowings when the relevant aircraft is about to be delivered. The Company expects that the Consideration, together with other capital commitments in relation to acquisition of aircraft totalling HK\$41,080.9 million (of which HK\$4,973.0 million is payable within the next twelve months from the date of this circular), as well as working capital requirements of the Group will be funded through new commercial bank loans, Pre-delivery Payment financing, debt and equity financing and the Company's internal resources.

The Company entered into cooperative agreements with several banks pursuant to which the banks agreed to provide to the Group conditional loan facilities for the purchasing of aircraft. The granting of each specific loan will be subject to the credit assessment and approvals to be performed by the banks and the terms and conditions of the respective loan agreements. Besides, the Company has entered into agreements with various banks and secured Pre-delivery Payment financing. It is also in discussion with other banks to obtain additional Pre-delivery Payment financing and long-term aircraft borrowings. The Group will utilise these new bank loans (“**New Bank Loans**”), and other debt and equity financing to finance the Consideration, other capital commitments and working capital requirements of the Group. However, the long-term aircraft borrowings can only be confirmed shortly before delivery of the relevant aircraft. Based on the industry practice and prior experience, long-term aircraft borrowings would be granted by the banks if the aircraft can be leased out to airline companies. Lease agreements or letters of intent have already been signed for the aircraft scheduled for delivery in the next twelve months from the date of this circular and thus the Company believes that long-term aircraft borrowings can be obtained. As at the Latest Practicable Date, the Group has not made any definitive agreements or arrangements in relation to debt and equity fund raising.

The Directors are of the opinion that, in the absence of unforeseeable circumstances, and after taking into account the Group’s business prospects, internal resources and available banking facilities and based on the assumptions that the necessary funding from New Bank Loans and for the debt and equity financing as set out above can be duly obtained, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

The sufficiency of working capital for the Group’s present requirements for at least the next twelve months from the date of this circular is heavily dependent on the Group’s ability to obtain the New Bank Loans and any debt and equity financing as described in the preceding paragraphs.

In any event, if the Group cannot obtain the New Bank Loans and/or other debt and equity financing, the Group would resort to contingency plans by (i) negotiating with Airbus to transfer the relevant aircraft delivery slot to third party through Airbus; (ii) negotiating with Airbus for deferred delivery of the relevant aircraft; and (iii) as the last resort, the Group would engage aircraft broking agents to transfer the relevant aircraft delivery slot to third party. Given the current market price and demand and the transaction volume in the secondary market, the Directors believe that the contingency plans are feasible and its execution would have a minimal impact on the liquidity of the Group.

4. FINANCIAL AND TRADING PROSPECTS

Financial Status

The Group focuses on the aircraft leasing market in China. It is the strategy of the Group to keep in pace of the growing aircraft leasing market in China.

For the six months ended 30 June 2015, the Group took delivery of six aircraft (six months ended 30 June 2014: nine aircraft). Revenue and other income grew by 47.0% from HK\$432.4 million to HK\$635.7 million compared to the corresponding period in 2014, while profit before income tax increased significantly by 82.9% to HK\$157.8 million (six months ended 30 June 2014: HK\$86.3 million), which was mainly due to listing expenses incurred in connection with the initial public offering of HK\$24.7 million during the same period in 2014, while no such expenses were incurred in 2015.

Profit attributable to owners of the Company for the six months ended 30 June 2015 was HK\$116.7 million (six months ended 30 June 2014: HK\$62.8 million), representing a year-on-year increase of 85.8%.

Total asset value was HK\$20,039.8 million as at 30 June 2015, which was up 9.4% from HK\$18,313.0 million as at 31 December 2014. Because the Group's aircraft acquisitions are funded through project financing, liabilities increased by 9.4% from HK\$16,532.3 million to HK\$18,089.9 million corresponding to assets growth.

Equity attributable to owners of the Company was HK\$1,930.4 million as at 30 June 2015 (31 December 2014: HK\$1,761.3 million), and including non-controlling interests, total equity was HK\$1,949.9 million as at 30 June 2015 (31 December 2014: HK\$1,780.7 million).

Prospects

Aircraft Leasing

In line with the Group's mission to realise a globalised business strategy, the first half of 2015 was marked by several major milestones and breakthroughs. We have come a long way since taking delivery of our first aircraft in 2007, successfully crossing the 50-aircraft mark in the last half year.

Since the collaboration with our first overseas client Air India, we signed four Airbus aircraft lease agreements with Air Macau in May 2015. The momentum carried us into June 2015, when we signed a letter of intent to lease two A320 aircraft to Pegasus Airlines, our first European client and the fastest growing airline in Turkey, marking the beginnings of our European foray.

The Group's long-term commitment to the aviation industry and continued efforts to introduce value-added offerings to our airline customers continue to distinguish us in the sector. In June 2015, we fitted 18 of our A320neo aircraft with PurePower® engines from the US company, Pratt & Whitney. This has made us one of the leasing industry's pioneers in the area of new generation aircraft and reflected our proactive approach in planning for our mid-term deliveries. The Group's fleet is currently on schedule to expand to 172 aircraft by 2022.

Financing

As China's pioneer in aircraft financing, the Group introduced and completed one of the nation's first realisation of lease receivables, a financing channel that demonstrates its innovation in business and financing, while facilitating its capital flow. The Group have completed two transactions of the realisation of some of its aircraft lease receivables, and continue its work in some transactions in the year 2016, in parallel with its negotiations for further contracts. In March 2015 and January 2016, we signed a framework agreement with the Bank of Communications Company Limited and China Construction Bank Corporation, Shanghai Branch regarding the lease receivable realisation for 20 aircraft and 15 aircraft, respectively.

The Group also made strategic moves to secure financing through other channels throughout the first half of 2015. In March 2015, the Company obtained its first guarantee arrangement from the three European Export Credit Agencies – Coface, Hermes and UK Export Finance (UKEF) for the financing of five A320 aircraft being delivered to Air India in 2015.

In April and May 2015, convertible bonds of total par value of HK\$892.2 million due 2018 convertible into Shares were placed to three renowned asset managers: China Everbright Financial Investments Limited, Huarong (HK) International Holdings Limited and Great Wall Pan Asia International Investment Co., Limited.

China Asset Leasing Company Limited, registered in Tianjin and as a wholly-owned subsidiary of the Company, was approved in May 2015 to issue RMB340 million medium-term notes, becoming the first aircraft lessor to obtain approval and the first member of the Tianjin Free-Trade Zone to be approved for note issuance. The medium-term notes acquired an AA credit rating from China Cheng Xin International Credit Rating Co. Ltd. (CCXI), and were successfully issued in mid-July 2015.

In June 2015, we were awarded an intent line of credit for RMB4.4 billion by signing a strategic cooperation agreement with the Shanghai Branch of the China Construction Bank. Other existing intent credit facilities include agreements with the Export-Import Bank of China for RMB10 billion, and the Hong Kong Branch of the China Development Bank for US\$1.5 billion.

We foresee minimal impact on the Group's business from the depreciation of the RMB against the US dollar. The majority of the Group's leases are payable in US dollars and matched with US dollar aircraft loans. Only four leases are payable in RMB, and these are matched with RMB denominated aircraft loans, eliminating the risk of currency mismatch. Moreover, the depreciation of the RMB may delay the rise of US interest rates, which will in fact be favourable to the Group.

Other Important Developments – Government Support and Collaboration

China Asset Leasing Company Limited was honoured to be selected as one of the Tianjin Free-Trade Zone's nine pilot enterprises for cross-boundary foreign currency cash pooling, and the only leasing company among them. We are also the first aircraft leasing company to obtain the approval of the State Administration of Foreign Exchange (SAFE) to be a capital account liberalisation pilot enterprise.

On 24 June 2015, a strategic framework agreement was reached with the Dongjiang Free-Trade Port Zone of the Tianjin Administration Committee for a total of 40 aircraft to be delivered over a period of 4 years. This enables us to leverage the zone's favourable leasing environment, rich industrial resources and local government support to further strengthen and diversify our own value-chain solutions.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited accounts of the Company have been made up.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiry, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS

The interests of the Directors and chief executives in the issued share capital and underlying shares of the Company as at the Latest Practicable Date are set out as follows:

Name	Capacity/ Nature of interest	Number of Shares held <i>(Note 1)</i>	Number of underlying shares held	Approximate percentage of shareholding
Mr. Chen Shuang	beneficial owner	200,000 (L)	200,000 <i>(Note 3)</i>	0.07%
Ms. Liu Wanting	interest of controlled corporation	10,000,000 (L) <i>(Note 2)</i>	–	1.71%
Mr. Tang Chi Chun	beneficial owner	–	200,000 <i>(Note 3)</i>	0.03%
Mr. Guo Zibin	beneficial owner	–	200,000 <i>(Note 3)</i>	0.03%
Mr. Fan Yan Hok, Philip	beneficial owner	66,000 (L)	134,000 <i>(Note 3)</i>	0.03%
Mr. Ng Ming Wah, Charles	beneficial owner	–	200,000 <i>(Note 3)</i>	0.03%
Mr. Nien Van Jin, Robert	beneficial owner	100,000 (L)	134,000 <i>(Note 3)</i>	0.03%
Mr. Cheok Albert Saychuan	beneficial owner	5,000 (L)	–	Below 0.01%

Notes:

- (1) The letter “L” denotes the entity/person’s long position in the securities.
- (2) These Shares were held by Smart Vintage Investments Limited, a company wholly-owned by Ms. Liu Wanting.
- (3) These interests represented the interests in the underlying shares in respect of the share options granted by the Company to Directors pursuant to the post-IPO share option scheme of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the Company’s chief executive had any interest or short position in the Shares, underlying shares and/ or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest and short position which he/she was taken or deemed to have under such provisions of the SFO); or (ii) entered in the register of interests required to be kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (which for this purpose shall be deemed to apply to the supervisors of the Company to the same extent as it applies to the Directors).

As at the Latest Practicable Date, Mr. Chen Shuang and Mr. Tang Chi Chun are directors of CE Aerospace. Both FPAM and CE Aerospace are companies having an interest in the Company’s Shares and underlying shares required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring nor terminable by the Group within a year without payment of any compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective associates was interested in any business (apart from the Group’s business) which competes or is likely to compete either directly or indirectly with the Group’s business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder).

5. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2014 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, the Directors were not aware of any litigation or claim of material importance pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of this circular and are or may be material:

- (a) the share redemption agreement dated 23 June 2014 entered into between FPAM, CE Aerospace, Easy Smart Limited, Prosper Victory Limited, CALH and the Company, pursuant to which CALH repurchased its 214,381,958 shares, 206,966,648 shares, 37,771,413 shares and 9,831,909 shares from FPAM, CE Aerospace, Easy Smart Limited and Prosper Victory Limited respectively in consideration of (i) transfer of 10,000 Shares from CALH to FPAM and (ii) allotment and issue of 214,371,959 Shares, 206,966,648 Shares, 37,771,413 Shares and 9,831,909 Shares to FPAM, CE Aerospace, Easy Smart Limited and Prosper Victory Limited, respectively (under the direction of CALH);
- (b) the deed of non-competition dated 23 June 2014 entered into by the Controlling Shareholders in favour of the Group in respect of certain non-competition undertakings;

- (c) the deed of indemnity dated 23 June 2014 entered into by the Controlling Shareholders in favour of the Group (for itself and as trustee for each of its subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of the Group by virtue of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong, as amended from time to time)) to any member of the Group on or before 30 June 2014;
- (d) the conditional underwriting agreement dated 27 June 2014 in respect of the public offering of the ordinary shares of the Company in Hong Kong entered into between, among others, the Company, the Controlling Shareholders, the executive Directors, the joint sponsors, the joint global coordinators, the joint bookrunners, joint lead managers, and the Hong Kong underwriters;
- (e) the conditional underwriting agreement dated 25 July 2014 entered into between China Asset Leasing Company Limited and Shanghai Pudong Development Bank Co., Ltd. in respect of the issue of medium term notes in the aggregate principal amount of RMB340 million in the PRC;
- (f) the subscription agreement dated 26 March 2015 entered into between the Company and China Everbright Financial Investments Limited relating to the issuance of convertible bonds due 2018 convertible into Shares in the amount of HK\$387,900,000;
- (g) the subscription agreement dated 26 March 2015 entered into between the Company and Huarong (HK) International Holdings Limited relating to the issuance of convertible bonds due 2018 convertible into Shares in the amount of HK\$387,900,000; and
- (h) the subscription agreement dated 26 March 2015 entered into between the Company and Great Wall Pan Asia International Investment Co., Limited relating to the issuance of convertible bonds due 2018 convertible into Shares in the amount of HK\$116,370,000.

Save as disclosed above, no material contract (not being a contract entered into in the ordinary course of business) has been entered into by any member of the Group within the two years immediately preceding the issue of this circular.

8. COMPANY SECRETARY

Ms. Tai Bik Yin is the company secretary of the Company. Ms. Tai is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators of the United Kingdom.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at 28th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for a period of 14 days (excluding Saturdays and public holidays) from the date of this circular:

- (1) the Company's articles of association;
- (2) the interim report of the Company for the six months ended 30 June 2015;
- (3) the annual report of the Company for the year ended 31 December 2014;
- (4) the Prospectus;
- (5) a copy of each contract set out in the paragraph headed "Material Contracts" in this Appendix; and
- (6) this circular.

The Company has applied for, and has obtained, a waiver for the acquisition from strict compliance with Rule 14.58(4) and Rule 14.66(4) of the Listing Rules from the Stock Exchange, so that only the redacted version of the Second Aircraft Purchase Agreement will be available for inspection by the public. Information in relation to the actual Consideration will not be disclosed in the Second Aircraft Purchase Agreement.