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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 adviser.

**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 the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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**CALC**

**CHINA AIRCRAFT LEASING GROUP HOLDINGS LIMITED**

**中國飛機租賃集團控股有限公司**

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

**(Stock code: 1848)**

**(1) SUPPLEMENTAL AGREEMENT  
FOR DISCLOSEABLE AND CONTINUING CONNECTED  
TRANSACTIONS – PROVISION OF FINANCIAL ASSISTANCE TO ARI  
(2) REVISED ANNUAL CAPS  
AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

 **Investec**

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A letter from the Board is set out on pages 8 to 16 of this circular. A letter from the Independent Board Committee is set out on pages 17 and 18 of this circular. A letter from Investec Capital Asia Limited is set out on pages 19 to 41 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 on Thursday, 15 December 2016 at 9:30 a.m. is set out on pages 48 to 50 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.

30 November 2016

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## TABLE OF CONTENT

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	8
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	17
<b>LETTER FROM INVESTEC</b> .....	19
<b>APPENDIX I – GENERAL INFORMATION</b> .....	42
<b>NOTICE OF EGM</b> .....	48

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the meanings set out below:*

- “ARI” Aircraft Recycling International Limited, a company incorporated in the Cayman Islands on 22 August 2014 and held by the Company (through ARI Holdings) as to 48% as at the Latest Practicable Date
- “ARI Agreements” collectively, the Investment Agreement, the Option Agreement, the Shareholders’ Agreement, the Shareholders’ Loan and Guarantee Agreement and the Share Mortgage
- “ARI Business” the business model of ARI broadly includes the following:
- (i) aircraft sourcing: used aircraft are identified and purchased from time to time. Where appropriate, such aircraft may be offered for leasing for a period before they are decommissioned and ready for disassembly;
  - (ii) aircraft disassembly: the acquired aircraft is then dismantled and the various components and materials (from the airframe) are sorted. The components and materials that have no reuse potential are then scrapped. The components and materials that can be reused then undergo, where required, repairs and restoration procedures to obtain re-airworthiness certification\* (飛機零件再適航認證) from the relevant authority before they are stored as inventory and priced; and
  - (iii) aircraft components and materials sales and leasing: through various distribution channels, the re-certified components and materials are then sold or leased to customers, including aircraft maintenance, repair and overhaul firms, airlines, metal smelters and materials processing companies

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## DEFINITIONS

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“ARI Holdings”	Aircraft Recycling International Holdings Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company
“ARI Shareholder(s)”	holder(s) of the ordinary share(s) of US\$1.0 each in the share capital of ARI
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“Bonds”	the US\$300,000,000 4.9% guaranteed bonds due 2021 and the US\$300,000,000 5.9% guaranteed bonds due 2019, both of which are guaranteed by the Company, please refer to the Company’s announcements dated 15 August 2016 and 28 April 2016 respectively for details
“Business Day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for banking business in Hong Kong and excluding any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon
“BVI”	the British Virgin Islands
“CADC”	China Aircraft Disassembly Centre Limited, a company incorporated in the BVI whose entire issued share capital is wholly-owned by ARI
“CADC HK”	China Aircraft Disassembly Centre (HK) Limited, a company incorporated in Hong Kong whose issued share capital is wholly-owned by CADC
“CADC Project”	the project of ARI which principally involved the establishment of an aircraft disassembly centre in the PRC for carrying out the ARI Business, please refer to the Previous Circular for details

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## DEFINITIONS

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“CE Aerospace”	China Everbright Aerospace Holdings Limited, a company incorporated in the Cayman Islands on 13 January 2009, a wholly-owned subsidiary of CEL and one of the substantial shareholders of the Company
“CEL”	China Everbright Limited, a company incorporated in Hong Kong on 25 August 1972 and listed on the Stock Exchange (Stock code: 165) and one of the substantial shareholders of the Company
“China Aero”	China Aero Investments Limited, a company incorporated in the Cayman Islands on 30 January 2012 and is wholly and beneficially owned by FPAM
“Company”	China Aircraft Leasing Group Holdings Limited (中國飛機租賃集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	extraordinary general meeting of the Company to be convened and held on 15 December 2016, the notice of which is set out on pages 48 to 50 of this circular, and any adjournment thereof for the purpose of considering, and if thought fit, approving the Supplemental Agreement and the transactions contemplated thereunder and the Revised Annual Caps
“Existing Annual Caps”	the existing annual caps for the transactions contemplated under the Shareholders’ Loan and Guarantee Agreement
“FPAM”	Friedmann Pacific Asset Management Limited, a company incorporated in the BVI and one of the substantial shareholders of the Company
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“Guarantee Fee”	the guarantee fee payable by ARI to the Guarantor pursuant to the Shareholders’ Loan and Guarantee Agreement
“Guarantor”	an ARI Shareholder or any member of its group of companies which has provided guarantee for the loan of ARI
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board comprising all independent non-executive Directors to be established to advise the Shareholders on the Supplemental Agreement and the transactions contemplated thereunder and the Revised Annual Caps
“Independent Shareholders”	Shareholders other than (i) FPAM together with its associates; and (ii) CE Aerospace together with its associates; and (iii) any other Shareholders who are required by the Listing Rules to abstain from voting in respect of the resolution(s) relating to the Supplemental Agreement and the transactions contemplated thereunder and the Revised Annual Caps at the EGM
“Independent Third Party(ies)”	a party which is independent of and not connected with the Company and any connected person of the Company and not a connected person of the Company
“Investec” or “Independent Financial Adviser”	Investec Capital Asia Limited, a wholly-owned subsidiary of Investec Bank PLC, 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 SFO, and is the independent financial adviser appointed to advise the Independent Board Committee and the Shareholders on the Supplemental Agreement and the transactions contemplated thereunder and the Revised Annual Caps

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## DEFINITIONS

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“Investment Agreement”	the investment agreement and its supplemental agreement entered into between the Company, ARI, ARI Holdings, China Aero, Sky Cheer and Neo Modern on 6 April 2016 and 8 July 2016 respectively, please refer to the Previous Circular and the Company’s announcement dated 8 July 2016 for details
“Latest Practicable Date”	25 November 2016, being the latest practicable date before printing of this circular for ascertaining information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Note(s)”	the loan note(s) to be issued by ARI to any ARI Shareholder which has advanced the Shareholders’ Loan to ARI pursuant to the Shareholders’ Loan and Guarantee Agreement
“Neo Modern”	Neo Modern Limited, a company incorporated in the BVI on 22 January 2016 and is a wholly-owned subsidiary of CEL
“Option Agreement”	the option agreement entered into between ARI Holdings and ARI on 6 April 2016, please refer to the Previous Circular for details
“PRC”	the People’s Republic of China, but for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Previous Circular”	the circular of the Company dated 10 June 2016
“Revised Annual Caps”	the proposed revised annual caps for the years ending 31 December 2016, 2017 and 2018 for the transactions contemplated under the Supplemental Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong)

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## DEFINITIONS

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“Share(s)”	share(s) with par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholders’ Agreement”	the shareholders’ agreement entered into between ARI, ARI Holdings, China Aero, Sky Cheer and Neo Modern on 6 April 2016, please refer to the Previous Circular for details
“Shareholders’ Loan”	the shareholders’ loan advanced by any ARI Shareholder to ARI pursuant to the Shareholders’ Loan and Guarantee Agreement
“Shareholders’ Loan and Guarantee Agreement”	the shareholders’ loan and guarantee agreement entered into between ARI, ARI Holdings, China Aero, Sky Cheer and Neo Modern on 6 April 2016, please refer to the Previous Circular for details
“Share Mortgage”	the share mortgage entered into between ARI and ARI Holdings, as security trustee for and on behalf of the ARI Shareholders and their respective group companies who have provided Shareholders’ Loan and/or guarantee to ARI pursuant to the Shareholders’ Loan and Guarantee Agreement on 6 April 2016, please refer to the Previous Circular for details
“Sky Cheer”	Sky Cheer International Limited, a company incorporated in Hong Kong on 4 July 2008 and is owned by LI Yuze William and LIU Liyi
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreements”	the subscription agreements dated 26 August 2016 entered into between the Company and certain subscribers, please refer to the announcement of the Company dated 26 August 2016 for details



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## DEFINITIONS

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“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Agreement”	the supplemental agreement to the Shareholders’ Loan and Guarantee Agreement entered into between ARI, ARI Holdings, China Aero, Sky Cheer and Neo Modern on 14 November 2016
“%”	per cent.

\* *for identification purposes only*

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LETTER FROM THE BOARD

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**CALC**

**CHINA AIRCRAFT LEASING GROUP HOLDINGS LIMITED**

**中國飛機租賃集團控股有限公司**

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

**(Stock code: 1848)**

*Executive Directors:*

Mr. CHEN Shuang

*(Chairman and Chief Executive Officer)*

Ms. LIU Wanting

*Non-executive Directors:*

Mr. TANG Chi Chun

Mr. GUO Zibin

Ms. CHEN Chia-Ling

*Independent Non-executive Directors:*

Mr. FAN Yan Hok, Philip

Mr. NIEN Van Jin, Robert

Mr. CHEOK Albert Saychuan

Mr. CHOW Kwong Fai, Edward, JP

*Registered office in the Cayman Islands:*

Maples Corporate Services Limited

PO Box 309, Ugland House

Grand Cayman, KY1-1104

Cayman Islands

*Principal Place of Business in China:*

Room 6026-14, 6/F

Joint Inspection Service Centre of

Closed Area

1 American Road

Dongjiang Free Trade Port Zone

Tianjin, China

*Principal Place of Business in Hong Kong:*

28th Floor, Far East Finance Centre

16 Harcourt Road

Hong Kong

30 November 2016

*To the Shareholders*

Dear Sir or Madam,

**(1) SUPPLEMENTAL AGREEMENT  
FOR DISCLOSEABLE AND CONTINUING CONNECTED  
TRANSACTIONS – PROVISION OF FINANCIAL ASSISTANCE TO ARI  
(2) REVISED ANNUAL CAPS  
AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**I. INTRODUCTION**

Reference is made to the announcement of the Company dated 6 April 2016 and the Previous Circular in relation to, among other things, the entering into the ARI Agreements. The Board also refers to the announcement of the Company dated 14 November 2016 in relation to, among other things, the Supplemental Agreement and the Revised Annual Caps.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) details of the Revised Annual Caps; (ii) the transactions contemplated thereunder; (iii) the recommendation and advice of the Independent Board Committee; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Shareholders together with a notice convening the EGM.

### BACKGROUND

Reference is made to the announcement dated 6 April 2016 and the Previous Circular in relation to, among other things, the entering into the ARI Agreements. The ARI Agreements and the transactions contemplated thereunder (including the Existing Annual Caps) were approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 30 June 2016.

In view of the continued development of the ARI Business, ARI, ARI Holdings, China Aero, Sky Cheer and Neo Modern entered into the Supplemental Agreement on 14 November 2016 to revise the terms governing the repayment of the Shareholders' Loan under the Shareholders' Loan and Guarantee Agreement.

As the Board expects that the Existing Annual Caps for the years ending 31 December 2016, 2017 and 2018 will no longer be sufficient, the Board therefore proposes to revise the Existing Annual Caps to HK\$1,300 million for each of the years ending 31 December 2016, 2017 and 2018.

### SUPPLEMENTAL AGREEMENT

- Date:** 14 November 2016
- Parties:**
- (i) ARI;
  - (ii) ARI Holdings;
  - (iii) China Aero;
  - (iv) Sky Cheer; and
  - (v) Neo Modern.

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## LETTER FROM THE BOARD

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### **Subject matter**

Under the Shareholders' Loan and Guarantee Agreement, no repayment of the Loan Notes shall be made by ARI unless (a) repayment is made pro rata to each of the ARI Shareholders in proportion to the principal amount of their respective Loan Notes; and (b) repayment shall be made to each such ARI Shareholder at the same time and in the same currency.

Pursuant to the Supplemental Agreement, the parties thereto have agreed to revise the terms governing the repayment of the Shareholders' Loan under the Shareholders' Loan and Guarantee Agreement to the extent that repayment of any Loan Note shall be made by ARI, and be made (a) pro rata to each of the ARI Shareholders in proportion to the principal amount of their respective Loan Notes; or (b) in such other proportion as such ARI Shareholders and ARI may agree in writing from time to time.

Save and except for the revision of the repayment terms, all other terms and conditions under the Shareholders' Loan and Guarantee Agreement shall remain unchanged.

### **Condition Precedent**

The Supplemental Agreement is conditional upon the approval of the Supplemental Agreement by the Independent Shareholders at the EGM.

### **REVISION OF THE EXISTING ANNUAL CAPS**

#### **Historical Figures, Existing Annual Caps and Revised Annual Caps**

For the period commencing from 29 July 2016 to the Latest Practicable Date, the amount of principal loan outstanding and interests payable to the Group is approximately HK\$438 million, whereas the amount of principal loan outstanding and interests payable to Neo Modern is approximately HK\$46 million.

The Company has financed the relevant Shareholders' Loan to ARI out of (i) internal working capital generated; (ii) bank borrowings; (iii) the net proceeds received from the issuance of the Bonds; and (iv) the net proceeds received under the Subscription Agreements. The proceeds from the Shareholders' Loans provided have been applied towards the construction costs and land premium of the CADC Project. The Directors confirmed that the internal control measures as set out in the Previous Circular have been complied with when providing the Shareholders' Loan.

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## LETTER FROM THE BOARD

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The following table sets out the Existing Annual Caps of the continuing connected transactions contemplated under the Shareholders' Loan and Guarantee Agreement for the three years ending 31 December 2018:

	For the year ending 31 December		
	2016	2017	2018
	<u>HK\$ million</u>	<u>HK\$ million</u>	<u>HK\$ million</u>
<b>Existing Annual Caps amounts</b>	480	600	720

The following table sets out the Revised Annual Caps of the continuing connected transactions contemplated under the Shareholders' Loan and Guarantee Agreement (as supplemented by the Supplemental Agreement) for the three years ending 31 December 2018:

	For the year ending 31 December		
	2016	2017	2018
	<u>HK\$ million</u>	<u>HK\$ million</u>	<u>HK\$ million</u>
<b>Revised Annual Caps amounts</b>	1,300	1,300	1,300

### **Basis for the Revised Annual Caps contemplated under the Shareholders' Loan and Guarantee Agreement**

The Revised Annual Caps represent the maximum principal loans outstanding (including the principal loans guaranteed by the Group) together with interest and Guarantee Fee amounts. Since the completion of the subscription under the Investment Agreement in July 2016, the market which the ARI Business operates in have continued to develop in rapid speed and with the management of ARI being appointed, they have since identified a number of potential business opportunities to facilitate and expedite the development of the ARI Business as further discussed under the section headed "Reasons For and Benefits of the Supplemental Agreement" below.

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## LETTER FROM THE BOARD

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The Revised Annual Caps were determined with reference to factors including (i) the proposed acquisition of a number of aged aircraft and used aircraft engines by the end of 2016 and in 2017, which is expected to be in the range of approximately HK\$1 billion to HK\$1.4 billion; (ii) the estimated construction costs and land premium of the CADC Project, which is expected to be approximately HK\$600 million; (iii) the ongoing ARI Business development, including, to acquire aged aircraft and used engines for dismantling and to subsequently sell or lease the aircraft components and materials and operational expenses as well as other financial needs of ARI including the additional funding requirements of the establishment of the centre, which is expected to be in the range of approximately HK\$2 million to HK\$3 million per month for 2016 and is expected to increase as the ARI Business develops; and (iv) potential expansion of the existing ARI Business through organic growth such as hiring additional staff and purchasing equipments and/or acquisitions when suitable opportunities are identified, and based on the assumptions that (a) part of the financial needs of ARI for the three years ending 31 December 2018 will be financed by bank borrowings; and (b) the Company will provide full amount of the Shareholders' Loan and/or guarantee required by ARI if other ARI Shareholders and their respective group companies do not provide any amount out of their respective pro rata portion of such Shareholders' Loan and/or guarantee. In the event any ARI Shareholder and their respective group companies, other than the Company, provide the Shareholders' Loan and/or guarantee required by ARI, the Revised Annual Caps may not be fully utilised.

### INFORMATION OF THE PARTIES

#### **The Company**

The Company is an investment holding company incorporated in Cayman Islands on 21 December 2012. The Group is principally engaged in the provision of aircraft leasing services, focusing on long-term aircraft purchase and lease transactions and long-term aircraft sale and leaseback transactions with airline operators in the PRC and overseas. It also provides other advisory services on fleet management.

#### **ARI Holdings**

ARI Holdings is an investment holding company incorporated in the BVI on 24 February 2016 and a wholly-owned subsidiary of the Company.

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## LETTER FROM THE BOARD

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### **ARI**

ARI is a company incorporated in the Cayman Islands on 22 August 2014 and is held by the Company (through ARI Holdings) as to 48%, by Sky Cheer as to 20%, by China Aero as to 18% and by Neo Modern as to 14% respectively as at the Latest Practicable Date. It is principally engaged in the ARI Business.

### **Sky Cheer**

Sky Cheer is an investment holding company incorporated in Hong Kong on 4 July 2008 and is owned by LI Yuze William and LIU Liyi. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Sky Cheer and its ultimate shareholders are Independent Third Parties.

### **China Aero**

China Aero is an investment holding company incorporated in the Cayman Islands on 30 January 2012 and is wholly and beneficially owned by FPAM.

As at the Latest Practicable Date, FPAM together with its associates are interested in 192,012,589 Shares, representing approximately 28.66% of the issued share capital of the Company, and hence a substantial shareholder of the Company. Accordingly, China Aero is a connected person of the Company.

### **Neo Modern**

Neo Modern is an investment holding company incorporated in the BVI on 22 January 2016 and a wholly-owned subsidiary of CEL. CEL is a member of China Everbright Group, a state-owned diversified financial services enterprise operating in Hong Kong and the PRC. As at the Latest Practicable Date, CEL is interested in 216,519,479 Shares, representing approximately 32.32% of the issued share capital of the Company, and hence a substantial shareholder of the Company. Accordingly, Neo Modern is a connected person of the Company.

## **REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL AGREEMENT**

The Shareholders' Loan and Guarantee Agreement and the Share Mortgage is an arrangement to facilitate ARI in meeting the funding requirements by way of raising Shareholders' Loan and/or bank loans for the development of the ARI Business.

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## LETTER FROM THE BOARD

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Pursuant to the existing repayment terms under the Shareholders' Loan and Guarantee Agreement, should any of the participating ARI Shareholder(s) request for repayment from ARI, all of the other participating ARI Shareholder(s) would, at the same time, automatically be deemed to have requested for repayment of their respective proportion of the Shareholders' Loan from ARI on a pro rata basis. However, the revised repayment terms under the Supplemental Agreement shall facilitate such other participating ARI Shareholder(s) by providing an option to (i) opt out of automatically requesting for repayment of the Shareholders' Loan from ARI in such situations and keep their Loan Notes status quo; or (ii) request for a different proportion of repayment as they may see fit, subject to agreement between the relevant parties.

Based on the foregoing, the Directors believe that the revised repayment terms under the Supplemental Agreement as set out above shall increase the flexibility for ARI Shareholders to cater for special repayment situations by accommodating for ARI's and each of the ARI Shareholders' financial requirements separately. Under the existing Shareholders' Loan and Guarantee Agreement, no such arrangement has been contemplated as at the Latest Practicable Date.

Since the completion of the subscription under the Investment Agreement in July 2016, the management of ARI has identified a number of potential business opportunities to facilitate and expedite the development of the ARI Business, including (i) used aircraft acquisitions; (ii) aircraft component acquisitions; and (iii) other business expansion opportunities. As at the Latest Practicable Date, the CADC Project is at the construction stage and the Directors expect that the CADC Project will be completed by end of 2018.

In the long run, the intention is for ARI to obtain financial independence, and that ARI's management is currently in negotiation with a number of financial institutions for external financing. Notwithstanding the above, as ARI is still in its infancy and the Directors consider that ARI may require more time to finalise its financing arrangements with these external financial institutions, which is intended by ARI to be one of its main medium to long term financing solutions. As at the Latest Practicable Date, ARI is obtaining the final approval of two bank loans for the construction costs and working capital, respectively. The total loan amount, if approved, is expected to be more than HK\$1.2 billion. Having considered the above, the Directors believe that the Supplemental Agreement together with the Revised Annual Caps will be an interim financing solution for ARI to facilitate its continuous development and seize the aforementioned potential business opportunities in a timely manner.



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## LETTER FROM THE BOARD

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The Directors are of the view that (i) the continuing connected transactions contemplated under the Supplemental Agreement will be carried out in the ordinary and usual course of business of the Company; (ii) the terms of the Supplemental Agreement are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (iii) the Revised Annual Caps and the transactions contemplated under the Supplemental Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, ARI is a commonly held entity (has the meaning ascribed to it in Rule 14A.27 of the Listing Rules) of the Company, the Revised Annual Caps and the transactions contemplated under the Shareholders' Loan and Guarantee Agreement (as supplemented by the Supplemental Agreement) constitute continuing connected transactions of the Company under Rule 14A.26 of the Listing Rules. Furthermore, pursuant to Rule 14.04(1)(e) of the Listing Rules, the provision of financial assistance to ARI constitutes a discloseable transaction under Chapter 14 of the Listing Rules.

As the highest of the applicable percentage ratios in respect of the Revised Annual Caps is expected to be less than 25% on an annual basis and the total value of the financial assistance is expected to be more than HK\$10,000,000, such Revised Annual Caps and the transactions contemplated under the Shareholders' Loan and Guarantee Agreement (as supplemented by the Supplemental Agreement) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements for continuing connected transactions under Chapter 14A of the Listing Rules.

### EGM AND APPROVAL

The EGM will be held at 9:30 a.m. on Thursday, 15 December 2016 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 48 to 50 of this circular.

At the EGM, an ordinary resolution will be proposed to approve the Supplemental Agreement and the transactions contemplated thereunder (including the Revised Annual Caps). FPAM together with its associates; and CE Aerospace together with its associates, which are interested in 192,012,589 Shares, representing approximately 28.66% of the issued share capital of the Company, and 216,519,479 Shares, representing approximately 32.32% of the issued share capital of the Company as at the Latest Practicable Date, respectively, and any Shareholders who are required by the Listing Rules to abstain from voting, will abstain from voting at the EGM on the ordinary resolution regarding the Supplemental Agreement and the transactions contemplated thereunder (including the Revised Annual Caps).

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## LETTER FROM THE BOARD

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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 Wednesday, 14 December 2016 to Thursday, 15 December 2016 (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 Thursday, 15 December 2016 will be entitled to attend and vote at the EGM.

### RECOMMENDATION

Mr. TANG Chi Chun (being the chairman and a director of ARI and a non-executive Director) and Ms. LIU Wanting (being an alternate director of ARI and an executive Director) have abstained from voting on the relevant resolutions of the Board.

Your attention is drawn to the letter from the Independent Board Committee to the Shareholders, the text of which is set out on pages 17 and 18 of this circular. Your attention is also drawn to the letter from Investec which contains its advice to the Independent Board Committee and the Shareholders, the text of which is set out on pages 19 to 41 of this circular. The Independent Board Committee, having taken into account the advice of Investec, are of the view that (i) the Supplemental Agreement and the transactions contemplated thereunder will be carried out in the ordinary and usual course of business of the Company; and (ii) the Revised Annual Caps 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 ordinary resolution as set out in the notice of EGM.

Based on the foregoing, the Directors recommend that the Independent Shareholders should vote in favour of the resolution as set out in the notice of EGM.

### FURTHER INFORMATION

Your attention is also drawn to the additional information contained in the appendix to this circular.

By Order of the Board  
**China Aircraft Leasing Group Holdings Limited**  
**CHEN Shuang**  
*Executive Director, Chairman and  
Chief Executive Officer*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*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)**

30 November 2016

*To the Shareholders*

Dear Sir or Madam,

**(1) SUPPLEMENTAL AGREEMENT  
FOR DISCLOSEABLE AND CONTINUING CONNECTED  
TRANSACTIONS – PROVISION OF FINANCIAL ASSISTANCE TO ARI  
(2) REVISED ANNUAL CAPS  
AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company (the “**Circular**”) dated 30 November 2016 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 Supplemental Agreement and the transactions contemplated thereunder and the Revised Annual Caps, 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.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the terms of the Supplemental Agreement and the advice of Investec, we are of the opinion that (i) the Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms and will be carried out in the ordinary and usual course of business of the Company; and (ii) the Revised Annual Caps are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

We, therefore, recommend that you vote in favour of the resolution to be proposed at the EGM to approve the Supplemental Agreement and the transactions contemplated thereunder (including the Revised Annual Caps).

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**FAN Yan Hok,  
Philip**

**NIEN Van Jin,  
Robert**

**CHEOK Albert  
Saychuan**

**CHOW Kwong Fai,  
Edward, JP**

*Independent Non-executive Directors*

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## LETTER FROM INVESTEC

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*The following is the text of the letter of advice from Investec to the Independent Board Committee and the Shareholders in relation to the transactions contemplated under the Supplemental Agreement, including the Revised Annual Caps, which has been prepared for the purpose of inclusion in this Circular.*



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30 November 2016

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

Dear Sirs/Madams,

**SUPPLEMENTAL AGREEMENT  
RELATING TO DISCLOSEABLE  
AND  
CONTINUING CONNECTED TRANSACTIONS –  
PROVISION OF FINANCIAL ASSISTANCE TO ARI**

**I. INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders with regard to the continuing connected transactions contemplated under the Supplemental Agreement to the Shareholders' Loan and Guarantee Agreement (including the Revised Annual Caps) (the "**Continuing Connected Transactions**").

Details of the Supplemental Agreement are contained in the letter from the Board ("**Letter from the Board**") of the Circular to the Shareholders dated 30 November 2016. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

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## LETTER FROM INVESTEC

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Reference is made to the announcement of the Company dated 6 April 2016 and the Previous Circular in relation to, among other things, the entering into the ARI Agreements. The ARI Agreements and the transactions contemplated thereunder (including the Existing Annual Caps) were approved by the then independent Shareholders at the extraordinary general meeting of the Company held on 30 June 2016. In view of the continued development of the ARI Business, ARI, ARI Holdings, China Aero, Sky Cheer and Neo Modern entered into the Supplemental Agreement on 14 November 2016 to set out certain revised terms governing the repayment of the Shareholders' Loan under the Shareholders' Loan and Guarantee Agreement. In addition, as the Board expects that the Existing Annual Caps for the years ending 31 December 2016, 2017 and 2018 will no longer be sufficient, the Board also proposed the Revised Annual Caps of HK\$1,300 million for each of the years ending 31 December 2016, 2017 and 2018.

As set out in the Letter from the Board, China Aero and Neo Modern are connected persons of the Company. As ARI is a commonly held entity (has the meaning ascribed to it in Rule 14A.27 of the Listing Rules) of the Company, the transactions contemplated under the Supplemental Agreement in relation to the continuing connected transactions under the Shareholders' Loan and Guarantee Agreement will constitute continuing connected transactions for the Company under Rule 14A.26 of the Listing Rules. The Supplemental Agreement and the transactions contemplated thereunder (including the Revised Annual Caps) are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board currently consists of nine Directors, namely Mr. CHEN Shuang and Ms. LIU Wanting as executive Directors, Mr. TANG Chi Chun, Mr. GUO Zibin and Ms. CHEN Chia-Ling as non-executive Directors, Mr. FAN Yan Hok, Philip, Mr. NIEN Van Jin, Robert, Mr. CHEOK Albert Saychuan and Mr. CHOW Kwong Fai, Edward as independent non-executive Directors.

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. FAN Yan Hok, Philip, Mr. NIEN Van Jin, Robert, Mr. CHEOK Albert Saychuan and Mr. CHOW Kwong Fai, Edward, has been established to advise the Shareholders as to whether the terms of the Supplemental Agreement and the respective transactions contemplated thereunder (including the Revised Annual Caps) are fair and reasonable, and whether the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM INVESTEC

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We have been appointed to advise the Independent Board Committee and the Shareholders in these respects and to give our opinion in relation to the Supplemental Agreement and the respective transactions contemplated thereunder (including the Revised Annual Caps) for the Independent Board Committee's consideration when making their recommendation to the Shareholders.

As at the Latest Practicable Date, we were independent from and not connected to the Group, China Aero, Neo Modern, and Sky Cheer pursuant to Rule 13.84 of the Listing Rules, and accordingly, qualified to give independent advice to the Independent Board Committee and Shareholders regarding the Supplemental Agreement and the respective transactions contemplated thereunder (including the Revised Annual Caps). In addition to our appointment as the Independent Financial Adviser, Investec in the last two years has also acted as the independent financial adviser to the then independent board committee and then Shareholders in respect of (i) a connected transaction in relation to the disposal of shares of ARI and the CADC Project and continuing connected transactions in relation to the provision of financial assistance to ARI in June 2016; (ii) continuing connected transactions in April 2016 and June 2015, respectively; and (iii) a connected transaction in relation to a subscription agreement in relation to a proposed issue of convertible bonds under a specific mandate in April 2015. 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 and benefits from the Company.

### II. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group and China Aero, Neo Modern, Sky Cheer and their respective shareholders and management contained in the Circular and the information and representations provided to us by the Group and/or its senior management staff (the "**Management**") and/or the Directors. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this Letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations for matters relating to the Group and the ARI Shareholders made or provided by the Management and/or the Directors 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 Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

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## LETTER FROM INVESTEC

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We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Management has assured us no material information has been withheld from us to allow us to reasonably rely 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, beliefs and representations provided to us by the Group and/or the Management and/or the Directors 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 business and affairs of the Company, ARI Holdings, ARI, the ARI Shareholders and their respective shareholder(s) and subsidiaries or affiliates, and their respective histories, experience and track records, or the prospects of the markets in which they respectively operate.

### III. PRINCIPAL FACTORS CONSIDERED

In formulating our opinion in terms of the transactions contemplated under Supplemental Agreement, we have taken into consideration the following principal factors and reasons, including the background information of the relevant parties and principal terms of the Supplemental Agreement as well as an overview of the aviation industry in the PRC.

#### 1. Background information

##### *1.1 Background information of the Group*

As set out in the 2015 Annual Report (defined hereafter), the Group is principally engaged in the provision of aircraft leasing services, focusing on long-term aircraft purchase and lease transactions and long-term aircraft sale and leaseback transactions with airline operators in the PRC. It also provides other value-added services, including trading and marketing of used aircraft and other advisory services on fleet management. The Group has a single reporting segment, which engages in the provision of aircraft leasing services to airline companies in the PRC and other countries in Asia and Europe.



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## LETTER FROM INVESTEC

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Set out below is the summary of the Group’s (i) audited consolidated statement of income and consolidated balance sheet as extracted from the Company’s annual report for the year ended 31 December 2014 (the “**2014 Annual Report**”); (ii) audited consolidated statement of income and consolidated balance sheet as extracted from the Company’s annual report for the year ended 31 December 2015 (the “**2015 Annual Report**”); and (iii) unaudited consolidated statement of income and consolidated balance sheet as extracted from the Company’s interim report for six months ended 30 June 2016 (the “**2016 Interim Report**”):

*Summary of consolidated statement of income*

	For the year ended		For the six
	31 December		months ended
	2014	2015	30 June
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	(Audited)	(Audited)	(Unaudited)
<b>Revenue and other income</b>	1,145.0	1,549.3	1,026.6
<b>Profit before tax</b>	380.7	480.2	335.2
<b>Profit for the year/period</b>			
– attributable to owners of the Company	302.8	380.2	240.0
– attributable to non-controlling interests	(0.1)	0.0	–

For the year ended 31 December 2015, the Group recorded total revenue of approximately HK\$1,549.3 million compared to approximately HK\$1,145.0 million for the year ended 31 December 2014, representing an increase of approximately 35.3%. The Group generated profit for the year attributable to owners of the Company of approximately HK\$380.2 million for the year ended 31 December 2015, representing an increase of approximately 25.6% from such for the year ended 31 December 2014. Such increase was largely attributable to the increase in finance lease income of approximately HK\$300.7 million.

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## LETTER FROM INVESTEC

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For the six months ended 30 June 2016, the Group recorded total revenue of approximately HK\$1,026.6 million compared to approximately HK\$635.7 million for the six months ended 30 June 2015, representing an increase of approximately 61.5%. The Group generated profit for the period attributable to owners of the Company of approximately HK\$240.0 million for the six months ended 30 June 2016, representing an increase of approximately 105.7% from such for the six months ended 30 June 2015. Such increase was largely attributable to the increase in finance lease income of approximately HK\$155.9 million.

### *Summary of consolidated balance sheet*

	As at 31 December		As at 30 June
	2014	2015	2016
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	(Audited)	(Audited)	(Unaudited)
<b>Total assets</b>	18,313.0	23,947.0	28,864.6
– Finance lease			
receivables – net	11,443.5	16,473.0	16,423.4
– Cash and cash			
equivalents	1,425.6	1,389.3	4,352.6
<b>Total liabilities</b>	16,532.3	21,739.0	26,592.9
– Bank borrowings	15,342.6	18,775.2	20,206.4
– Convertible bonds	–	796.5	816.7
– Guaranteed bonds	–	–	2,300.1
<b>Total Equity</b>	1,780.7	2,208.0	2,271.7
– attributable to owners			
of the Company	1,761.3	2,188.5	2,271.7
– attributable to non-			
controlling interests	19.4	19.5	–

The Group's total assets increased by approximately HK\$5,634.0 million, from approximately HK\$18,313.0 million as at 31 December 2014 to approximately HK\$23,947.0 million as at 31 December 2015. As set out in the 2015 Annual Report, this was mainly attributable to the effect of an increase in finance lease receivables – net of approximately HK\$5,029.5 million.

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## LETTER FROM INVESTEC

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The Group's total liabilities increased by approximately HK\$5,206.7 million, from approximately HK\$16,532.3 million as at 31 December 2014 to approximately HK\$21,739.0 million as at 31 December 2015. As set out in the 2015 Annual Report, this was mainly attributable to the combined effect of (i) an increase in bank borrowings of approximately HK\$3,432.6 million; and (ii) an increase in convertible bonds of approximately HK\$796.5 million.

The Group's total assets increased by approximately HK\$4,917.6 million, from approximately HK\$23,947.0 million as at 31 December 2015 to approximately HK\$28,864.6 million as at 30 June 2016. As set out in the 2016 Interim Report, this was mainly attributable to the combined effect of (i) an increase in cash and cash equivalents of approximately HK\$2,963.3 million; and (ii) an increase in property, plant and equipment of approximately HK\$1,303.9 million.

The Group's total liabilities increased by approximately HK\$4,853.9 million, from approximately HK\$21,739.0 million as at 31 December 2015 to approximately HK\$26,592.9 million as at 30 June 2016. As set out in the 2016 Interim Report, this was mainly attributable to the combined effect of (i) an increase in guaranteed bonds of approximately HK\$2,300.1 million; and (ii) an increase in bank borrowings of approximately HK\$1,431.2 million.

As at 31 December 2015 and 30 June 2016, the Group's gearing ratio, as calculated by dividing interest-bearing debts included in total liabilities by total assets, was approximately 86.7% and 86.6%, respectively.

As of 30 June 2016, the Group had a fleet of 70 aircraft and was projected to have a fleet of 173 aircraft by 2022.

Subsequent to 30 June 2016, the Company announced on 15 August 2016 that a wholly-owned subsidiary of the Company entered into an agreement with certain financial institutions to issue US\$300,000,000 4.90% guaranteed bonds which will mature on 22 August 2021. The Company currently intends to use the net proceeds received from the issuance of bonds (i) for new aircraft acquisitions; (ii) financing the aircraft disassembly centre; (iii) business expansion in aircraft and related businesses; and (iv) general corporate purposes.

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## LETTER FROM INVESTEC

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As set out in the announcement of the Company dated 26 August 2016, the Company entered into Subscription Agreements, pursuant to which the Company conditionally agreed to allot and issue a total of 40,000,000 subscription shares under a general mandate at the subscription price of HK\$8.00 per subscription share, subject to a lock-up period of 12 months. The Company intends to use the net proceeds of approximately HK\$319.7 million from the subscription for (i) new aircraft acquisitions; (ii) financing the aircraft disassembly centre; (iii) business expansion in aircraft and related businesses; and (iv) general corporate purposes.

### ***1.2 Background information on the aviation industry in the PRC***

According to the Statistical Bulletin of Civil Aviation Industry Development in 2015 released in May 2016 by the Civil Aviation Administration of China (“CAAC”), the PRC’s main aviation regulator, the aviation industry recorded total profit of RMB48.79 billion in 2015, representing a year-on-year increase of approximately 68.9%. In addition, passenger traffic has increased by a compound annual growth rate of approximately 10.4% over the past five years, as PRC’s commercial aircraft fleet increased by 1,047 aircraft to 2,645 aircraft, with the number of airlines growing from 45 to 54, according to information published by CAAC.

Regulatory policies have also been one of the contributing factors in the recent growth of the PRC’s aviation industry. The Thirteenth Five-Year Plan for National Economic and Social Development of the PRC (2016-2020) included a focus on developing the aviation industry, in tandem with the “One Belt One Road” policy, and envisages developing and improving a total of over 260 airports by 2020 which, within a 100-kilometre radius of each, will collectively serve 91% of the national population. This includes over 20 large-scale airports located at main air transport hubs, which will be supplemented by smaller regional airports that serve regions which currently have low airport densities but high demand potential. Furthermore, in 2013, the CAAC lifted a seven-year-long moratorium on aircraft licensing applications. As the license review process takes two years, more new airlines are expected to commence operations in 2016.

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## LETTER FROM INVESTEC

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As the Chinese economy continues to develop, the rising affluence of Chinese people and commerce is expected to continue to boost tourism and hence demand for leisure- and business-related travel. Accordingly, the CAAC has set 2016 passenger and cargo traffic targets to be 485 million passenger and 6.8 million tonnes, respectively, up approximately 10.7% and 8.3% from 2015, respectively. Additionally, since 2015, the Group has also expanded beyond the PRC by offering leasing services to airlines in the Asia-Pacific region, as well as Turkey, which is expected to grow strongly by the Management.

According to a publication on market outlook (2015-2034) by an international aircraft manufacturer, the Asia (including the PRC) in-service fleet consisted of 5,850 aircraft in 2014, with a 20-year forecast delivery total of 14,330 aircraft – both figures are the largest of any region globally. The global aircraft in-service fleet in 2014 consisted of 21,600 aircraft, with a 20-year forecast delivery total of 38,050 aircraft. Within the next 20 years, the aircraft delivery value for Asia (including the PRC) is estimated to be in the region of US\$2,200 billion, or approximately 39% of the global total; the PRC alone is estimated to account for some 17% (approximately US\$950 billion) of the global total, which is estimated to be approximately US\$5,570 billion. On the back of the aforesaid growth, the expected demand for aircraft maintenance services (and hence spare aircraft parts) and the number of aircraft reaching retirement will increase.

On this basis, the Management believes that the used aircraft components market in the PRC is sizeable and will continue to grow significantly as the Chinese aircraft fleet continues to expand. Considering the above factors and given the Group's strong presence in the PRC aircraft leasing market, Management considers it strategically relevant to extend its business and participate in the potentially lucrative end-of-life aviation solution business in the PRC. Management considers through the Company's proposed increased financial assistance to ARI, which holds the ARI Business, the Group will be able to strategically extend its services along the aircraft value chain to offer a "one-stop" solution covering the full aircraft life cycle, comprising of a comprehensive range of services from leasing to end-of-life aviation solutions, to its customers and thereby extracting further value from the aircraft life cycle and enhancing the overall competitiveness of the Group in the market.

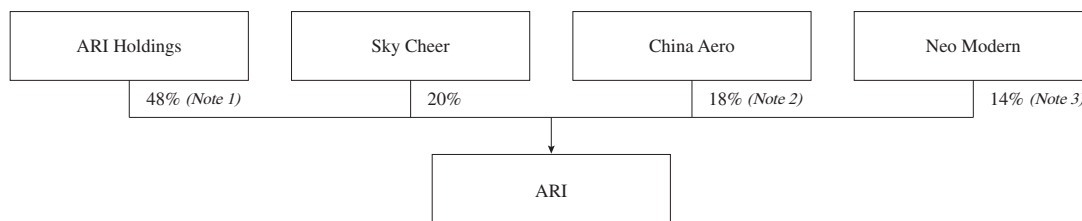
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## LETTER FROM INVESTEC

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### **1.3 Background information on ARI, the Shareholders' Agreement and the Shareholders' Loan and Guarantee Agreement**

The shareholding structure of ARI as at the Latest Practicable Date is as follows:



*Notes:*

- (1) The Company, which owns 100% of ARI Holdings, has an option for 612,245 ARI option shares, which represents approximately 5.77% of the issued share capital of ARI.
- (2) China Aero is 100% wholly and beneficially owned by FPAM, which together with its associates, were interested in approximately 28.66% of the issued share capital of the Company as at Latest Practicable Date.
- (3) Neo Modern was a wholly-owned subsidiary of CEL as at the Latest Practicable Date, which is in turn interested in approximately 32.32% of the issued share capital of the Company as at Latest Practicable Date.

We understand from Management that the ARI Business broadly includes the following:

- (i) aircraft sourcing: used aircraft are identified and purchased from time to time. Where appropriate, such aircraft may be offered for leasing for a period before they are decommissioned and ready for disassembly;
- (ii) aircraft disassembly: the acquired aircraft is then dismantled and the various components and materials (from the airframe) are sorted. The components and materials that have no reuse potential are then scrapped. The components and materials that can be reused then undergo, where required, repairs and restoration procedures to obtain re-airworthiness certification\* (飛機零件再適航認證) from the relevant authority before they are stored as inventory and priced; and

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## LETTER FROM INVESTEC

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- (iii) aircraft components and materials sales and leasing: through various distribution channels, the re-certified components and materials are then sold or leased to customers that include aircraft maintenance, repair and overhaul (MRO) firms, airlines, metal smelters and materials processing companies.

On 6 April 2016, the Group entered into, among other agreements, the Shareholders' Agreement and the Shareholders' Loan and Guarantee Agreement with a view to restructure its investment in ARI. Details of the Shareholders' Agreement and the Shareholders' Loan and Guarantee Agreement, among other agreements, are contained in the circular to the then Shareholders dated 10 June 2016. The Shareholders' Agreement, Shareholders' Loan and Guarantee Agreement, among other agreements, were duly passed by the then independent Shareholders by way of poll during the Company's extraordinary general meeting held on 30 June 2016.

Summary of the principal terms of the Shareholders' Agreement are as follows:

- the board of directors of ARI shall consist of five directors, of which the Company (through ARI Holdings) is entitled to nominate two directors, while each of China Aero, Sky Cheer and Neo Modern is entitled to nominate one member each; and
- except certain shareholders' resolutions of ARI as set out under the Shareholders' Agreement are to be approved by ARI Shareholders with not less than 75% equity interest, shareholders' resolutions of ARI shall be approved by majority vote of ARI Shareholders.

The Shareholders' Loan and Guarantee Agreement sets out terms and conditions, including those related to the Loan Notes and guarantees which may be provided by the ARI Shareholders to financial or other institutions for raising additional capital from time to time.

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## LETTER FROM INVESTEC

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The principal terms of the Shareholders' Loan and Guarantee Agreement are as follows:

- ARI may raise additional capital by way of Shareholders' Loan, where each ARI Shareholder shall have a right (but not the obligation) of first offer to advance its pro rata portion of the Shareholders' Loan to ARI;
- if one or more ARI Shareholders decline to advance its respective pro rata portion of the proposed loan by ARI, then the participation entitlement attributable to such ARI Shareholders (the "**Excess Loan**") shall be allocated to any of the remaining ARI Shareholders who have indicated their desire to participate in the advancement of the whole or part of the Excess Loan;
- the holder of the Shareholders' Loan is entitled to an interest at the rate of 4% above the prime lending rate per annum, and interest will be charged;
- ARI may from time to time proposes to raise additional capital by way of loans from banks, financial or other institutions (the "**ARI Bank Loans**") and if guarantee is required to be provided to the lender of such loans, each ARI Shareholder shall have a right (but not the obligation), subject to the acceptance and approval of the lender, to provide guarantee for such loans;
- if any ARI Shareholder or any members of its group companies, subject to certain condition, has provided guarantee for the loan of ARI (the "**Guarantor**"), ARI shall pay the Guarantor a guarantee fee (the "**Guarantee Fee**") equal to 4% per annum of the principal amount of the loans guaranteed by such Guarantor; and
- to the extent that any ARI Shareholders declined to bear its pro rata loan or guarantee, the attributable guarantee would then be offered to the remaining ARI Shareholders accordingly, and the relevant Guarantor shall charge the Guarantee Fee on the amount of ARI Bank Loan they may opt to guarantee.



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## LETTER FROM INVESTEC

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In addition, ARI executed a share mortgage pursuant to which ARI charged the entire issued share capital in CADC, a company incorporated in BVI and a wholly-owned subsidiary of ARI, as a continuing security for the payment and discharge in full of all moneys, debts and liabilities due, owing or incurred by ARI under or in connection with the Shareholders' Loan and Guarantee Agreement.

Management has advised that since the completion of the subscription under the Investment Agreement in July 2016, the management of ARI has identified a number of potential business opportunities to facilitate and expedite the development of the ARI Business, including (i) used aircraft acquisitions; (ii) aircraft component acquisitions; and (iii) other business expansion opportunities.

Management has further advised that in the long run, the intention is for ARI to obtain financial independence, and that ARI's management is currently in negotiations with a number of financial institutions for external financing. Notwithstanding the above, as ARI is still in its infancy, the Management considers that ARI may require more time to finalise its financing arrangements with these external financial institutions, which is intended by ARI to be one of its main medium to long term financing solutions. Having considered the above, the Management believes that the Supplemental Agreement together with the Revised Annual Caps would be an interim financing solution for ARI to facilitate its continued development and seize the aforementioned potential business opportunities in a timely manner.

### ***1.4 Background information on the ARI Shareholders***

Set out below are brief descriptions of the background of ARI Shareholders provided by the Management:

#### ***1.4.1 China Aero and FPAM***

China Aero is 100% beneficially owned by FPAM. FPAM has a team which has extensive experience in the aviation industry. Through its investment arm China Airport Synergy Investment Limited, FPAM led a Chinese consortium to purchase a 49.99% stake in Toulouse-Blagnac Airport in Toulouse, the largest airport in southwestern France, handling over 7.5 million passengers in 2015. The transaction, which was the first airport privatisation project in France and the first overseas airport acquisition by a Chinese consortium, closed in April 2015.

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## LETTER FROM INVESTEC

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As advised by the Management, the Company expects that ARI Group shall leverage on FPAM's experience in the domestic and global aviation industry to assist the ARI Group to formulate its domestic and global strategies.

As at the Latest Practicable Date, FPAM together with its associates, were interested in approximately 28.66% equity interest in the Company. As advised by the Management, China Aero has not provided any amount of the Shareholders' Loan up to the Latest Practicable Date.

### *1.4.2 Background information on CEL and Neo Modern*

Neo Modern is a subsidiary of CEL (stock code: 165.HK), which is a member of China Everbright Group, a state-owned enterprise, and is a diversified financial services enterprise operating in Hong Kong and the PRC. CEL, through its wholly-owned subsidiaries, was interested in approximately 32.32% equity interest in the Company as at the Latest Practicable Date.

As set out in the annual report for the year ended 31 December 2015 of CEL (together the "**CEL Annual Report**"), CEL pursues its "Macro Asset Management" strategy, with specific focuses being placed on fund management and investment businesses, namely primary market investment, secondary market investment and structured financing and investment. Moreover, through its substantial shareholding interest in the Group, CEL is also interested in aircraft leasing business. In addition, through its associate Everbright Securities Company Limited, CEL also participates in the development of investment banking (corporate financing) and brokerage services (wealth management) businesses in Hong Kong.

As per the CEL Annual Report, CEL has developed solid bases in various sector markets over the years. It manages series of private equity funds, venture capital funds, sector funds and hedge funds as operated via an international management platform, and provides overseas investors with opportunities to explore and invest in companies with fast growing potential in the PRC. On the other hand, CEL also seeks investment opportunities from overseas and provides diversified financial services for its clients in the PRC.

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## LETTER FROM INVESTEC

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Neo Modern is expected to liaise with ARI Group and the banking and other financial institutions to obtain financing for ARI Group as well as provide advice and assistance in financing plan and the issuance of financial products by the ARI Group.

As advised by the Management, Neo Modern has taken up HK\$44.8 million of the Shareholders' Loan up to the Latest Practicable Date.

### *1.4.3 Background information on Sky Cheer*

As advised by the Management, Sky Cheer is incorporated in July 2008 and is owned as to LI Yuze William and LIU Liyi, each being an Independent Third Party.

Based on information provided by the Management, Sky Cheer has been working with the Group in the development of the ARI Business from time to time since 2014. It has been and is expected to continue to be instrumental in assisting the Group for the construction and operation of Zhong Long Aircraft Disassembly Base Limited\* (中龍飛機拆解基地有限公司) and for the development of the ARI Business. Management believes that Sky Cheer would continue to contribute considerable value to ARI Group in providing on-the-ground coordination and advice, which shall ultimately help to drive and accelerate the ARI Business to full commercialisation. As advised by the Management, Sky Cheer has not contributed its pro rata share of the Shareholders' Loan up to the Latest Practicable Date.

Having considered the existing relationships amongst the parties and their experience of working together in the past, the Management believes that the ARI Shareholders would each continue to bring their unique contribution and value proposition to the ARI Business, and the Company will be able to effectively collaborate with each of them as long-term business partners, as well as facilitate financing with a view to realise the strategic benefits and objectives that the Group intends to achieve from the ARI Business in the long run.

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## LETTER FROM INVESTEC

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### 2. Reasons for and benefits of entering into the Supplemental Agreement

#### *2.1 History and business rationale of ARI*

We understand from the Management that in or around 2014, the management team identified an opportunity in the PRC end-of-life aviation market whereby there were no known sizeable aircraft disassembly, recycling and parts operators in the PRC. With a view to explore the PRC end-of-life aviation market, the management team originated and managed the execution of a detailed business plan for establishing and developing an aircraft disassembly, recycling and parts business.

Since the Company's listing on the Stock Exchange in 2014, it has substantially expanded its owned new aircraft fleet which has been funded by increased borrowings. As disclosed in the 2016 Interim Report, the Company had a pipeline of aircraft on order to be delivered in the future, which would require continuing financial support from banks and the capital markets. Consequently, in order for the Company to achieve a balance of prudent financial management so as to sustainably fund the expansion of its aircraft leasing business, as well as to capture the lucrative end-of-life aviation industry in a timely manner so as to preserve first mover advantage, Management considered it necessary to seek like-minded business partners to co-invest in and to expedite the progress of the Company's then aircraft disassembly business, and leverage on the business partners' respective capabilities, in an investment structure that would not compromise the Group's ability to seek future funding to support its core business in aircraft leasing.

To that end, the Company and ARI Shareholders entered into, among other agreements, the Shareholders' Agreement and Shareholders' Loan and Guarantee Agreement in April 2016. With a view to facilitate the continued development of the ARI Business, the parties entered into the Supplemental Agreement and the Board proposed the Revised Annual Caps.

#### *2.2 Secured return on the investment from the Company*

As advised by the Management, any ARI Shareholder(s) who provide loan(s) to ARI under the Shareholders' Loan and Guarantee Agreement (as supplemented by the Supplemental Agreement) shall continue to receive an annuity return at the rate of 4.0% above the prime lending rate (being approximately 9.0% based on the prime rate of 5.0% per annum as at the Latest Practicable Date) (the "**Existing Annuity Return**").

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## LETTER FROM INVESTEC

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The Shareholders' Loan is repayable on demand and that the interest arising from such loan has priority over other obligations of ARI such as dividends (as specified in the Shareholders' Agreement). Pursuant to the share mortgage, as part of the Shareholders' Loan and Guarantee Agreement, ARI shall pledge the entire issued share capital in CADC, a wholly-owned subsidiary of ARI, as a continuing security for the payment and discharge in full of all moneys, debts and liabilities due, owing or incurred by ARI under or in connection with any of the Shareholders' Loan and Guarantee Agreement.

### ***2.3 Increased flexibility for repayment of the Shareholders' Loan***

The Management believes that the repayment arrangement of the Shareholders' Loan under the Supplemental Agreement increases the flexibility for ARI to manage its Shareholders' Loan as further discussed under the section headed "3.1 Key terms of the Supplemental Agreement and Revised Annual Caps" below.

## **3. Analysis on terms of the Supplemental Agreement**

### ***3.1 Key terms of the Supplemental Agreement and Revised Annual Caps***

As extracted from the Letter from the Board, the Revised Annual Caps in relation to the continuing connected transactions under the Shareholders' Loan and Guarantee Agreement for the three years ending 31 December 2018, together with the Existing Annual Caps, are illustrated in the table below.

	Year ending 31 December		
	2016	2017	2018
Existing Annual Caps	HK\$480 million	HK\$600 million	HK\$720 million
Revised Annual Caps	HK\$1,300 million	HK\$1,300 million	HK\$1,300 million

The Management advised that out of that the Existing Annual Cap for the year ending 31 December 2016 of HK\$480 million, approximately HK\$438 million has been utilised as at the Latest Practicable Date.

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## LETTER FROM INVESTEC

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Pursuant to the Supplemental Agreement, the parties thereto have agreed to revise the terms governing the repayment of the Shareholders' Loan under the Shareholders' Loan and Guarantee Agreement. As advised by the Management, the table below sets out (i) the existing repayment terms under the Shareholders' Loan and Guarantee Agreement (not taking into account the proposed changes under the Supplemental Agreement); and (ii) the proposed repayment terms under the Supplemental Agreement:

<i>Existing repayment terms under the Shareholders' Loan and Guarantee Agreement</i>	<i>Proposed repayment terms under the Supplemental Agreement</i>
No repayment of any Loan Note shall be made by ARI unless (i) repayment is made pro rata to each of the ARI Shareholders in proportion to the principal amount of the loans represented by their respective Loan Notes; and (ii) repayment shall be made to each such ARI Shareholder at the same time and in the same currency.	To the extent that repayment of the Loan Notes shall be made by ARI, and be made (i) pro rata to each of the ARI Shareholders in proportion to the principal amount of their respective Loan Notes; or (ii) in such other proportion as such ARI Shareholders and ARI may agree in writing from time to time.

Pursuant to the existing repayment terms under the Shareholders' Loan and Guarantee Agreement, should any of the participating ARI Shareholder(s) request for repayment from ARI, all of the other participating ARI Shareholder(s) would, at the same time, automatically be deemed to have requested for repayment of their respective proportion of the Shareholders' Loan from ARI on a pro rata basis. However, the proposed repayment terms under the Supplemental Agreement would facilitate such other participating ARI Shareholder(s) the option to (i) opt out of automatically requesting for repayment of the Shareholders' Loan from ARI in such situations and keep their Loan Notes status quo; or (ii) request for a different proportion of repayment as they see fit, subject to agreement between the relevant parties.

Based on the foregoing, the Management believes that the proposed repayment terms under the Supplemental Agreement as illustrated in the table above increase the flexibility for ARI Shareholders to cater for special repayment situations by accommodating for ARI's and each of the ARI Shareholders' financial requirements separately. As set out in the Letter from the Board, under the existing Shareholders' Loan and Guarantee Agreement, no such arrangement has been contemplated as at the Latest Practicable Date.

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## LETTER FROM INVESTEC

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### *3.2 Basis for determining the Revised Annual Caps*

As set out from the Letter from the Board, the Revised Annual Caps of HK\$1,300 million for the year ending 31 December 2016, represents the maximum principal loans outstanding (including the principal loans guaranteed by the Group) together with interest and Guarantee Fee amounts, is HK\$820 million more than the Existing Annual Cap of HK\$480 million for the year ending 31 December 2016. The Revised Annual Caps for the years ending 31 December 2017 and 2018 are both HK\$1,300 million. The Management advised that the Revised Annual Caps were determined with reference to factors including (i) the proposed acquisition of a number of aged aircraft and used aircraft engines by the end of 2016 and in 2017; (ii) the estimated construction costs and land premium of the CADC Project; (iii) the ongoing business development and operational expenses as well as other financial needs of ARI; and (iv) potential expansion of the existing ARI Business through organic growth and/or acquisitions, and based on the assumptions that (a) part of financial needs of ARI for the three years ending 31 December 2018 will be financed by bank borrowings; and (b) the Company will provide full amount of the Shareholders' Loan and/or guarantee required by ARI if other ARI Shareholders and their respective group companies do not provide any amount out of their respective pro rata portion of such Shareholders' Loan and/or guarantee. In the event any ARI Shareholder and their respective group companies, other than the Company, provides the Shareholders' Loan and/or guarantee required by ARI, the Revised Annual Caps may not be fully utilised.

In assessing the fairness and reasonableness of the Revised Annual Caps, we have discussed with the Management of the underlying bases and assumptions related thereto and considered the following:

- (i) the Shareholders' Loan and Guarantee Agreement is an arrangement to facilitate ARI in meeting the funding requirements by way of raising Shareholders' Loan and/or bank loans for the development of the ARI Business, which is considered by the Management to be beneficial to the Group, being the single largest ARI Shareholder as at the Latest Practicable Date;
- (ii) as the ARI Business continues to develop, the Management is of the view that considerable external support is required to accelerate its development to realise commercial viability;

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## LETTER FROM INVESTEC

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- (iii) the Management advised that the Existing Annual Cap for the year ending 31 December 2016 of HK\$480 million has almost been fully utilised as at the Latest Practicable Date;
- (iv) the intended use of additional financing to be raised under the Revised Annual Caps as set out above;
- (v) ARI shall raise Shareholders' Loan by (a) offering to all ARI Shareholders to advance their respective pro rata portion; and (b) where applicable, allowing ARI Shareholders to take up any entitlements that are not assumed by the other ARI Shareholders; and
- (vi) the Revised Annual Caps facilitate the transactions contemplated under the Shareholders' Loan and Guarantee Agreement (as supplemented by the Supplemental Agreement), the terms of which are no less favourable to the Company than those to the other ARI Shareholders, and Management further advised that (a) the Group is neither obliged nor committed to provide the Shareholders' Loan and/or guarantee for ARI Bank Loans under the Shareholders' Loan and Guarantee Agreement; (b) the Company has the full discretion to decide whether or not to provide the Shareholders' Loan and/or guarantee for ARI Bank Loans at the time; and (c) the Management shall keep the Board informed of the status of Shareholders' Loan half-yearly for internal control purposes. Moreover, the Management advised that any decision on whether or not to take up any entitlements under the Shareholders' Loan and/or guarantee for ARI Bank Loans would be subject to the circumstances at the relevant time, including factors such as (a) the Group's then financial commitments and other investment opportunities available; (b) the expected benefits from the ARI Business to the overall business of the Group; and (c) the nature and quality of the assets which ARI intends to acquire.

In consideration of the above factors, we concur with the Management that the Revised Annual Caps are reasonable.



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## LETTER FROM INVESTEC

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### **3.3 Existing Annuity Return**

As set out from the Letter from the Board, any ARI Shareholder(s) who provide loan(s) to ARI under the Shareholders' Loan and Guarantee Agreement (as supplemented by the Supplemental Agreement) shall continue to receive the Existing Annuity Return at the rate of 4.0% above the prime lending rate (being approximately 9.0% based on the prime rate of 5.0% per annum as at the Latest Practicable Date).

We have discussed with the Management of the underlying bases and assumptions related thereto and considered the following:

- (i) the Existing Annuity Return, being approximately 9.0% based on the prime rate of 5.0% per annum as at the Latest Practicable Date, is higher than the average interest rate of the Group's debt financing instruments. For reference, as set out in the 2015 Annual Report, the effective interest rate or the interest rate of the Group's debt financing (without convertible features) are as follows (a) the average effective interest rate of the Group's bank borrowings, which totalled to approximately HK\$18,775.2 million as at 31 December 2015, was approximately 4.7%; (b) the annual interest rate for 5-year medium-term notes in the aggregate principal amount of RMB340.0 million issued by a subsidiary of the Company in July 2015 was 6.5%; (c) the effective interest rates of long-term borrowings from trust plans, which amounted to approximately HK\$794.2 million as at 31 December 2015, ranged from approximately 6.2% to 7.8%; and (d) the Existing Annuity Return is also higher than the interest rates of 5.9% and 4.9% per annum on each of the Group's US\$300,000,000 bond issues in May 2016 and August 2016, respectively; and
- (ii) the terms of the Supplemental Agreement, including the Existing Annuity Return, are no less favourable to the Company than terms available to the other ARI Shareholders.

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## LETTER FROM INVESTEC

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### IV. RECOMMENDATION

In formulating our recommendation to the Independent Board Committee and the Shareholders, we have considered the above principal factors and reasons, in particular:

- (i) the status of ARI, which is still in its development stage and requires considerable external support in order to accelerate its development to realise commercial viability;
- (ii) the fact that the Existing Annual Caps for the year ending 31 December 2016 has almost been reached as at the Latest Practicable Date, and that the Management advised that the Revised Annual Caps were determined with reference to factors including (a) the proposed acquisition of a number of aged aircraft and used aircraft engines by the end of 2016 and in 2017; (b) the estimated construction costs and land premium of the CADC Project; (c) the ongoing business development and operational expenses as well as other financial needs of ARI; and (d) potential expansion of the existing ARI Business through organic growth and/or acquisitions, and based on the assumptions that (a) part of financial needs of ARI for the three years ending 31 December 2018 will be financed by bank borrowings; and (b) the Company will provide full amount of the Shareholders' Loan and/or guarantee required by ARI if other ARI Shareholders and their respective group companies do not provide any amount out of their respective pro rata portion of such Shareholders' Loan and/or guarantee;
- (iii) the Existing Annuity Return compared to the stated range of the existing costs of debt financing of the Group as detailed under the section headed "3.3 Existing Annuity Return"; and
- (iv) the terms of the Supplemental Agreement are no less favourable to the Company than terms available to the other ARI Shareholders. Additionally, (a) the Group is neither obliged nor committed to provide the Shareholders' Loan and/or guarantee for ARI Bank Loans under the Shareholders' Loan and Guarantee Agreement; (b) the Company has the full discretion to decide whether or not to provide the Shareholders' Loan and/or guarantee for ARI Bank Loans at the time; and (c) the Management shall keep the Board informed of the status of Shareholders' Loan half-yearly for internal control purposes.

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## LETTER FROM INVESTEC

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We therefore conclude that the transactions contemplated under the Supplemental Agreement (including the Revised Annual Caps) to be on normal commercial terms which are fair and reasonable, entered into in the ordinary and usual course of business of the Group, the implementation of the Supplemental Agreement (including the Revised Annual Caps) is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Shareholders, as well as the Independent Board Committee to advise the Shareholders, to vote in favour of the resolution to approve the transactions contemplated under the Supplemental Agreement (including the Revised Annual Caps) at the EGM.

Yours faithfully  
For and on behalf of  
**Investec Capital Asia Limited**  
**Lewis Lai**  
*Managing 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 around ten years of experience in the corporate finance industry.*

\* *for identification purposes only*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

## 2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

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/ Nature of interest	Number of Shares held (L) <sup>(1)</sup>	Number of underlying shares held (L) <sup>(1)</sup>	Total Interests (L) <sup>(1)</sup>	Approximate percentage of interests
CHEN Shuang	Beneficial owner	200,000	10,200,000 <sup>(3)</sup>	10,400,000	1.55%
LIU Wanting	Interest of controlled corporation	10,000,000 <sup>(2)</sup>	–		
	Beneficial owner	–	3,000,000 <sup>(3)</sup>	13,000,000	1.94%
TANG Chi Chun	Beneficial owner	–	200,000 <sup>(3)</sup>	200,000	0.03%
GUO Zibin	Beneficial owner	–	200,000 <sup>(3)</sup>	200,000	0.03%
CHEN Chia-Ling	Beneficial owner	–	200,000 <sup>(3)</sup>	200,000	0.03%
FAN Yan Hok, Philip	Beneficial owner	66,000	134,000 <sup>(3)</sup>	200,000	0.03%

Name	Capacity/ Nature of interest	Number of Shares held (L) <sup>(1)</sup>	Number of underlying shares held (L) <sup>(1)</sup>	Total Interests (L) <sup>(1)</sup>	Approximate percentage of interests
NIEN Van Jin, Robert	Beneficial owner	100,000	134,000 <sup>(3)</sup>	234,000	0.03%
CHEOK Albert Saychuan	Beneficial owner	5,000	200,000 <sup>(3)</sup>	205,000	0.03%
CHOW Kwong Fai, Edward	Beneficial owner	–	200,000 <sup>(3)</sup>	200,000	0.03%

*Notes:*

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any other interests or short positions in any Shares, underlying shares or debentures of the Company or any associated corporation (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 interests or short positions which they were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company under Section 352 of the SFO; or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

### 3. SUBSTANTIAL SHAREHOLDER' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS

As at the Latest Practicable Date, so far as was known to the Directors, the interests and short positions of substantial shareholders and other persons (other than the Directors or chief executive of the Company as disclosed above) in the Shares and/or underlying shares of the Company (within the meaning of Part XV of the SFO) 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 pursuant to Section 336 of the SFO, or as otherwise notified to the Company were as follows:

Name of Shareholders	Capacity/ Nature of interest	Number of Shares held (L) <sup>(1)</sup>	Number of underlying shares held (L) <sup>(1)</sup>	Approximate percentage of interests
CE Aerospace	Beneficial owner	208,299,479 <sup>(4)</sup>	–	31.09%
	Beneficial owner	–	680,000 <sup>(2)</sup>	0.10%
China Everbright Financial Investments Limited ("CE Financial")	Beneficial owner	8,220,000 <sup>(4)</sup>	–	1.23%
	Beneficial owner	–	27,510,638 <sup>(3)</sup>	4.11%
CEL	Interest of controlled corporation	216,519,479 <sup>(4)</sup>	–	32.32%
	Interest of controlled corporation	–	27,510,638 <sup>(3)</sup>	4.11%
	Interest of controlled corporation	–	680,000 <sup>(2)</sup>	0.10%
China Everbright Holdings Company Limited ("CE Hong Kong")	Interest of controlled corporation	216,519,479 <sup>(5)</sup>	–	32.32%
	Interest of controlled corporation	–	27,510,638 <sup>(3)</sup>	4.11%
	Interest of controlled corporation	–	680,000 <sup>(2)</sup>	0.10%
China Everbright Group Ltd. ("CE Group")	Interest of controlled corporation	216,519,479 <sup>(6)</sup>	–	32.32%
	Interest of controlled corporation	–	27,510,638 <sup>(3)</sup>	4.11%
	Interest of controlled corporation	–	680,000 <sup>(2)</sup>	0.10%
Central Huijin Investment Limited ("Huijin Limited")	Interest of controlled corporation	216,519,479 <sup>(6)</sup>	–	32.32%
	Interest of controlled corporation	–	27,510,638 <sup>(3)</sup>	4.11%
	Interest of controlled corporation	–	680,000 <sup>(2)</sup>	0.10%
FPAM	Beneficial owner	182,112,589 <sup>(10)</sup>	–	27.19%
	Beneficial owner	–	442,000 <sup>(7)</sup>	0.07%
Capella Capital Limited ("Capella")	Interest of controlled corporation	182,112,589 <sup>(10)</sup>	–	27.19%
	Interest of controlled corporation	–	442,000 <sup>(7)</sup>	0.07%
POON Ho Man	Interest of controlled corporation	192,012,589 <sup>(11)</sup>	–	28.66%
	Interest of controlled corporation	–	442,000 <sup>(7)</sup>	0.07%
	Interest of controlled corporation	–	5,100,000 <sup>(8)</sup>	0.76%
	Interest of spouse	–	3,800,000 <sup>(9)</sup>	0.57%
Christina NG	Interest of spouse	192,012,589 <sup>(12)</sup>	–	28.66%
	Interest of spouse	–	442,000 <sup>(7)</sup>	0.07%
	Interest of spouse	–	5,100,000 <sup>(8)</sup>	0.76%
	Beneficial owner	–	3,800,000 <sup>(9)</sup>	0.57%

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 of the Company.
- (3) These interests represented the interests in underlying shares in respect of the convertible bonds issued by the Company to CE Financial pursuant to a subscription agreement with CE Financial dated 26 March 2015.
- (4) Each of the entire issued share capital of CE Aerospace and CE Financial is wholly-owned by CEL. Accordingly, CEL 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 CEL. 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 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.
- (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 of the Company.
- (8) These interests represented the interests in underlying shares in respect of the share options granted by the Company to Equal Honour Holdings Limited ("**Equal Honour**"), a company wholly-owned by Mr. POON Ho Man, pursuant to the pre-IPO share option scheme of the Company.
- (9) These interests represented the interests in underlying shares in respect of the share options granted by the Company to Ms. Christina NG pursuant to the post-IPO share option scheme of the Company.
- (10) 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 mentioned in note (7) held by FPAM.
- (11) 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 note (10) above. Mr. POON is also interested in 9,900,000 Shares held by Equal Honour.
- (12) Ms. Christina NG is the spouse of Mr. POON Ho Man.

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.

**4. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors, was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group or any conflict of interest which any such person has or may have with the Group other than those businesses to which the Directors and their respective associates were appointed to represent the interests of the Company and/or the Group.

**5. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, there was no existing or proposed service agreement between any Director and any member of the Group (excluding agreements expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

**6. DIRECTORS' INTERESTS IN THE ASSETS OR CONTRACTS OR ARRANGEMENTS OF SIGNIFICANCE**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2015, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of, by or leased to any member of the Company or were proposed to be acquired or disposed of, by or leased to any member of the Company.

No contracts or arrangements of significance to which the Company or its subsidiaries was a party and in which a Director had a material interest, either directly or indirectly, subsisted as at the Latest Practicable Date.

**7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest audited financial statements of the Company were made up.



**8. EXPERT AND CONSENT**

The following are the qualifications of the expert who had given its opinion contained in this circular:

<b>Name</b>	<b>Qualifications</b>
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

As at the Latest Practicable Date, the expert above does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor had any interest, either direct or indirect, in any assets which had been since 31 December 2015 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of, by or leased to any member of the Group, or were proposed to be acquired or disposed of, by or leased to any member of the Group.

The expert above has given and has not withdrawn its written consents to the issue of this circular with the inclusion of its report and the reference to its name in the form and context in which it appears.

**9. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection during normal office hours at 28th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong on the date of this circular and up to and including 20 December 2016:

- (a) the Investment Agreement, the Option Agreement, the Shareholders' Agreement, the Shareholders' Loan and Guarantee Agreement and the Share Mortgage;
- (b) the Supplemental Agreement; and
- (c) the letters of consents referred to under the section headed "Experts and Consents" in this appendix.

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## NOTICE OF EGM

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# ***CALC***

## **CHINA AIRCRAFT LEASING GROUP HOLDINGS LIMITED** **中國飛機租賃集團控股有限公司**

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

**(Stock code: 1848)**

**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 9:30 a.m. on Thursday, 15 December 2016 for the purpose of considering and, if thought fit, passing with or without modifications, the following proposed ordinary resolution 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 30 November 2016.

### **ORDINARY RESOLUTION**

1. **“THAT:**
  - (a) the Supplemental Agreement dated 14 November 2016 entered into between ARI, ARI Holdings, China Aero, Sky Cheer and Neo Modern to amend and supplement the Shareholders’ Loan and Guarantee Agreement (a copy of which is produced to the EGM marked “A” and signed by the Chairman of the EGM for purpose of identification) be and is hereby approved, confirmed and ratified;
  - (b) The Revised Annual Caps as contemplated under the Supplemental Agreement be and are hereby approved, confirmed and ratified; and

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## NOTICE OF EGM

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- (c) 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 Supplemental 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 Supplemental 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.”

By Order of the Board  
**China Aircraft Leasing Group Holdings Limited**  
**CHEN Shuang**  
*Executive Director, Chairman and  
Chief Executive Officer*

Hong Kong, 30 November 2016

*As at the date of this notice, (i) the Executive Directors are Mr. CHEN Shuang and Ms. LIU Wanting; (ii) the Non-executive Directors are Mr. TANG Chi Chun, Mr. Guo Zibin and Ms. CHEN Chia-Ling; and (iii) the Independent Non-executive Directors are Mr. FAN Yan Hok, Philip, Mr. NIEN Van Jin, Robert, Mr. CHEOK Albert Saychuan and Mr. CHOW Kwong Fai, Edward, JP.*

*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 Wednesday, 14 December 2016 to Thursday, 15 December 2016 (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 Thursday, 15 December 2016 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 4:30 p.m. on Tuesday, 13 December 2016.
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.

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## NOTICE OF EGM

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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 resolution 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 with the circular of the Company dated 30 November 2016.