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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **China Aircraft Leasing Group Holdings Limited**, you should hand this circular together with the accompanying form of proxy at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**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)**

## **CONTINUING CONNECTED TRANSACTIONS**

**Independent Financial Adviser to  
the Independent Board Committee and the Shareholders**



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A letter from the Board is set out on pages 5 to 16 of this circular. A letter from the Independent Board Committee is set out on pages 17 to 18 of this circular. A letter from Investec Capital Asia Limited is set out on pages 19 to 37 of this circular.

A notice convening the EGM to be held at Cliftons Hong Kong, 508-520 Hutchison House, 10 Harcourt Road, Central, Hong Kong at 10:30 a.m. on Tuesday, 30 June 2015 is set out on pages 45 to 47 of this circular. A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

15 June 2015

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

|   |  |
|---|--|
| “Aircraft Lessees”  | airline operators which are lessees of aircrafts under the relevant aircraft lease agreements entered into with members of the Group for the lease of aircrafts legally owned by the Group   |
| “Assignment of Finance Lease Receivables Framework Agreement” | the agreement entered into between the Company and CE Group on 14 May 2015, pursuant to which the Group will assign to the Trustee the FLRs related to aircrafts leased by the Group to Aircraft Lessees in accordance with the terms thereunder for the years of 2015, 2016 and 2017  |
| “associate”   | has the meaning ascribed thereto under Chapter 14A of the Listing Rules  |
| “Board”   | the board of Directors of the Company  |
| “CE Bank”   | China Everbright Bank Company Limited* (中國光大銀行股份有限公司), a joint stock limited company incorporated in the PRC and the H shares and A shares of which are listed on the Stock Exchange (stock code: 6818) and the Shanghai Stock Exchange (stock code: 601818), respectively, and is an associate of CE Group upon completion of the CEG Restructuring |
| “CE Beijing”  | China Everbright Group Limited* (中國光大(集團)總公司), a wholly state-owned enterprise incorporated under the laws of the PRC  |
| “CE Group”  | China Everbright Group Ltd.* (中國光大集團股份有限公司), a company transformed from CE Beijing under the laws of the PRC pursuant to the Restructuring Plan and the Founder Agreement  |
| “CE Hong Kong”  | China Everbright Holdings Company Limited (中國光大集團有限公司), a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of the CE Group  |

## DEFINITIONS

|                           |  |
|---------------------------|--|
| “CE Limited”              | China Everbright Limited (中國光大控股有限公司), a company incorporated under the laws of Hong Kong with limited liability, whose shares are listed on the Stock Exchange (stock code: 0165) and is indirectly owned as to approximately 49.74% by CE Hong Kong  |
| “CEG Restructuring”       | the restructuring pursuant to which MOF made capital contribution of 100% equity interest in CE Beijing, which had been transformed from a state wholly-owned enterprise to a joint stock limited company, and the name of which had been changed to China Everbright Group Ltd.* (中國光大集團股份公司) (i.e. CE Group); MOF made capital contributions to CE Group by and through injecting (1) the 100% equity interest in CE Hong Kong, with the authorization from the State Council; and (2) a loan and its interest accrued to CE Beijing; and Huijin Limited made capital contributions to CE Group by and through injecting certain assets as specified in the Restructuring Plan |
| “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 thereto under Chapter 14A of the Listing Rules  |
| “controlling shareholder” | has the same meaning ascribed to it under Chapter 1 of the Listing Rules   |
| “Director(s)”             | the director(s) of the Company   |
| “EGM”                     | the extraordinary general meeting of the Company to be convened and held on 30 June 2015, the notice of which is set out on pages 45 to 47 of this circular, and any adjournment thereof for the purpose of considering, and if thought fit, approving the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement, and the transactions contemplated thereunder   |

## DEFINITIONS

|   |  |
|---|--|
| “FLRs”  | finance lease receivables under the relevant aircraft lease agreements entered into by members of the Group and Aircraft Lessees for the lease of aircrafts legally owned by the Group   |
| “Founder Agreement”                           | the founder agreement (發起人協議) dated 6 November 2014 entered into between MOF and Huijin Limited  |
| “Group”                                       | the Company and its subsidiaries from time to time   |
| “HK\$”  | Hong Kong dollar(s), the lawful currency of Hong Kong  |
| “Hong Kong”                                   | the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “Huijin Limited”                              | Central Huijin Investment Limited* (中央匯金投資有限責任公司), a company incorporated under the laws of the PRC with limited liability   |
| “Independent Board Committee”                 | the independent committee of the Board comprising all of the independent non-executive Directors of the Company which was formed to advise the Shareholders in respect of the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement, and the transactions contemplated thereunder  |
| “Independent Shareholders”                    | the Shareholders other than CE Group and any of its associates (including CE Limited)  |
| “Investec” or “Independent Financial Adviser” | Investec Capital Asia Limited, a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, and is the independent financial adviser appointed to advise the Independent Board Committee and the Shareholders in respect of the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement, and the transactions contemplated thereunder |
| “Latest Practicable Date”                     | 10 June 2015, being the latest practicable date before printing of this circular for ascertaining information contained herein   |

## DEFINITIONS

|                                     |  |
|-------------------------------------|--|
| “Listing Rules”                     | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited   |
| “Loan Services Framework Agreement” | the agreement entered into between the Company and CE Group on 14 May 2015, pursuant to which CE Group has agreed to provide, through CE Bank and/or the Trustee (as the case may be), loan services to the Group in accordance with the terms thereunder for the years of 2015, 2016 and 2017 |
| “MOF”                               | the Ministry of Finance of the PRC   |
| “PBOC”                              | the People’s Bank of China (中國人民銀行), the central bank of the PRC   |
| “PRC”                               | the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Regions and Taiwan)  |
| “Restructuring Plan”                | the restructuring plan of CE Beijing as approved by the State Council  |
| “SFO”                               | Securities and Futures Ordinance (Cap. 571, 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)”                    | the holder(s) of the Company’s Shares  |
| “State Council”                     | the State Council of the PRC   |
| “Stock Exchange”                    | The Stock Exchange of Hong Kong Limited  |
| “Sun Life Everbright”               | Sun Life Everbright Asset Management Co. Ltd.* (光大永明資產管理股份有限公司), a company incorporated under the laws of the PRC with limited liability   |
| “Trustee”                           | the trustee of the relevant Trust Plans  |
| “Trust Plans”                       | pooled investment funds trust plans of which the Trustee is a trustee  |
| “%”                                 | per cent.  |

\* For identification purpose only



**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)**

*Chairman and Non-executive Director:*

Mr. Chen Shuang

*Executive Directors:*

Mr. Poon Ho Man (*Chief Executive Officer*)

Ms. Liu Wanting

*Non-executive Directors:*

Mr. Tang Chi Chun

Mr. Guo Zibin

*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:*

Maples Corporate Services Limited

PO Box 309, Ugland House

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*Principal Place of Business in China:*

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*Principal Place of Business in Hong Kong:*

28<sup>th</sup> Floor, Far East Finance Centre

16 Harcourt Road

Hong Kong

15 June 2015

*Dear Shareholders,*

**I. INTRODUCTION**

The Board refers to (i) the announcement of the Company dated 14 May 2015 in relation to completion of the CEG Restructuring and (ii) the announcement of the Company dated 14 May 2015 in relation to, among other things, the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement.

The purpose of this circular is to provide you with information which will help you to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM in relation to (i) the Loan Services Framework Agreement and (ii) the Assignment of Finance Lease Receivables Framework Agreement, and the proposed annual monetary caps under each agreement for the years of 2015, 2016 and 2017.

## LETTER FROM THE BOARD

### II. CONTINUING CONNECTED TRANSACTIONS

#### (1) Background Information

As disclosed in the announcement of the Company dated 14 May 2015, the CEG Restructuring was completed on 14 May 2015. In order to continue to facilitate the Group's business operation and satisfy its needs for financial services upon completion of the CEG Restructuring, on 14 May 2015, the Company has entered into the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement with CE Group. Pursuant to the Loan Services Framework Agreement, CE Group will, through CE Bank and through the Trustee of a Trust Plan of which Sun Life Everbright is a beneficiary, provide secured loan services to the Group. Pursuant to the Assignment of Finance Lease Receivables Framework Agreement, the Group will assign the FLRs to the Trustee.

#### (2) The Loan Services Framework Agreement

The Company and CE Group have entered into the Loan Services Framework Agreement to govern the loan services and guarantees between the Group and CE Group for the three financial years ending 31 December 2017. The Loan Services Framework Agreement is conditional upon Shareholders' approval at the EGM having been obtained. The principal terms of the Loan Services Framework Agreement are summarized below:

|                        |   |
|------------------------|---|
| <i>Date:</i>           | 14 May 2015   |
| <i>Parties:</i>        | (i) the Company; and<br>(ii) CE Group   |
| <i>Subject matter:</i> | (i) Provision of secured loan services and guarantees by CE Group, through CE Bank, to the Group; and<br>(ii) provision of secured loan services by CE Group, through the Trustee using funds of a Trust Plan of which Sun Life Everbright is a beneficiary, to the Group (the Trustee, i.e. the lender, is also the assignee of the FLRs under the Assignment of Finance Lease Receivables Framework Agreement). |
| <i>Term:</i>           | Subject to approval by the Shareholders at the EGM, the duration of the Loan Services Framework Agreement will commence on 14 May 2015 and expire on 31 December 2017.  |



## LETTER FROM THE BOARD

*Payment:* The time and means of payment is to be agreed by the parties with reference to customary business terms through arm's-length negotiations, being normal commercial terms comparable to those for similar or comparable loan services or guarantees.

*Others:* The Loan Services Framework Agreement shall be non-exclusive and the Company is at liberty to obtain loan services or guarantees from other third parties.

CE Group shall procure CE Bank and/or Sun Life Everbright and the Trustee, as the case may be, to provide loans and guarantees to the Group (including revolving credit facility and fixed term loan), subject to security over the assets of the Group, in accordance with rules and regulations prescribed by the PBOC and/or other relevant rules and regulations within or outside the PRC.

The loans services and guarantees to be provided by CE Group shall be on normal commercial terms which are arrived upon arm's length negotiations and are no less favourable than:

- (i) terms available to the Group from independent third parties; and
- (ii) the most favourable terms offered by CE Bank and/or Sun Life Everbright and the Trustee, as the case may be, to independent third party customers for similar or comparable loan services or guarantees.

As security for the Group's performance under loan agreements with the Trustee, the Group will provide security for the benefit of the Trustee by way of executing (i) a second aircraft mortgage, pursuant to which the relevant aircraft will be mortgaged by the Group to the Trustee; (ii) an insurance assignment, pursuant to which the Trustee will be assigned, as first loss payee and added as an additional assured, with all of the insurance proceeds and relevant income under prevailing insurance policies over the relevant aircraft and under circumstances of total loss in relation to the relevant aircraft.

## LETTER FROM THE BOARD

### *Historical Figures and Proposed Annual Monetary Caps*

The following table sets out certain information regarding the amount of historical transactions for loan services and guarantees provided by CE Bank and the Trustee to the Group for the three years ended 31 December 2014 and the four months ended 30 April 2015:

|   | For the year ended 31 December |         |           | For the four<br>months ended |
|---|--------------------------------|---------|-----------|------------------------------|
|   | <i>(HK\$'000)</i>              |         |           | 30 April                     |
|   | 2012                           | 2013    | 2014      | <i>(HK\$'000)</i><br>2015    |
| Maximum daily closing balance of loans (including the guarantees) | 176,000                        | 176,000 | 1,164,000 | 1,602,000                    |

The following table sets out the pricing standard and the proposed annual monetary caps of the continuing connected transactions contemplated under the Loan Services Framework Agreement:

|   | For the eight<br>months ending | For the year ending 31 December |            |
|---|--------------------------------|---------------------------------|------------|
|   | 31 December                    | <i>(HK\$'000)</i>               |            |
|   | <i>(HK\$'000)</i><br>2015      | 2016                            | 2017       |
| Maximum daily closing balance of loans (including the guarantees) | 4,271,000                      | 7,898,000                       | 11,096,000 |

#### Pricing standard

The interest rate for loan services shall be based on normal commercial terms, agreed through arm's-length negotiations between the parties and no less favourable than:

- (i) the interest rates for the same type of loans offered by other commercial banks;
- (ii) the terms available to the Group from independent third parties; and

## LETTER FROM THE BOARD

- (iii) the most favourable terms (including but not limited to interest rate) offered by CE Bank and/or the Trustee, as the case may be, to independent third party customers for similar or comparable loan services.

### *Basis for the Annual Monetary Caps Contemplated Under the Loan Services Framework Agreement*

The Directors (including all the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) consider that it is in the interests of the Company to enter into the transactions under the terms and conditions set out in the Loan Services Framework Agreement. The Directors have determined the annual monetary caps for the loan services and guarantees with reference to a number of factors, including, among other things, (i) the historical figures of the maximum closing balance of loans (including the guarantees) in previous years, (ii) the expected increase in the amount of loans and guarantees required by the Group, and (iii) the business development plans and financial needs of the Group. Based on the projected increase in fleet size and the expected aircraft delivery schedule, the Group's fleet will increase to 75 aircraft by the end of 2016 and 168 aircraft by 2022, resulting in an expected increase in the amount of loans required by the Group to fund, among others, the acquisition cost, of which approximately 20% to 40% is expected to be funded by loans from CE Group.

### **(3) The Assignment of Finance Lease Receivables Framework Agreement**

The Company and CE Group have entered into the Assignment of Finance Lease Receivables Framework Agreement to govern the assignment of FLRs between the Group and CE Group for the three financial years ending 31 December 2017. The Assignment of Finance Lease Receivables Framework Agreement is conditional upon Shareholders' approval at the EGM having been obtained. The principal terms of the Assignment of Finance Lease Receivables Framework Agreement are summarized below:

|                        |   |
|------------------------|---|
| <i>Date:</i>           | 14 May 2015   |
| <i>Parties:</i>        | (i) the Company; and<br>(ii) CE Group   |
| <i>Subject matter:</i> | Assignment of the FLRs by the Group to the Trustee of a Trust Plan of which Sun Life Everbright is a beneficiary. |

## LETTER FROM THE BOARD

*Term:* Subject to approval by the Shareholders at the EGM, the duration of the Assignment of Finance Lease Receivables Framework Agreement will commence on 14 May 2015 and expire on 31 December 2017.

*Payment:* The time and means of payment is to be agreed by the parties with reference to customary business terms through arm's-length negotiations, being normal commercial terms comparable to those for similar or comparable assignment of FLRs.

*Others:* The assignment of FLRs by the Group to CE Group shall be on normal commercial terms and no less favourable than terms offered by the Group to independent third party assignees for similar or comparable assignments.

As security for the lease payment by the relevant Aircraft Lessees, the Group will provide security for the benefit of the Trustee by way of executing (i) a first aircraft mortgage, pursuant to which the relevant aircraft will be mortgaged by the Group to the Trustee as security for the relevant Aircraft Lessee's payment obligations for rental receivables, (ii) an insurance assignment, pursuant to which the Trustee will be assigned, as first loss payee and added as an additional assured, with all of the insurance proceeds and relevant income under prevailing insurance policies over the relevant aircraft and under circumstances of total loss in relation to the relevant aircraft.

### *Historical Figures and Proposed Annual Monetary Caps*

The following table sets out certain information regarding the amount of historical transactions for the assignment of FLRs by the Group to CE Group for the three years ended 31 December 2014 and the four months ended 30 April 2015:

|                     | For the year ended 31 December<br>(HK\$'000) |      |         | For the four<br>months ended<br>30 April<br>(HK\$'000) |
|---------------------|--|------|---------|--|
|                     | 2012   | 2013 | 2014    | 2015   |
| Total consideration | Nil  | Nil  | 656,000 | Nil  |

## LETTER FROM THE BOARD

The following table sets out the pricing standard and the proposed annual monetary caps of the continuing connected transactions contemplated under the Assignment of Finance Lease Receivables Framework Agreement:

|                     | For the eight<br>months ending<br>31 December<br><i>(HK\$'000)</i> | For the year ending 31 December<br><i>(HK\$'000)</i> |           |
|---------------------|--|--|-----------|
|                     | 2015   | 2016   | 2017      |
| Total consideration | 936,000  | 1,560,000  | 2,496,000 |

|                  |   |
|------------------|---|
| Pricing standard | The consideration in respect of the assignment of FLRs shall be based on normal commercial terms, agreed through arm's-length negotiations between the parties and no less favourable than the terms offered by the Group to independent third parties for similar or comparable assignments. |
|------------------|---|

*Basis for the Annual Monetary Caps Contemplated Under the Assignment of Finance Lease Receivables Framework Agreement*

The Directors (including all the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) consider that it is in the interests of the Company to enter into the transactions under the terms and conditions set out in the Assignment of Finance Lease Receivables Framework Agreement. The Directors have determined the annual monetary caps for the assignment of FLRs with reference to a number of factors, including, among other things, (i) the historical figures of the total consideration in respect of assignment of FLRs in previous years, which have taken into account the carrying value of the FLRs, (ii) the expected increase in the number of aircrafts owned by the Group and the corresponding expected increase in lease receivables in relation to such aircrafts, and (iii) the business development plans of the Group. Based on the projected increase in fleet size and the expected aircraft delivery schedule, the Group's fleet will increase to 75 aircraft by the end of 2016 and 168 aircraft by 2022. Such expansion is expected to result in a corresponding increase in the assignment of lease receivables in relation to such aircraft.

**(4) Reasons for and Benefit of the Agreements**

In respect of the borrowing from CE Bank under the Loan Services Framework Agreement, the Directors believe that CE Bank is well positioned to serve the financial needs of the Group as it has a thorough understanding of the operations and development needs of the Group, and in view of the stability and reliability of the financial services provided by CE Bank to the Group in previous years, it is expected that it will be cost-efficient, expedient and beneficial for the Group to receive the loan services from CE Bank.

## LETTER FROM THE BOARD

In respect of the assignment of FLRs to the Trustee under the Assignment of Finance Lease Receivables Framework Agreement, and the borrowing from the Trustee under the Loan Services Framework Agreement, such realisation transactions form part of the Group's business model and financing strategy, and are expected to improve the Group's profitability and enhance its financial resources by realising un-earned finance income, as well as lower its financial leverage and accelerate its asset rotation by de-recognising asset and liability.

The terms of the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement have been agreed upon arm's-length negotiations between the Company and CE Group.

The Directors (including members of the Independent Board Committee after taking into account the advice of Investec) are of the view that (i) the continuing connected transactions contemplated under the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement will be carried out in the ordinary and usual course of business of the Company; (ii) the terms of the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement are normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (iii) the proposed annual monetary caps of the transactions contemplated under the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

### **(5) Internal Control Measures for the Continuing Connected Transactions**

To safeguard the interest of the Group, the Group will adopt the following internal control measures in respect of the loan services to be provided by CE Group under the Loan Services Framework Agreement and the assignment of FLRs to be carried out between the Group and CE Group under the Assignment of Finance Lease Receivables Framework Agreement.

#### *Loan services under the Loan Services Framework Agreement*

The Company will adopt the following review process and assessment criteria when obtaining loan services from CE Group under the Loan Services Framework Agreement:

- (1) the designated staff of the Company will closely monitor the outstanding loan balances of the Group with CE Group on a daily basis to ensure that it does not exceed the stipulated annual monetary caps;
- (2) the company secretarial department of the Company would update the list of the Group's subsidiaries on a quarterly basis to ensure the aggregate outstanding loan balances of the Group (including the subsidiaries in the updated list) with CE Group does not exceed the stipulated annual monetary caps;

## LETTER FROM THE BOARD

- (3) prior to entering into a loan service or guarantee transaction with CE Group, the designated staff of the Company will seek quotations from at least three independent major commercial banks for similar types of loans offered by such major commercial banks and will compare them against the interest rates and terms offered by CE Group to ensure that the interest rates and terms offered by CE Group are based on normal commercial terms, agreed through arm's-length negotiations between the parties and are not less favourable than those provided by independent commercial banks; and
- (4) the independent non-executive Directors and the risk management department of the Company will review at least every six months the status of loan services provided by CE Group to ensure the Group has complied with internal approval process, the terms of the Loan Services Framework Agreement and the relevant Listing Rules.

### *The assignment of FLRs under the Assignment of Finance Lease Receivables Framework Agreement*

The Group will adopt the following review process and assessment criteria when carrying out assignment of FLRs with CE Group under the Assignment of Finance Lease Receivables Framework Agreement:

- (1) the designated staff of the Company will closely monitor aggregate transactions of the Group with CE Group against the underlying framework agreement to ensure that it does not exceed the stipulated annual monetary caps;
- (2) for any assignment of FLRs, the transaction will be assessed by the relevant departments of the Company (such as the transaction, finance & accounting and company secretarial departments) according to the Company's continuing connected transaction policies, internal approval process and the Listing Rules;
- (3) the assessment must ensure the transaction terms are negotiated and agreed on arm's length basis and that such terms do not favour CE Group. Detailed benchmarking against no less than two comparable historical transactions and current market conditions must be performed and will be a reference for decision making; and
- (4) the transaction must be reviewed and approved by the risk management department and the strategy committee of the Company prior to entering into an assignment of FLRs transaction. The independent non-executive Directors and the

## LETTER FROM THE BOARD

risk management department will review every six months the status of assignment of FLRs by the Group to CE Group to ensure the Group has complied with internal approval process, the terms of the Assignment of Finance Lease Receivables Framework Agreement and the relevant Listing Rules.

As the Group has established adequate and appropriate internal control procedures to review the continuing connected transactions, the Directors (including all independent non-executive Directors) consider that such procedures can effectively ensure that the continuing connected transactions under the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement will be conducted on normal commercial terms, fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

### **(6) Listing Rules Implications**

Following the completion of the CEG Restructuring on 14 May 2015, CE Group became the sole shareholder of CE Hong Kong. CE Hong Kong is the indirect controlling shareholder of CE Limited which indirectly holds approximately 49.74% equity interest in CE Limited. CE Limited in turn indirectly holds approximately 36.37% equity interest in the Company as at the Latest Practicable Date. Accordingly, CE Group is now a controlling shareholder of the Company, and thus CE Group and its associates have become connected persons of the Company upon completion of the CEG Restructuring. As such, the transactions contemplated under the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement constitute continuing connected transactions of the Company.

As one or more of the percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) under the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement exceeds 5%, the loan services to be provided by CE Bank and/or the Trustee to the Group and the assignment of FLRs by the Group constitute non-exempt continuing connected transactions of the Company and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the transactions under the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement or was required to abstain from voting on the resolutions in relation to such transactions.

### **(7) General Information of the Parties**

The Company is principally engaged in the aircraft leasing business in the PRC.



## LETTER FROM THE BOARD

CE Group is a company transformed from CE Beijing pursuant to the Restructuring Plan and the Founder Agreement, and upon the completion of the CEG Restructuring, is owned as to 44.33% and 55.67% by MOF and Huijin Limited, respectively. CE Group is a conglomerate which, through its subsidiaries and associates, engages in a diverse range of businesses including banking, securities and asset management.

CE Bank was incorporated as a joint stock company with limited liability in the PRC and is one of the major commercial banks in the PRC and primarily engages in the commercial banking business, including retail banking, corporate banking and treasury operation, etc.

Sun Life Everbright is a company incorporated in the PRC on 2 March 2012. It is principally engaged in the business of fund management trustee services and insurance asset management services.

### III. RECOMMENDATION

Based on its views set out above, the Board recommends that the Independent Shareholders vote in favour of the resolutions concerning the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement, and the proposed annual monetary caps of transactions contemplated thereunder for the years of 2015, 2016 and 2017.

Your attention is drawn to the letter from the Independent Board Committee to the Shareholders set out on pages 17 to 18 of this circular. The Independent Board Committee, having taken into account the advice of Investec, considers that (i) the transactions contemplated under the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement will be carried out in the ordinary course of business of the Group; (ii) the terms of the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement are normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (iii) the proposed annual monetary caps under the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement for the years of 2015, 2016 and 2017 are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions concerning the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement, and the proposed annual monetary caps of transactions thereunder for the years of 2015, 2016 and 2017 to be proposed at the EGM.

### IV. THE EGM AND SHAREHOLDERS' APPROVAL

The EGM will be held at 10:30 a.m. on Tuesday, 30 June 2015 at Cliftons Hong Kong, 508-520 Hutchison House, 10 Harcourt Road, Central, Hong Kong. A notice to convene the EGM is set out on pages 45 to 47 of this circular.

## LETTER FROM THE BOARD

At the EGM, ordinary resolutions will be proposed to approve (i) the Loan Services Framework Agreement and the transaction contemplated thereunder, including the annual monetary caps of transactions for the years of 2015, 2016 and 2017 and (ii) the Assignment of Finance Lease Receivables Framework Agreement and the transactions contemplated thereunder, including the annual monetary caps of transactions for the years of 2015, 2016 and 2017.

CE Group (which is the holder of 100% of the issued share capital of CE Hong Kong), CE Hong Kong (which beneficially holds 838,306,207 of the shares of CE Limited representing approximately 49.74% of CE Limited's existing total issued share capital through its wholly-owned subsidiaries) and CE Limited (which beneficially holds 215,199,479 Shares representing approximately 36.37% of the Company's total issued share capital as at the Latest Practicable Date) will be required to abstain from voting at the EGM with respect to the ordinary resolutions in connection with the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement.

In order to determine the list of Shareholders who are entitled to attend and vote at the EGM, the register of the Shareholders of the Company will be closed from Monday, 29 June 2015 to Tuesday, 30 June 2015 (both days inclusive), during which period no transfer of Shares will be registered. Shareholders whose names appear on the register of the Shareholders of the Company as on Tuesday, 30 June 2015 are entitled to attend and vote at the EGM.

### V. FURTHER INFORMATION

Your attention is also drawn to the additional information set out on pages 38 to 44 of this circular.

Yours faithfully,  
By order of the Board  
**China Aircraft Leasing Group Holdings Limited**  
**POON HO MAN**  
*Executive Director and Chief Executive Officer*

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Shareholders:*

# **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)**

15 June 2015

*To the Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company (the “**Circular**”) dated 15 June 2015 and despatched to the Shareholders which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the Independent Board Committee to advise the Shareholders in respect of the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement, and the transactions contemplated thereunder, details of which are set out in the section headed “Letter from the Board” in the Circular. Investec has been appointed to advise the Shareholders and us in this regard.

Details of the advice and the principal factors and reasons Investec has taken into consideration in rendering its advice, are set out in the section headed “Letter from Investec” in the Circular. Your attention is also drawn to the additional information set out in the Circular.

Having taken into account the terms of the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement, and the transactions contemplated thereunder and the advice of Investec, we are of the opinion that (i) the transactions contemplated under the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement will be carried out in the ordinary course of business of the Group; (ii) the terms of the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement are normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (iii) the proposed annual monetary caps under the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement for the years of 2015, 2016 and 2017 are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

We, therefore, recommend that you vote in favour of the resolutions to be proposed at the EGM to approve the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement.

Yours faithfully,  
For and on behalf of  
**Independent Board Committee**

**Fan Yan Hok, Philip, Ng Ming Wah, Charles  
Nien Van Jin, Robert, Cheok Albert Saychuan**  
*Independent non-executive Directors*

## LETTER FROM INVESTEC

*The following is the text of the letter of advice from Investec to the Independent Board Committee and the Shareholders in relation to the continuing connected transactions contemplated under the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement (together with the respective annual monetary caps) prepared for the purpose of incorporation in this circular.*



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www.investec.com

15 June 2015

To: *The Independent Board Committee and the Shareholders  
of China Aircraft Leasing Group Holdings Limited*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement and the transactions (including the respective proposed annual monetary caps) contemplated thereunder, details of which are set out in the circular of the Company dated 15 June 2015 (the “**Circular**”), of which this letter forms part. This letter contains our advice to the Independent Board Committee and the Shareholders in respect of the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement (including the respective proposed annual monetary caps) and the transactions contemplated thereunder. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

Reference is made to the announcement of the Company dated 14 May 2015, whereby the Board announced that the CEG Restructuring was completed on 14 May 2015 and CE Group has become a controlling shareholder of the Company, and thus CE Group and its associates have become connected persons of the Company upon the completion of the CEG Restructuring.

## LETTER FROM INVESTEC

As set out in the letter from the Board (the “**Letter from the Board**”), in order to continue to facilitate the Group’s business operation and satisfy its needs for financial services upon the completion of the CEG Restructuring, on 14 May 2015, the Company has entered into, among others, the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement with CE Group. Pursuant to the Loan Services Framework Agreement, CE Group will, through CE Bank and through the Trustee using funds of a Trust Plan of which Sun Life Everbright is a beneficiary, provide secured loan services to the Group. Pursuant to the Assignment of Finance Lease Receivables Framework Agreement, the Group will assign the FLRs to the Trustee.

Following the completion of the CEG Restructuring on 14 May 2015, CE Group became the sole shareholder of CE Hong Kong. CE Hong Kong is the indirect controlling shareholder of CE Limited which indirectly holds approximately 49.74% equity interest in CE Limited and CE Limited in turn indirectly holds approximately 36.37% equity interest in the Company as at the Latest Practicable Date. On this basis, CE Group and its associates are connected persons of the Company and the transactions contemplated under the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement constitute continuing connected transactions of the Company.

As one or more of the percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) under the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement exceeds 5%, the loan services and guarantees to be provided by CE Group to the Group and the assignment of FLRs by the Group to the CE Group constitute non-exempt continuing connected transactions of the Company and are subject to the reporting, announcement and Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. Fan Yan Hok, Philip, Mr. Ng Ming Wah, Charles, Mr. Nien Van Jin, Robert and Mr. Cheok Albert Saychuan, has been established to advise the Shareholders in respect of the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement, and the transactions contemplated thereunder. As the Independent Financial Adviser to the Independent Board Committee and Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Shareholders as to (i) whether the transactions contemplated under the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement will be carried out in the ordinary course of business of the Group; (ii) whether the terms of the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement are normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; (iii) whether the proposed annual monetary caps (the “**Annual Monetary Caps**”) under the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement for the years of 2015, 2016 and 2017 are fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote for the relevant resolutions to be proposed at the EGM in respect

## LETTER FROM INVESTEC

of the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, we were independent from and not connected with the Group and CE Group in accordance with Rule 13.84 of the Listing Rules, and accordingly, qualified to give independent advice to the Independent Board Committee and the Shareholders regarding the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement and the transactions contemplated thereunder. In addition to our appointment as the Independent Financial Adviser, in the last two years Investec has also acted as the independent financial adviser to the then Independent Board Committee and then Shareholders in respect of the subscription of the convertible bonds by China Everbright Financial Investments Limited (“**CEFIL**”) pursuant to the subscription agreement dated 26 March 2015 entered into between the Company and CEFIL and the transactions contemplated thereunder. Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

### **BASIS OF OUR OPINION**

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Group and/or the Directors. We have assumed that (i) the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement are legally binding, continued to be valid as at the Latest Practicable Date and will be effective upon the Independent Shareholders’ approval at the EGM; and (ii) all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Group and/or the Directors and/or its senior management staff (the “**Management**”) and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations made or provided by the Directors and/or the Management contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Directors and/or the Management that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all information and documents which have been made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or the Directors and/or its Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the respective businesses and affairs of the Group, CE Group, Sun Light Everbright or their respective affiliates.

# LETTER FROM INVESTEC

## PRINCIPAL FACTORS CONSIDERED

In formulating our opinion regarding the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement and the transactions contemplated thereunder (together with the Annual Monetary Caps), we have taken into consideration the following principal factors:

### 1. Background information

#### *i. Information on the Group*

The shares of the Company were first listed on the main board of the Stock Exchange on 11 July 2014. The Group is principally engaged in aircraft leasing business in the PRC. According to the Company's annual report for the year ended 31 December 2014 (the "2014 Annual Report"), the business model of the Company is long-term direct aircraft purchase and lease transactions, and long-term aircraft sale and leaseback transactions engaged with airline operators in the PRC. The aircraft leasing business is focused on generating long-term and constant cash inflows of lease income to match the cash outflows for the repayment of the Group's long-term bank borrowings for aircraft acquisition. A key feature of the business model is the realisation of finance lease receivable, which expands the business model further from aircraft leasing to financial product development.

Set out below is a summary of the Group's consolidated statements of income and consolidated balance sheets as extracted from the 2014 Annual Report for the two years ended 31 December 2014:

| <i>Approximately</i>            | <b>For the year ended</b> |                     |
|---------------------------------|---------------------------|---------------------|
|                                 | <b>31 December</b>        |                     |
|                                 | <b>2013</b>               | <b>2014</b>         |
|                                 | <i>HK\$ million</i>       | <i>HK\$ million</i> |
|                                 | (Audited)                 | (Audited)           |
| Revenues                        | 686.9                     | 1,145.0             |
| Finance lease income            | 478.0                     | 714.7               |
| Operating lease income          | 145.4                     | 182.1               |
| Other income                    | 63.6                      | 248.2               |
| Operating profit                | 212.4                     | 353.2               |
| Profit for the year             | 172.5                     | 302.7               |
| attributable to owners of the   |                           |                     |
| Company                         | 172.5                     | 302.8               |
| attributable to non-controlling |                           |                     |
| interests                       | –                         | (0.1)               |



## LETTER FROM INVESTEC

| <i>Approximately</i>                                  | <b>As at 31 December</b> |                     |
|---|--------------------------|---------------------|
|   | <b>2013</b>              | <b>2014</b>         |
|   | <i>HK\$ million</i>      | <i>HK\$ million</i> |
|   | (Audited)                | (Audited)           |
| Total assets  | 12,832.9                 | 18,313.0            |
| Finance lease receivables – net                       | 7,678.9                  | 11,443.5            |
| Prepayments and other                                 |                          |                     |
| receivables   | 2,183.5                  | 3,503.4             |
| Property, plant and equipment                         | 1,487.1                  | 1,706.7             |
| Total liabilities                                     | 11,874.8                 | 16,532.3            |
| Bank borrowings                                       | 11,436.4                 | 15,342.6            |
| Long-term borrowings                                  | 155.2                    | 642.1               |
| Total equity attributable to owners<br>of the Company | 938.6                    | 1,761.3             |

For the year ended 31 December 2014, the Group recorded revenues of approximately HK\$1,145.0 million compared to approximately HK\$686.9 million for the year ended 31 December 2013. The Group recorded finance lease income of approximately HK\$714.7 million which represented approximately 62% of total revenues, and operating lease income of approximately HK\$182.1 million which represented approximately 16% of total revenues for the year ended 31 December 2014. For the year ended 31 December 2014, the Group generated profit for the period attributable to owners of the Company of approximately HK\$302.8 million, representing an increase of approximately 76% from such for the year ended 31 December 2013.

As at 31 December 2014, the Group had approximately HK\$11,443.5 million net financial lease receivables, approximately HK\$15,342.6 million bank borrowings and approximately HK\$642.1 million long-term borrowings.

As set out in the listing prospectus of the Company dated 30 June 2014 (the “**Prospectus**”), the strategy of the Company includes, among others, to continue acquiring young and modern fleet of aircraft and diversifying the financing source. According to the 2014 Annual Report, in order to cope with the increasing demand for air traffic in the PRC, together with fleet expansion and increasing use of aircraft lease financing amongst airline operators in the PRC, the Company entered into agreements to purchase 100 aircraft with Airbus S.A.S. in December 2014 (the “**Aircraft Purchase Agreements**”). Based on the committed purchase orders and the scheduled delivery dates, the Group’s fleet will increase to 75 aircraft by the end of 2016 and 168 aircraft by 2022.

We understand from the Management that the realisation of finance lease receivables forms an integral part of the Group’s business model. Typically, the realisation of finance lease receivables would involve the Group entering into an arrangement with an assignee whereby the Group sells to the

## LETTER FROM INVESTEC

assignee the finance lease receivables (i.e. the FLRs) in relation to an aircraft for a consideration, the net proceeds of which may be used by the Group for the repayment of the long-term bank borrowings incurred by the Group for the acquisition of new aircraft, refinancing of aircraft purchase and/or general working capital.

As set out in the 2014 Annual Report, the Group completed four transactions of realisation of aircraft lease receivables, contributing approximately HK\$111.5 million (in aggregate) to the Group's revenue (representing approximately 9.7% of the Group's total revenue for the year ended 31 December 2014).

*ii. Information on CE Group, CE Bank and Sun Life Everbright*

As set out in the Letter from the Board, upon the completion of the CEG Restructuring, CE Group is owned as to 44.33% and 55.67% by MOF and Huijin Limited, respectively. CE Group is a conglomerate which, through its subsidiaries and associates, engages in a diverse range of businesses including banking, securities and asset management.

CE Bank, incorporated as a joint stock company with limited liability in the PRC, is one of the major commercial banks in the PRC and primarily engaged in the commercial banking business, including retail banking, corporate banking and treasury operation. The H shares and A shares of CE Bank are listed on the Stock Exchange (stock code: 6818) and the Shanghai Stock Exchange (stock code: 601818), respectively. As set out in the annual report of CE Bank for the year ended 31 December 2014, the group recorded total assets of approximately RMB2.7 trillion and loans of approximately RMB1.3 trillion as at the end of 2014 and generated net profit attributable to equity shareholders of the bank of approximately RMB28.9 billion for the year ended 31 December 2014.

Sun Life Everbright, a non-wholly owned subsidiary of the CE Group, is a company incorporated in the PRC on 2 March 2012 and is principally engaged in the business of fund management trustee services and insurance asset management services.

We note from the Letter from the Board that the Trustee of a Trust Plan of which Sun Light Everbright is a beneficiary may provide secured loan services to the Group as a lender under the Loan Services Framework Agreement and may undertake the role as an assignee of the FLRs related to aircrafts leased by the Group to Aircraft Lessees under the Assignment of Finance Lease Receivables Framework Agreement. We understand from the Management that such provision of loan services by the Trustee under the Loan Services Framework Agreement usually (but not necessarily) arises from the relevant related FLRs transactions under the Assignment of Finance Lease Receivables Framework Agreement provided that the terms of the secured borrowing entered into between the Group and the Trustee are in accordance with the terms of the Loan Services Framework Agreement.

**2. Reasons for and benefits of the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement**

We understand from the Management that the Company considers that CE Bank is well positioned to serve the financing needs of the Group given its established business relationship with the Group, and CE Bank also has a thorough understanding of the business model and operations of the Group. In view of the stability and reliability of financial services provided by CE Bank to the Group in previous years, it is expected that the Group will continue to engage CE Bank for various financial services in the foreseeable future.

As set out in the Letter from the Board, the assignment of FLRs to the Trustee under the Assignment of Finance Lease Receivables Framework Agreement, and the borrowing from the Trustee under the Loan Services Framework Agreement form part of the Group's business model and financing strategy. The Management expects such transactions, if consummated, would enhance the Group's financial resources by realising its finance lease receivables in advance of their due dates, lower its financial leverage and accelerate its asset rotation by de-recognising asset and liability.

The Management advises that the realisation of the finance lease receivables would typically have the following effects:

- i) the Group will transfer substantially all the risks and rewards of ownerships on the lease payments to the assignee, except that the Group still retains the risk and rewards of ownerships relating to the residual value of the aircraft (hence, the finance lease receivable relating to residual value of the aircraft is not de-recognised);
- ii) the consideration for the assignment of the finance lease receivables received by the Group would normally be in cash and typically the Group would expect to record a gain arising from such transaction; and
- iii) as there would be no future lease receivables due and payable arising from the subject aircraft after the completion of the realisation of finance lease receivables, the Group would normally repay the corresponding balance of long-term bank borrowing but the Group would retain the ownership of the subject aircraft.

Further details of the reasons for and benefits of the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement are referred to the section headed "Reasons for and Benefits of the Agreements" in the Letter from the Board.

Having considered (a) the principal business of the Group (i.e. aircraft leasing in the PRC); (b) the stated strategy of the Group (i.e. expansion of its fleet of aircraft); (c) the business model of the Group, of which the borrowings in relation to the aircraft acquisition and the realisation of finance lease receivables forms an

integral part of; (d) realisation of the finance lease receivables would typically enhance the Group's financial resources, lower its financial leverage and accelerate the Group's asset rotation; and (e) the reasons for and benefits of receiving loan services from CE Group and assignment of FLRs to CE Group as discussed above, we concur with the Directors' view that the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement will be carried out in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

**3. Principal terms of the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement**

The principal terms of the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement are summarised below:

*i. Loan Services Framework Agreement*

Pursuant to the Loan Services Framework Agreement dated 14 May 2015 entered into between the Company and CE Group, CE Group agrees to provide secured loan services and guarantees through CE Bank and secured loan services through the Trustee using funds of a Trust Plan of which Sun Life Everbright is a beneficiary, to the Group (the Trustee, i.e. the lender, is also the assignee of the FLRs under the Assignment of Finance Lease Receivables Framework Agreement). Conditional upon Shareholders' approval at the EGM having been obtained, the Loan Services Framework Agreement will become effective and expire on 31 December 2017 (the "**Term**").

The Management advises that the Loan Services Framework Agreement is on a non-exclusive basis and that the Company has the right but not the obligation to engage CE Group for the provision of loan services or guarantees and the Company may seek financing from other third parties.

Pursuant to the Loan Services Framework Agreement, CE Group shall procure CE Bank and/or Sun Life Everbright and the Trustee, as the case may be, to provide secured loans to the Group (including revolving credit facility and fixed term loan), subject to security over the assets of the Group, in accordance with rules and regulations prescribed by the PBOC and/or other relevant rules and regulations within or outside the PRC.

We understand from the Management that the loans services and guarantees to be provided by CE Group shall be on normal commercial terms after arm's length negotiations and are no less favourable than:

- (i) terms available to the Group from independent third parties; and

## LETTER FROM INVESTEC

- (ii) the most favourable terms offered by CE Bank and/or Sun Life Everbright and the Trustee, as the case may be, to independent third party customers for similar or comparable loan services or guarantees.

As security for the Group's performance under loan agreement(s) with the Trustee, the Group will provide security for the benefit of the Trustee by way of executing (a) a second aircraft mortgage<sup>1</sup>, pursuant to which the relevant aircraft will be mortgaged by the Group to the Trustee; and (b) an insurance assignment, pursuant to which the Trustee will be assigned, as first loss payee and added as an additional assured, with all of the insurance proceeds and relevant income under prevailing insurance policies over the relevant aircraft and under circumstances of total loss in relation to the relevant aircraft.

The time and means of payment is to be agreed by the parties with reference to customary business terms through arm's-length negotiations, being normal commercial terms comparable to those for similar or comparable loan services or guarantees.

### *ii. Assignment of Finance Lease Receivables Framework Agreement*

Pursuant to the Assignment of Finance Lease Receivables Framework Agreement dated 14 May 2015 entered into between the Company and CE Group, the Group agrees to assign the FLRs by the Group to the Trustee of a Trust Plan of which Sun Life Everbright is a beneficiary. Conditional upon Shareholders' approval at the EGM having been obtained, the Assignment of Finance Lease Receivables Framework Agreement will become effective and expire on 31 December 2017 (i.e. the Term).

As set out in the Letter from the Board, the assignment of FLRs by the Group to CE Group shall be on normal commercial terms and no less favourable than terms offered by the Group to independent third party assignees for similar or comparable assignments.

We note from the Letter from the Board that as security for the lease payment by the relevant Aircraft Lessees, the Group will provide security for the benefit of the Trustee by way of executing (a) a first aircraft mortgage<sup>1</sup>,

<sup>1</sup> The consideration for the purchase of an aircraft is typically financed by a combination of equity and external borrowings provided by a financial institution initially (the "Initial Loan"). As the provider of the Initial Loan, such financial institution would normally become the mortgagee of the first aircraft mortgage. Subsequently, the aircraft may be leased out to an aircraft operator and the Group may enter into an arrangement to assign the FLRs to an assignee, the net proceeds of which will be used to repay a part of the Initial Loan, upon which the first aircraft mortgage will be transferred from the lender of the Initial Loan to the assignee under the assignment of the FLRs arrangement. The remaining balance of the Initial Loan may be repaid by a loan borrowed from another lender, which shall hold the second mortgage as a security of such loan.

## LETTER FROM INVESTEC

pursuant to which the relevant aircraft will be mortgaged by the Group to the Trustee as security for the relevant Aircraft Lessee's payment obligations for rental receivables; and (b) an insurance assignment, pursuant to which the Trustee will be assigned, as first loss payee and added as an additional assured, with all of the insurance proceeds and relevant income under prevailing insurance policies over the relevant aircraft and under circumstances of total loss in relation to the relevant aircraft.

The time and means of payment is to be agreed by the parties with reference to customary business terms through arm's-length negotiations, being normal commercial terms comparable to those for similar or comparable assignment of FLRs.

Further details of the principal terms of the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement are set out under the sections headed "(2) The Loan Services Framework Agreement" and "(3) The Assignment of Finance Lease Receivables Framework Agreement" in the Letter from the Board.

#### **4. Our analysis on the principal terms of the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement**

Set out below is our analysis on the principal terms of the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement:

##### *i. Loan Services Framework Agreement*

As stated in the Letter from the Board, we note that the Loan Services Framework Agreement shall be non-exclusive and the Company has the right but not the obligation to engage CE Group for the provision of loan services and guarantees.

## LETTER FROM INVESTEC

The Management advises that the Group will adopt a set of internal control policy (the “**Internal Control Policy**”) to regulate the continuing connected transactions under the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement. We have reviewed the Internal Control Policy and discussed the measures and procedures with the Management. Based on our review and discussions, we note that (a) prior to entering into a loan service or guarantee transaction with the CE Group, the designated staff of the Company will seek quotations from at least three independent major commercial banks for similar types of loans or guarantees offered by such major commercial banks and compare them against the interest rates and terms offered by CE Group to ensure that the interest rates and terms offered by CE Group are based on normal commercial terms, agreed after arm’s-length negotiations between the parties and are not less favourable than those provided by independent commercial banks; (b) the Group will also designate a staff to closely monitor the outstanding secured loan balance (including the guarantees) of the Group in relation to CE Group on a daily basis to ensure the Annual Monetary Caps are not exceeded; (c) the company secretarial department of the Group will update list of the Group’s subsidiaries on a quarterly basis to ensure the aggregate outstanding secured loan balance (including the guarantees) of the Group provided by the CE Group do not exceed the Annual Monetary Caps; and (d) the independent non-executive Directors and risk management department of the Group will review at least every six months the status of secured loan services and guarantees provided by CE Group to ensure the Group’s compliance with the Internal Control Policy (including the relevant internal approval process) and the relevant Listing Rules.

In addition, we have also obtained from the Company and compared a sample of twelve contracts and/or transactions, including published information, in respect of the relevant loans entered into between (a) the Group and CE Bank or the Trustee (where applicable); and (b) the Group and independent third parties, prior to the completion of the CEG Restructuring. We note from our review of the relevant documents and supporting materials provided by the Management as well as from our discussions with the Management that the principal terms of these transactions, including the interest rate and loan tenor, were in line with those provided by the independent third parties.

We also understand from our discussions with the Company that, based on the floating interest rate paid by the Group on its relevant loans as at the end of 2014, the floating interest rate of the relevant loans provided by CE Bank ranged from three months US dollar London Inter-Bank Offered Rates (“**USD Libor**”) plus 3.0% to three months USD Libor plus 3.6% and was within the range of the floating interest rate of relevant loans borrowed by the Group from independent third parties of three months USD Libor plus 2.0% and three months USD Libor plus 5.0%. In addition, we also note from our discussion with the Management that there was one fixed rate loan provided by the Trustee (the “**Fixed Rate Loan**”) which was outstanding as at the end of

## LETTER FROM INVESTEC

2014. In this connection, the Board identified three comparable debt instruments in the market prior to the entering into of the aforesaid transaction and the interest rate of each of such identified comparable debt instruments was higher than the Fixed Rate Loan.

*ii. Assignment of Finance Lease Receivables Framework Agreement*

The Management advises that the Assignment of Finance Lease Receivables Framework Agreement is on a non-exclusive basis and that the Company has the right but not the obligation to engage CE Group for the assignment of the FLRs, subject to the relevant terms and conditions.

We note from our review of the Internal Control Policy and our discussions with the Management in respect of the measures and procedures that (a) the designated staff of the Company will closely monitor aggregate transactions of the Group with CE Group against the Assignment of Finance Lease Receivables Framework Agreement to ensure that it does not exceed the Annual Monetary Caps under this framework agreement; (b) for any assignment of FLRs, the transaction will be assessed by the relevant departments of the Group (such as the transaction, finance and accounting and company secretarial departments) according to the Internal Control Policy (including the internal approval process of the Group) and the Listing Rules; (c) the assessment must ensure the transaction terms are negotiated and agreed on arm's length basis and that such terms do not favour CE Group, and detailed benchmarking against no less than two comparable historical transactions and current market conditions, which must be performed, will be used as a reference for decision making; and (d) the transaction must be reviewed and approved by the risk management department and the strategy committee of the Company prior to entering into an assignment of a FLRs transaction, and the independent non-executive Directors and the risk management department will review every six months the status of assignment of FLRs by the Group to CE Group to ensure the Group has complied with internal approval process, the terms of the Assignment of Finance Lease Receivables Framework Agreement and the relevant Listing Rules.

The Management also advises that in selecting an assignee under a FLR transaction, the assignee, being a connected person or an independent third party (where relevant), shall be subject to the same assessment by the relevant departments of the Group and the same approval process. Base on the results of the aforesaid assessment after taking into account the terms of the historical transactions and prevailing market conditions, the Group will engage the assignee that offers the most favourable terms to the Group.



## LETTER FROM INVESTEC

Based on our discussions with the Management, we understand that the Group has completed five FLRs transactions since the establishment of the Company up to the Latest Practicable Date, four of which were entered into by the Group after 1 January 2014 (including one of which was with CE Group prior to the completion of the CEG Restructuring and three of which were with an independent third party) (the “**Reviewed Historical FLRs Transactions**”). We have reviewed and compared the relevant contracts of the Reviewed Historical FLRs Transactions, and note that the principal terms of these contracts were similar. We have also reviewed and compared the recorded gains on the transaction entered into between the Group and the Trustee (the “**Connected FLRs Transaction**”) against the recorded gains on the other three transactions entered into between the Group and the independent third party assignee (the “**Independent FLRs Transactions**”), and note that the gains recorded from the Connected FLRs Transaction was in line with the range of gains recorded from the Independent FLRs Transactions.

Having considered the aforesaid, we concur with the Directors’ view that the terms of the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**LETTER FROM INVESTEC**

**5. Rationale for determining the respective annual monetary caps contemplated under the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement**

Sets out below is information regarding the amount of historical transactions for (a) the loan services and guarantees provided by CE Bank and the Trustee to the Group; and (b) the assignment of FLRs by the Group to CE Group for the three years ended 31 December 2014 and the four months ended 30 April 2015:

|  | <b>For the year ended 31 December</b> |             |             | <b>For the four</b>   |
|--|---------------------------------------|-------------|-------------|-----------------------|
|  | <i>(HK\$ million)</i>                 |             |             | <b>months</b>         |
|  | <b>2012</b>                           | <b>2013</b> | <b>2014</b> | <b>ended</b>          |
|  |                                       |             |             | <b>30 April</b>       |
|  |                                       |             |             | <i>(HK\$ million)</i> |
|  |                                       |             |             | <b>2015</b>           |
| Maximum daily closing<br>balance of loans<br>(including the<br>guarantees) under the<br>loan services provided by<br>CE Bank and the Trustee<br>to the Group | 176                                   | 176         | 1,164       | 1,602                 |
| Total consideration under<br>the assignment of FLRs<br>by the Group to<br>CE Group   | Nil                                   | Nil         | 656         | Nil                   |

## LETTER FROM INVESTEC

The proposed annual monetary caps of the continuing connected transactions contemplated under the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement for the eight months ending 31 December 2015 and each of the two years ending 31 December 2016 and 2017 are set out below:

|  | <b>For the<br/>eight months<br/>ending<br/>31 December<br/>(HK\$ million)<br/>2015</b> | <b>For the year ending<br/>31 December<br/>(HK\$ million)<br/>2016</b> | <b>2017</b> |
|--|--|--|-------------|
| The Annual Monetary Caps under the Loan Services Framework Agreement (Maximum daily closing balance of loans (including the guarantees)) | 4,271  | 7,898  | 11,096      |
| The Annual Monetary Caps under the Assignment of Finance Lease Receivables Framework Agreement (Total consideration)                     | 936  | 1,560  | 2,496       |

*i. The Annual Monetary Caps under the Loan Services Framework Agreement*

As set out in the Letter from the Board, the Directors have determined the Annual Monetary Caps for the loan services and guarantees with reference to a number of factors, including, among other things; (i) the historical figures of the maximum closing balance of loans (including the guarantees) in previous years; (ii) the expected increase in the amount of loans and guarantees required by the Group; and (iii) the business development plans and financial needs of the Group. Based on the projected increase in fleet size and the expected aircraft delivery schedule, the Group's fleet will increase to 75 aircraft by the end of 2016 and 168 aircraft by 2022, resulting in an expected increase in the amount of loans required by the Group to fund, among others, the acquisition cost, of which approximately 20% to 40% is expected to be funded by loans from CE Group.

We note that the historical maximum daily closing balance of loans (including the guarantees) under the loan services and guarantees provided by CE Bank and the Trustee to the Group increased from approximately HK\$176 million for the year ended 31 December 2012 to approximately HK\$1,164 million for the year ended 31 December 2014 and further to

## LETTER FROM INVESTEC

approximately HK\$1,602 million for the four months ended 30 April 2015. The Annual Monetary Cap under the Loan Services Framework Agreement for the eight months ended 31 December 2015 of approximately HK\$4,271 million represents an increase of approximately HK\$2,669 million from approximately HK\$1,602 million of the historical maximum daily closing balance of loans (including the guarantees) under the loan services and guarantees provided by CE Bank and the Trustee for the four months ended 30 April 2015. We also note that the Annual Monetary Caps under the Loan Services Framework Agreement increase from approximately HK\$4,271 million for the eight months ending 31 December 2015 to approximately HK\$7,898 million for the year ending 31 December 2016 and further to approximately HK\$11,096 million for the year ending 31 December 2017, representing a compound annual growth rate (“CAGR”) of approximately 61% (the “**Loan Annual Monetary Caps CAGR**”).

We understand from our discussions with the Company that the Annual Monetary Caps under the Loan Services Framework Agreement is primarily determined by the business development plan (including the projected fleet size), the expected aircraft delivery schedule and the budget schedule of the Company for the three years ending 31 December 2017. In addition, the Management advises that a buffer, representing approximately 20% to 30% of the Annual Monetary Caps under the Loan Services Framework Agreement, has been incorporated into the Annual Monetary Caps to cater for potential business growth and market uncertainties during the period.

We have reviewed the business development plan, the expected aircraft delivery schedule including but not limited to the purchases pursuant to the Aircraft Purchase Agreement, which would increase the Group’s fleet to 75 aircraft by the end of 2016 and 168 aircraft by 2022, and the budget schedule of the Group as well as their principal underlying assumptions for the eight months ending 31 December 2015 and each of the two years ending 31 December and 2016 and 2017, and discussed the basis and assumption of such projection with the Company. We also note from the 2014 Annual report that the fleet size of the Company increased from 16 in 2012 to 44 in 2014, representing a CAGR of approximately 66%, which the Loan Annual Monetary Caps CAGR of approximately 61% is in line with. In addition, we note from our discussions with the Management that the buffer would enable the Group to capture potential opportunities as well as the ability to manage unforeseen circumstances and/or market uncertainties, such as tightening of lending policies by the Group’s other existing financiers/ lenders, which may cause interruptions to the Group’s operations, and we have discussed with the Management the basis and assumptions taken into account in the calculation of the buffer. Based on our review and work performed as discussed above, we concur with the Director’s view that the Annual Monetary Caps and their basis under the Loan Services Framework Agreement are fair and reasonable.

## LETTER FROM INVESTEC

*ii. The Annual Monetary Caps under the Assignment of Finance Lease Receivables Framework Agreement*

As set out in the Letter from the Board, the Directors have determined the annual monetary caps for the assignment of FLRs with reference to a number of factors, including, among other things, (a) the historical figures of the total consideration in respect of assignment of FLRs in previous years, which have taken into account the carrying value of the FLRs; (b) the expected increase in the number of aircrafts owned by the Group and the corresponding expected increase in lease receivables in relation to such aircrafts; and (c) the business development plans of the Group. Based on the projected increase in fleet size and the expected aircraft delivery schedule, the Group's fleet will increase to 75 aircrafts by the end of 2016 and 168 aircrafts by 2022. Such expansion is expected to result in a corresponding increase in the assignment of lease receivables in relation to such aircrafts.

We note that the total consideration under the assignment of FLRs by the Group to CE Group was nil for the year ended 31 December 2012, 2013 and for the four month ended 30 April 2015, and amounted to approximately HK\$656 million in 2014. The Annual Monetary Cap under the Assignment of Finance Lease Receivables Framework Agreement is approximately HK\$936 million for the eight months ending 31 December 2015, approximately HK\$1,560 million for the year ending 31 December 2016 and approximately HK\$2,496 million for the year ending 31 December 2017.

We understand from our discussions with the Company that the Annual Monetary Caps under the Assignment of Finance Lease Receivables Framework Agreement is primarily determined by the business development plan (including the projected fleet size), the expected increase in the number of aircrafts owned by the Group and the corresponding expected increase in lease receivables in relation to such aircrafts for the three years ending 31 December 2017. In addition, the Management advises that a buffer, representing approximately 15% to 30% of the Annual Monetary Caps under the Assignment of Finance Lease Receivables Framework Agreement, has been incorporated into the Annual Monetary Caps to cater for potential business growth and market uncertainties during the period.

We have reviewed the business development plan, the expected aircraft delivery schedule, the expected increase in the number of aircrafts owned by the Group and the corresponding expected increase in FLRs transactions in relation to such aircraft for the three years ending 31 December 2017. We also note that the Annual Monetary Caps for 2015 under the Assignment of Finance Lease Receivables Framework Agreement of HK\$936 million represent approximately 8.2% of the net finance lease receivables of approximately HK\$11,443.5 million as at 31 December 2014. In addition, we note from our discussions with the Management that the buffer would enable the Group to capture potential opportunities as well as the ability to manage

unforeseen circumstances and/or market uncertainties, such as the change of risk appetite and/or risk management strategy of the Group's other existing FLRs assignee, which may cause interruptions to the Group's operations, and we have discussed with the Management the basis and assumptions taken into account in the calculation of the buffer. Based on our review and work performed as discussed above, we concur with the Directors' view that Annual Monetary Caps and their basis under the Assignment of Finance Lease Receivables Framework Agreement are fair and reasonable.

**6. Continuing obligations under the Listing Rules**

The Listing Rules impose certain ongoing obligations in respect of annual caps in connection with continuing connected transactions, in particular, the restriction of the value of the transactions contemplated under the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement by way of the annual cap for each of the relevant financial years and the annual review by the independent non-executive Directors of the terms of such transactions and the relevant annual monetary caps not being exceeded, details of which must be included in the Company's subsequent published annual reports and accounts. Also, pursuant to the Listing Rules, each year the auditors of the Company must provide a letter to the Board confirming, among other things, that the transactions contemplated under the Agreement are conducted in accordance with the terms of the relevant Agreement and that the relevant annual monetary caps have not been exceeded. In addition, pursuant to the Listing Rules, the Company shall publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or its auditors will not be able to confirm the terms of such transactions or the relevant annual monetary caps not being exceeded.

**RECOMMENDATION**

Having considered the above principal factors, in particular, the following,

- (i) the secured loan (including guarantee) transactions contemplated under the Loan Services Framework Agreement and the realisation of the FLRs contemplated under the Assignment of Finance Lease Receivables Agreement both form an integral part of the business model of the Group;
- (ii) prior to CE Group (including its subsidiaries) became a connected person upon the completion of the CEG Restructuring, members of the Group engaged CE Group (including its subsidiaries) for similar services to those contemplated under the Assignment of Finance Lease Receivables Agreement and the Loan Services Framework Agreement, respectively;
- (iii) the Group has the right but not the obligation to engage CE Group for their provision of financial services and realisation of FLRs;

## LETTER FROM INVESTEC

- (iv) the transactions to be conducted under each of the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Agreement will be on normal commercial terms that are no less favourable than those terms available to or from independent third parties to the Group in accordance to the Internal Control Policy; and
- (v) the value of, and the basis for determining, the respective Annual Monetary Caps are reasonable as discussed in this letter above,

we are of the opinion that the transactions contemplated under the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement will be conducted in the ordinary course of business of the Group; the terms of the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement are normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and the respective Annual Monetary Caps under the Loan Services Framework Agreement and Assignment of Finance Lease Receivables Framework Agreement are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in respect of the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement (together with the respective Annual Monetary Caps) and the transactions contemplated thereunder.

Yours faithfully  
For and on behalf of  
**Investec Capital Asia Limited**  
**Lewis Lai**  
*Director*  
*Corporate Finance*

*Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Investec Capital Asia Limited. He has over eight years of experience in the corporate finance industry.*

## GENERAL INFORMATION

### I. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company 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 enquiries, 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.

### II. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange were as follows:

| Name              | Capacity/<br>Nature of interest    | Number of<br>ordinary shares<br>held (L) <sup>(1)</sup> | Number of<br>underlying<br>shares held (L) | Approximate<br>percentage of<br>interest |
|-------------------|------------------------------------|---|--|--|
| Mr. Poon Ho Man   | Interest of controlled corporation | 181,254,589 <sup>(2)</sup>                              | -  | 30.64%                                   |
|                   | Interest of controlled corporation |   | 1,300,000 <sup>(3)</sup>                   | 0.22%                                    |
|                   | Interest of controlled corporation |   | 15,000,000 <sup>(4)</sup>                  | 2.54%                                    |
| Ms. Liu Wanting   | Interest of controlled corporation | 2,000,000   |  | 0.34%                                    |
|                   | Interest of controlled corporation |   | 8,000,000 <sup>(5)</sup>                   | 1.35%                                    |
| Mr. Chen Shuang   | Beneficial owner                   |   | 200,000 <sup>(6)</sup>                     | 0.03%                                    |
| Mr. Tang Chi Chun | Beneficial owner                   |   | 200,000 <sup>(6)</sup>                     | 0.03%                                    |
| Mr. Guo Zibin     | Beneficial owner                   |   | 200,000 <sup>(6)</sup>                     | 0.03%                                    |



## GENERAL INFORMATION

| Name                     | Capacity/<br>Nature of interest | Number of<br>ordinary shares<br>held (L) <sup>(1)</sup> | Number of<br>underlying<br>shares held (L) | Approximate<br>percentage of<br>interest |
|--------------------------|---------------------------------|---|--|--|
| Mr. Fan Yan Hok, Philip  | Beneficial owner                | 66,000  |  | 0.01%                                    |
|                          | Beneficial owner                |   | 134,000 <sup>(6)</sup>                     | 0.02%                                    |
| Mr. Ng Ming Wah, Charles | Beneficial owner                |   | 200,000 <sup>(6)</sup>                     | 0.03%                                    |
| Mr. Nien Van Jin, Robert | Beneficial owner                |   | 200,000 <sup>(6)</sup>                     | 0.03%                                    |

*Notes:*

- (1) The letter “L” denotes the entity/person’s long position in the securities.
- (2) Friedmann Pacific Asset Management Limited (“FPAM”) is a substantial shareholder of the Company which is owned as to 0.000001% by Ms. Christina Ng and 99.999999% by Capella Capital Limited (“Capella”), which is in turn owned as to 10% by Ms. Ng and 90% by Mr. Poon Ho Man, spouse of Ms. Ng.
- (3) These interests represented the interests in underlying shares in respect of the share options granted by the Company to FPAM pursuant to the pre-IPO share option scheme.
- (4) These interests represented the interests in underlying shares in respect of the share options granted by the Company to Equal Honour Holdings Limited, a company wholly-owned by Mr. Poon Ho Man, pursuant to the pre-IPO share option scheme.
- (5) These interests represented the interests in underlying shares in respect of the share options granted by the Company to Smart Vintage Investments Limited, a company wholly-owned by Ms. Liu Wanting, pursuant to the pre-IPO share option scheme.
- (6) These interests represented the interests in underlying shares in respect of the share options granted by the Company to each non-executive Director and independent non-executive Director pursuant to the post-IPO share option scheme.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code.

## GENERAL INFORMATION

### III. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, substantial Shareholders and other persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

| Name of shareholders   | Capacity/<br>Nature of interest    | Number of<br>ordinary Shares<br>held (L) <sup>(1)</sup> | Number of<br>underlying<br>shares held (L) | Approximate<br>percentage of<br>interest |
|--|------------------------------------|---|--|--|
| China Everbright Aerospace Holdings Limited<br>("CE Aerospace")    | Beneficial owner                   | 206,979,479 <sup>(4)</sup>                              |  | 34.98%                                   |
|  | Beneficial owner                   |   | 2,000,000 <sup>(2)</sup>                   | 0.34%                                    |
| China Everbright Financial Investments Limited<br>("CE Financial") | Beneficial owner                   | 8,220,000 <sup>(4)</sup>                                |  | 1.39%                                    |
|  | Beneficial owner                   |   | 34,388,297 <sup>(3)</sup>                  | 5.81%                                    |
| CE Limited   | Interest of controlled corporation | 215,199,479 <sup>(4)</sup>                              |  | 36.37%                                   |
|  | Interest of controlled corporation |   | 34,388,297 <sup>(3)</sup>                  | 5.81%                                    |
|  | Interest of controlled corporation |   | 2,000,000 <sup>(2)</sup>                   | 0.34%                                    |
| CE Hong Kong   | Interest of controlled corporation | 215,199,479 <sup>(5)</sup>                              |  | 36.37%                                   |
|  | Interest of controlled corporation |   | 34,388,297 <sup>(3)</sup>                  | 5.81%                                    |
|  | Interest of controlled corporation |   | 2,000,000 <sup>(2)</sup>                   | 0.34%                                    |
| CE Group   | Interest of controlled corporation | 215,199,479 <sup>(6)</sup>                              |  | 36.37%                                   |
|  | Interest of controlled corporation |   | 34,388,297 <sup>(3)</sup>                  | 5.81%                                    |
|  | Interest of controlled corporation |   | 2,000,000 <sup>(2)</sup>                   | 0.34%                                    |
| Huijin Limited   | Interest of controlled corporation | 215,199,479 <sup>(6)</sup>                              |  | 36.37%                                   |
|  | Interest of controlled corporation |   | 34,388,297 <sup>(3)</sup>                  | 5.81%                                    |
|  | Interest of controlled corporation |   | 2,000,000 <sup>(2)</sup>                   | 0.34%                                    |

## GENERAL INFORMATION

| Name of shareholders   | Capacity/<br>Nature of interest       | Number of<br>ordinary Shares<br>held (L) <sup>(1)</sup> | Number of<br>underlying<br>shares held (L) | Approximate<br>percentage of<br>interest |
|--|---------------------------------------|---|--|--|
| FPAM   | Beneficial owner                      | 181,254,589 <sup>(9)</sup>                              |  | 30.64%                                   |
|  | Beneficial owner                      |   | 1,300,000 <sup>(7)</sup>                   | 0.22%                                    |
| Capella  | Interest of controlled<br>corporation | 181,254,589 <sup>(9)</sup>                              |  | 30.64%                                   |
|  | Interest of controlled<br>corporation |   | 1,300,000 <sup>(7)</sup>                   | 0.22%                                    |
| POON Ho Man  | Interest of controlled<br>corporation | 181,254,589 <sup>(10)</sup>                             |  | 30.64%                                   |
|  | Interest of controlled<br>corporation |   | 1,300,000 <sup>(7)</sup>                   | 0.22%                                    |
|  | Interest of controlled<br>corporation |   | 15,000,000 <sup>(8)</sup>                  | 2.54%                                    |
| Christina NG   | Interest of spouse                    | 181,254,589 <sup>(11)</sup>                             |  | 30.64%                                   |
|  | Interest of spouse                    |   | 1,300,000 <sup>(7)</sup>                   | 0.22%                                    |
|  | Interest of spouse                    |   | 15,000,000 <sup>(8)</sup>                  | 2.54%                                    |
| Huarong (HK) International<br>Holdings Limited<br>("HK Huarong") | Beneficial owner                      |   | 34,388,297 <sup>(12)</sup>                 | 5.81%                                    |
| China Huarong Asset<br>Management Co., Ltd.<br>("China Huarong") | Interest of controlled<br>corporation |   | 34,388,297 <sup>(13)</sup>                 | 5.81%                                    |

*Notes:*

- (1) The letter "L" denotes the entity/person's long position in the securities.
- (2) These interests represented the interests in underlying shares in respect of the share options granted by the Company to CE Aerospace pursuant to the pre-IPO share option scheme.
- (3) These interests represented the interests in underlying shares in respect of the convertible bonds to be issued by the Company to CE Financial pursuant to a subscription agreement with CE Financial dated 26 March 2015.
- (4) The entire issued share capital of CE Aerospace is wholly-owned by CE Limited. Accordingly, CE Limited is deemed to be interested in all shares and underlying shares held by CE Aerospace and CE Financial.
- (5) CE Hong Kong indirectly holds more than one-third of the voting power at general meetings of CE Limited. Accordingly, CE Hong Kong is deemed to be interested in all shares and underlying shares mentioned in notes (2) to (4) above.
- (6) According to the Company's announcements in respect of the proposed restructuring dated 10 November 2014, 25 November 2014, 8 December 2014 and 14 May 2015, CE Group and Huijin Limited are deemed to be interested in all shares and underlying shares mentioned in notes (2) to (4) above.

## GENERAL INFORMATION

- (7) These interests represented the interests in underlying shares in respect of the share options granted by the Company to FPAM pursuant to the pre-IPO share option scheme.
- (8) These interests represented the interests in underlying shares in respect of the share options granted by the Company to Equal Honour Holdings Limited, a company wholly-owned by Mr. Poon Ho Man, pursuant to the pre-IPO share option scheme.
- (9) The issued share capital of FPAM is owned as to 0.000001% by Ms. Christina Ng and 99.999999% by Capella. Accordingly, Capella is deemed to be interested in all shares and underlying shares held by FPAM.
- (10) The issued share capital of Capella is owned as to 10% by Ms. Christina Ng and 90% by Mr. Poon Ho Man. Accordingly, Mr. Poon is deemed to be interested in all shares and underlying shares mentioned in notes (7) and (9) above.
- (11) Ms. Christina Ng is the spouse of Mr. Poon Ho Man.
- (12) These interests represented the interests in underlying shares in respect of the convertible bonds issued by the Company to HK Huarong pursuant to a subscription agreement with HK Huarong dated 26 March 2015.
- (13) The entire issued share capital of HK Huarong is indirectly wholly-owned by China Huarong. Accordingly, China Huarong is deemed to be interested in all underlying shares held by HK Huarong.

As at the Latest Practicable Date, Mr. Poon Ho Man is a director of FPAM, and 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.

Save as disclosed above, as at the Latest Practicable Date, the Company was not notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

#### IV. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group other than contracts expiring or determinable by the relevant employer within one year without payment of compensation (except statutory compensation).

#### V. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates was considered by the Company to have interests in businesses which compete with, or might compete with, either directly or indirectly, the businesses of the Group.

## GENERAL INFORMATION

### VI. DIRECTORS' INTEREST IN THE TRANSACTION OR THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests, either directly or indirectly, in the transaction or any assets which had been, since 31 December 2014 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of or leased to any member of the Group, or were proposed to be acquired or disposed of or leased to any member of the Group.

### VII. OTHER ARRANGEMENTS INVOLVING DIRECTORS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any of the Directors was materially interested and which was significant in relation to the business of the Group.

### VIII. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were 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 financial statements of the Company were made up.

### IX. EXPERT

- (1) The following is the qualifications of the expert who has given its opinion or advice which is contained in this circular:

| <b>Name</b>                      | <b>Qualification</b>   |
|----------------------------------|--|
| Investec Capital<br>Asia Limited | A corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO |

- (2) As at the Latest Practicable Date, the above expert did not have any shareholding directly or indirectly in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (3) As at the Latest Practicable Date, the above expert had no direct or indirect interest in any assets which had been, since 31 December 2014 (being the date to which the latest published audited financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

## GENERAL INFORMATION

- (4) The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

### X. MISCELLANEOUS

- (1) The registered office of the Company is at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business in Hong Kong is situated at 28<sup>th</sup> Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (2) The company secretary of the Company is Ms. Tai Bik Yin, who is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators of the United Kingdom.
- (3) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (4) In any event of inconsistency, the English version of this circular shall prevail over the Chinese version to the extent of such inconsistency.

### XI. DOCUMENTS AVAILABLE FOR INSPECTION

Copy of each of the Loan Services Framework Agreement and the Assignment of Finance Lease Receivables Framework Agreement will be available for inspection during normal business hours at the offices of the Company at 28<sup>th</sup> Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong from the date of this circular up to and including 30 June 2015.



**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)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of China Aircraft Leasing Group Holdings Limited will be held at Cliftons Hong Kong, 508-520 Hutchison House, 10 Harcourt Road, Central, Hong Kong at 10:30 a.m. on Tuesday, 30 June 2015 for the purposes of considering and, if thought fit, passing with or without modifications, the following proposed ordinary resolutions of the Company. Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the circular of the Company dated 15 June 2015.

**ORDINARY RESOLUTIONS**

1. **“THAT**
  - (a) the Loan Services Framework Agreement dated 14 May 2015 and entered into between the Company and CE Group in relation to loan services and guarantees to be provided by CE Group to the Group for the years of 2015, 2016 and 2017 (a copy of which is produced to the EGM marked “A” and signed by the Chairman of the EGM for the purpose of identification), and the proposed annual monetary caps for the transactions contemplated thereunder for the years of 2015, 2016 and 2017 be and are hereby approved, confirmed and ratified; and
  - (b) any one Director of the Company be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Loan Services Framework Agreement, including but not limited to the execution of all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the Loan Services Framework Agreement and the transactions thereunder, and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

## NOTICE OF EGM

### 2. "THAT

- (a) the Assignment of Finance Lease Receivables Framework Agreement dated 14 May 2015 and entered into between the Company and CE Group pursuant to which the Group will assign the FLRs to the Trustee during the years of 2015, 2016 and 2017 (a copy of which is produced to the EGM marked "B" and signed by the Chairman of the EGM for the purpose of identification), and the proposed annual monetary caps for the transactions contemplated thereunder for the years of 2015, 2016 and 2017 be and are hereby approved, confirmed and ratified; and
- (b) any one Director of the Company be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Assignment of Finance Lease Receivables Framework Agreement, including but not limited to the execution of all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the Assignment of Finance Lease Receivables Framework Agreement and the transaction thereunder, and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole."

By order of the Board  
**China Aircraft Leasing Group Holdings Limited**  
**POON HO MAN**  
*Executive Director and Chief Executive Officer*

Hong Kong, 15 June 2015

*As at the date of this notice, (i) the executive Directors are Mr. Poon Ho Man and Ms. Liu Wanting; (ii) the non-executive Directors are Mr. Chen Shuang, Mr. Tang Chi Chun and Mr. Guo Zibin; and (iii) the independent non-executive Directors are Mr. Fan Yan Hok, Philip, Mr. Ng Ming Wah, Charles, Mr. Nien Van Jin, Robert and Mr. Cheok Albert Saychuan.*



## NOTICE OF EGM

*Notes:*

1. In order to determine the list of Shareholders who are entitled to attend and vote at the EGM, the register of the Shareholders of the Company will be closed from Monday, 29 June 2015 to Tuesday, 30 June 2015 (both days inclusive), during which period no transfer of Shares will be registered. Shareholders whose names appear on the register of the Shareholders of the Company as on Tuesday, 30 June 2015 are entitled to attend and vote at the EGM. In order to attend the EGM, any Shareholder whose transfer has not been registered shall lodge the transfer documents together with the relevant share certificate with Tricor Investor Services Limited, the Company's Hong Kong branch share registrar, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30p.m. on Friday, 26 June 2015.
2. A member of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or if he/she is the holder of two or more shares, more than one proxy to attend and, subject to the provisions of the memorandum of association and articles of association of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
3. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the EGM or any adjournment thereof, should he/she so wish.
4. Completion and return of an instrument appointing a proxy will not preclude a member of the Company from attending and voting in person at the meeting and/or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolutions will be decided by way of poll.
6. In case the EGM is anticipated to be affected by black rainstorms or tropical cyclone with warning signal no. 8 or above, please refer to the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> and the Company's website at <http://www.calc.com.hk> for announcement on bad weather arrangement for the EGM.
7. The form of proxy in connection with the EGM is enclosed herewith.