
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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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)

CONTINUING CONNECTED TRANSACTIONS **REVISION OF ANNUAL CAPS**

Independent Financial Adviser to
the Independent Board Committee and the Shareholders

 **Investec**

A letter from the Board is set out on pages 7 to 27 of this circular. A letter from the Independent Board Committee is set out on pages 28 and 29 of this circular. A letter from Investec Capital Asia Limited is set out on pages 30 to 54 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 Tuesday, 17 May 2016 at 10:30 a.m. (or as soon thereafter as the annual general meeting of the Company convened for the same day and place shall have concluded or adjourned) is set out on pages 62 to 65 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.

29 April 2016

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DEFINITIONS

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

“2015 Circular”	the circular of the Company dated 15 June 2015 in relation to the continuing connected transactions between the Group and CE Group
“2015 First Announcement”	the announcement of the Company dated 14 May 2015 in relation to the continuing connected transactions between the Group and CE Group
“2015 Second Announcement”	the announcement of the Company dated 14 December 2015 in relation to the Amended and Restated Assignment of Finance Lease Receivables Framework Agreement
“Aircraft Lessees”	airline operators which are lessees of aircraft under the relevant aircraft lease agreements entered into with members of the Group for the lease of aircraft legally owned by the Group
“Amended and Restated Assignment of Finance Lease Receivables Framework Agreement”	the agreement entered into between the Company and CE Group on 14 December 2015, pursuant to which the Original Assignment of Finance Lease Receivables Framework Agreement was amended and restated such that in addition to the original assignee, the Group shall assign FLRs to associates of CE Group, including but not limited to CE Bank (please refer to the 2015 Second Announcement for details)
“associate”	has the meaning ascribed thereto under Chapter 14A of the Listing Rules
“Board”	the board of Directors of the Company
“CE Bank”	China Everbright Bank Company Limited* (中國光大銀行股份有限公司), a joint stock limited company incorporated in the PRC and the H shares and A shares of which are listed on the Stock Exchange (stock code: 6818) and the Shanghai Stock Exchange (stock code: SH601818), respectively, and is an associate of CE Group

DEFINITIONS

“CE Group”	China Everbright Group Ltd.* (中國光大集團股份公司), a joint stock limited company incorporated in the PRC
“CE Hong Kong”	China Everbright Holdings Company Limited (中國光大集團有限公司), a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of CE Group
“CE Limited”	China Everbright Limited (中國光大控股有限公司), a company incorporated under the laws of Hong Kong with limited liability, whose shares are listed on the Stock Exchange (stock code: 0165) and is indirectly owned as to approximately 49.7% by CE Hong Kong
“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 Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under Chapter 14A of the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under Chapter 1 of the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Agreements”	the Amended and Restated Assignment of Finance Lease Receivables Framework Agreement, the Existing Deposit Services Framework Agreement and the Existing Loan Services Framework Agreement
“Existing Caps”	the existing annual caps for the transactions contemplated under the Existing Agreements

DEFINITIONS

“Existing Deposit Services Framework Agreement”	the agreement entered into between the Company and CE Group on 14 May 2015, pursuant to which CE Group has agreed to provide, through CE Bank, deposit services to the Group in accordance with the terms thereunder for the years of 2015, 2016 and 2017 (please refer to the 2015 Circular for details)
“Existing Loan Services Framework Agreement”	the agreement entered into between the Company and CE Group on 14 May 2015, pursuant to which CE Group has agreed to provide, through CE Bank and/or the Trustee (as the case may be), loan services to the Group in accordance with the terms thereunder for the years of 2015, 2016 and 2017 (please refer to the 2015 Circular for details)
“EGM”	the extraordinary general meeting of the Company to be convened and held on 17 May 2016, the notice of which is set out on pages 62 to 65 of this circular, and any adjournment thereof for the purpose of considering, and if thought fit, approving the Supplemental Deposit Services Framework Agreement, the Supplemental Loan Services Framework Agreement and the Supplemental Assignment of Finance Lease Receivables Framework Agreement and the Revised Caps
“FLRs”	finance lease receivables under the relevant aircraft lease agreements entered into by members of the Group and Aircraft Lessees for the lease of aircraft legally owned by the Group
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huijin Limited”	Central Huijin Investment Limited* (中央匯金投資有限責任公司), a company incorporated under the laws of the PRC with limited liability

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board comprising all of the independent non-executive Directors of the Company which was formed to advise the Shareholders in respect of the Supplemental Deposit Services Framework Agreement, the Supplemental Loan Services Framework Agreement and the Supplemental Assignment of Finance Lease Receivables Framework Agreement and the Revised Caps
“Independent Shareholders”	the Shareholders other than CE Group and any of its associates (including CE Limited)
“Investec” or “Independent Financial Adviser”	Investec Capital Asia Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Shareholders in respect of the Supplemental Deposit Services Framework Agreement, the Supplemental Loan Services Framework Agreement and the Supplemental Assignment of Finance Lease Receivables Framework Agreement and the Revised Caps
“Latest Practicable Date”	25 April 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 of Hong Kong Limited
“MOF”	the Ministry of Finance of the PRC
“Original Assignment of Finance Lease Receivables Framework Agreement”	the agreement entered into between the Company and CE Group on 14 May 2015, pursuant to which the Group will assign to the Trustee the FLRs related to aircraft leased by the Group to Aircraft Lessees in accordance with the terms thereunder for the years of 2015, 2016 and 2017 (please refer to the 2015 Circular for details)
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC

DEFINITIONS

“PRC”	the People’s Republic of China
“Revised Caps”	the proposed revised annual caps for the years ending 31 December 2016, 2017 and 2018 for the transactions contemplated under the Supplemental Agreements
“SFO”	Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong)
“Share(s)”	share(s) with par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Company’s Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sun Life Everbright”	Sun Life Everbright Asset Management Co. Ltd.* (光大永明資產管理股份有限公司), a company incorporated under the laws of the PRC with limited liability
“Supplemental Agreements”	the Supplemental Assignment of Finance Lease Receivables Framework Agreement, the Supplemental Deposit Services Framework Agreement and the Supplemental Loan Services Framework Agreement
“Supplemental Assignment of Finance Lease Receivables Framework Agreement”	the agreement entered into between the Company and CE Group on 8 April 2016 to amend certain terms of the Amended and Restated Assignment of Finance Lease Receivables Framework Agreement
“Supplemental Deposit Services Framework Agreement”	the agreement entered into between the Company and CE Group on 8 April 2016 to amend certain terms of the Existing Deposit Services Framework Agreement
“Supplemental Loan Services Framework Agreement”	the agreement entered into between the Company and CE Group on 8 April 2016 to amend certain terms of the Existing Loan Services Framework Agreement

DEFINITIONS

“Trustee”	the trustee of the relevant Trust Plans
“Trust Plans”	pooled investment funds trust plans of which the Trustee is a trustee
“%”	per cent.

* *For identification purpose only*

LETTER FROM THE BOARD

CALC

CHINA AIRCRAFT LEASING GROUP HOLDINGS LIMITED

中國飛機租賃集團控股有限公司

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

(Stock code: 1848)

Executive Directors:

Mr. Chen Shuang (*Chairman and*

Chief Executive Officer)

Ms. Liu Wanting

Registered office in the Cayman Islands:

Maples Corporate Services Limited

PO Box 309, Ugland House

Grand Cayman, KY1-1104

Cayman Islands

Non-executive Directors:

Mr. Tang Chi Chun

Mr. Guo Zibin

Ms. Chen Chia-Ling

Principal place of business in China:

Rooms 6026-14, 6/F

Joint Inspection Service Centre of Closed Area

1 American Road

Dongjiang Free Trade Port Zone

Tianjin, China

Independent non-executive Directors:

Mr. Fan Yan Hok, Philip

Mr. Ng Ming Wah, Charles

Mr. Nien Van Jin, Robert

Mr. Cheok Albert Saychuan

Principal place of business in Hong Kong:

28th Floor, Far East Finance Centre

16 Harcourt Road

Hong Kong

29 April 2016

Dear Shareholders,

I. INTRODUCTION

The Board refers to the announcement of the Company dated 8 April 2016 in relation to, among other things, the Supplemental Deposit Services Framework Agreement, the Supplemental Loan Services Framework Agreement and the Supplemental Assignment of Finance Lease Receivables Framework Agreement and the Revised Caps.

The purpose of this circular is to provide you with information which will help you to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM in relation to (i) the Supplemental Deposit Services Framework Agreement, (ii) the Supplemental Loan Services Framework Agreement and (iii) the Supplemental Assignment of Finance Lease Receivables Framework Agreement, and the proposed Revised Caps under each agreement for the years of 2016, 2017 and 2018.

LETTER FROM THE BOARD

II. CONTINUING CONNECTED TRANSACTIONS

(1) Background Information

Reference is made to the 2015 First Announcement and the 2015 Circular in relation to, among other things, the continuing connected transactions between the Group and CE Group. Reference is also made to the 2015 Second Announcement in relation to the Amended and Restated Assignment of Finance Lease Receivables Framework Agreement, pursuant to which the Company and CE Group amended and restated the Original Assignment of Finance Lease Receivables Framework Agreement. The transactions contemplated under the Existing Agreements including the Existing Caps were approved by the Shareholders at the extraordinary general meeting of the Company held on 30 June 2015.

As the Board expects that the Existing Caps of each of the Existing Agreements for the years ending 31 December 2016 and 2017 will no longer be sufficient, on 8 April 2016, the Company and CE Group have entered into the Supplemental Agreements to revise the Existing Caps for the years ending 31 December 2016 and 2017 and to extend the duration of each of the Existing Agreements to 31 December 2018.

(2) The Supplemental Deposit Services Framework Agreement

The Company and CE Group have entered into the Supplemental Deposit Services Framework Agreement to revise the Existing Caps and extend the duration of the Existing Deposit Services Framework Agreement. The Supplemental Deposit Services Framework Agreement is conditional upon Shareholders' approval at the EGM having been obtained. The principal terms of the Supplemental Deposit Services Framework Agreement are summarized below:

Date

8 April 2016

Parties

- (i) the Company; and
- (ii) CE Group

LETTER FROM THE BOARD

Subject matter and term

Pursuant to the Supplemental Deposit Services Framework Agreement, the Parties have agreed to revise the Existing Caps under the Existing Deposit Services Framework Agreement and to extend the duration of the Existing Deposit Services Framework Agreement to 31 December 2018, subject to the Shareholders' approval. Save as amended by the Supplemental Deposit Services Framework Agreement, all other terms of the Existing Deposit Services Framework Agreement (as disclosed below) shall remain unchanged.

Transactions contemplated thereunder

Provision of deposit services by CE Group, through CE Bank, to the Group. For the avoidance of doubt, the deposit services to be provided pursuant to the Supplemental Deposit Services Framework Agreement must be provided by CE Bank.

Payment

The time and means of payment is to be agreed by the parties with reference to customary business terms through arm's-length negotiations.

Other terms

The Existing Deposit Services Framework Agreement (as supplemented by the Supplemental Deposit Services Framework Agreement) shall be non-exclusive and the Company is at liberty to obtain deposit services from other third parties.

CE Group shall procure CE Bank to provide to the Group deposit services (including current and fixed term deposit) in accordance with rules and regulations prescribed by the PBOC and/or other relevant rules and regulations within or outside the PRC.

The deposit services to be provided by CE Group shall be on normal commercial terms which are arrived at upon arm's-length negotiations and are no less favourable, at the time such terms are being offered, than:

- (i) terms available to the Group from independent third parties of comparable credit standing; and
- (ii) the most favourable terms offered by CE Bank to independent third party customers for similar or comparable deposit services.

LETTER FROM THE BOARD

Historical Figures, Existing Caps and Revised Caps

The following table sets out certain information regarding the amount of historical transactions for deposit services provided by CE Bank to the Group for the three years ended 31 December 2015 and the three months ended 31 March 2016:

	For the year ended 31 December		For the three months ended	
	<i>(HK\$'000)</i>		31 March	
	2013	2014	2015	2016
Maximum daily closing balance of deposits (including interests accrued thereon)	986,213	307,085	272,449	315,394

The following table sets out the Existing Caps of the continuing connected transactions contemplated under the Existing Deposit Services Framework Agreement:

	For the eight months ended	For the year ending 31 December	
	31 December	<i>(HK\$'000)</i>	
	<i>(HK\$'000)</i>	2016	2017
Maximum daily closing balance of deposits (including interests accrued thereon)	296,000	345,000	394,000

The following table sets out the pricing standard and the Revised Caps of the continuing connected transactions contemplated under the Supplemental Deposit Services Framework Agreement:

	For the year ending 31 December		
	<i>(HK\$'000)</i>		
	2016	2017	2018
Maximum daily closing balance of deposits (including interests accrued thereon)	2,741,000	3,182,000	3,843,000

LETTER FROM THE BOARD

Pricing Standard

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

- (i) the interest rates for the same type of deposits offered by other commercial banks of comparable credit standing;
- (ii) the terms available to the Group from independent third parties; and
- (iii) the most favorable terms (including but not limited to interest rate) offered by CE Bank to independent third party customers for similar or comparable deposit services.

Basis for the Revised Caps Contemplated under the Supplemental Deposit Services Framework Agreement

The Directors (other than the independent non-executive Directors whose opinions and recommendations are contained in the letter from the Independent Board Committee, the text of which is set out on pages 28 and 29 of this circular) consider that it is in the interests of the Company to enter into the transactions under the terms and conditions set out in the Supplemental Deposit Services Framework Agreement. The Directors (other than the independent non-executive Directors) have determined the Revised Caps for the deposit services with reference to a number of factors, including, among other things, (i) the historical figures of the maximum closing balance (including interest accrued thereon) of deposit in previous years, (ii) the expected increase in the amount of deposits to be placed with CE Bank, which has taken into account the expected expansion in the aircraft fleet of the Group, the relevant expected corresponding lease income and the consideration of potential debt raisings, from which part or whole of the amount of the proceeds raised may be deposited with CE Bank for the operations and transactions of the Group, (iii) the expected interest income offered by CE Bank to the Group as compared with interest income that could otherwise be obtained by placing deposits with other commercial banks, and (iv) the business development plans and financial needs of the Group. In addition, a buffer has been incorporated into the Revised Caps to cater for potential business growth and market uncertainties during the period.

LETTER FROM THE BOARD

(3) The Supplemental Loan Services Framework Agreement

The Company and CE Group have entered into the Supplemental Loan Services Framework Agreement to revise the Existing Caps and extend the duration of the Existing Loan Services Framework Agreement. The Supplemental Loan Services Framework Agreement is conditional upon Shareholders' approval at the EGM having been obtained. The principal terms of the Supplemental Loan Services Framework Agreement are summarized below:

Date

8 April 2016

Parties

- (i) the Company; and
- (ii) CE Group

Subject matter and term

Pursuant to the Supplemental Loan Services Framework Agreement, the Parties have agreed to revise the Existing Caps under the Existing Loan Services Framework Agreement and to extend the duration of the Existing Loan Services Framework Agreement to 31 December 2018, subject to the Shareholders' approval. Save as amended by the Supplemental Loan Services Framework Agreement, all other terms of the Existing Loan Services Framework Agreement (as disclosed below) shall remain unchanged.

Transactions contemplated thereunder

- (i) Provision of secured loan services and guarantees by CE Group, through CE Bank, to the Group; and
- (ii) Provision of secured loan services by CE Group, through the Trustee using funds of a Trust Plan of which Sun Life Everbright is a beneficiary, to the Group (the Trustee, i.e. the lender, is also one of the assignees of the FLRs under the Amended and Restated Assignment of Finance Lease Receivables Framework Agreement).

LETTER FROM THE BOARD

Payment

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

Other terms

The Existing Loan Services Framework Agreement (as supplemented by the Supplemental Loan Services Framework Agreement) shall be non-exclusive and the Company is at liberty to obtain loan services or guarantees from other third parties.

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

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

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

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

LETTER FROM THE BOARD

Historical Figures, Existing Caps and Revised Caps

The following table sets out certain information regarding the amount of historical transactions for loan services and guarantees provided by CE Bank and the Trustee to the Group for the three years ended 31 December 2015 and the three months ended 31 March 2016:

	For the year ended 31 December			For the three
	<i>(HK\$'000)</i>			months ended
	2013	2014	2015	31 March
	<i>(HK\$'000)</i>			<i>(HK\$'000)</i>
	2013	2014	2015	2016
Maximum daily closing balance of loans (including the guarantees)	176,000	1,164,000	1,965,923	1,809,018

The following table sets out the Existing Caps of the continuing connected transactions contemplated under the Existing Loan Services Framework Agreement:

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

LETTER FROM THE BOARD

The following table sets out the pricing standard and the Revised Caps of the continuing connected transactions contemplated under the Supplemental Loan Services Framework Agreement:

	For the year ending 31 December		
	<i>(HK\$'000)</i>		
	2016	2017	2018
Maximum daily closing balance of loans (including the guarantees)	8,146,000	14,082,000	18,214,000

Pricing Standard

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

- (i) the interest rates for the same type of loans offered by other commercial banks;
- (ii) the terms available to the Group from independent third parties; and
- (iii) the most favorable terms (including but not limited to interest rate) offered by CE Bank and/or the Trustee, as the case may be, to independent third party customers for similar or comparable loan services.

LETTER FROM THE BOARD

Basis for the Revised Caps Contemplated under the Supplemental Loan Services Framework Agreement

The Directors (other than the independent non-executive Directors whose opinions and recommendations are contained in the letter from the Independent Board Committee, the text of which is set out on pages 28 and 29 of this circular) consider that it is in the interests of the Company to enter into the transactions under the terms and conditions set out in the Supplemental Loan Services Framework Agreement. The Directors (other than the independent non-executive Directors) have determined the Revised Caps for the loan services with reference to a number of factors, including, among other things, (i) the historical figures of the maximum closing balance of loans (including the guarantees) in previous years, (ii) the expected increase in the amount of loans and guarantees required by the Group, which has taken into account the expected expansion in the aircraft fleet of the Group and the corresponding expected required loan amount for the three years ending 31 December 2018, and (iii) the business development plans and financial needs of the Group. In addition, a buffer has been incorporated into the Revised Caps to cater for potential business growth and market uncertainties during the period. Based on the projected increase in fleet size and the expected aircraft delivery schedule, the Group's fleet will increase to 172 aircraft by 2022, resulting in an expected increase in the amount of loans required by the Group to fund, among others, the acquisition cost, of which approximately 20% to 40% is expected to be funded by loans from CE Group. As at the Latest Practicable Date, the Group's fleet consists of 66 aircraft.

(4) The Supplemental Assignment of Finance Lease Receivables Framework Agreement

The Company and CE Group have entered into the Supplemental Assignment of Finance Lease Receivables Framework Agreement to revise the Existing Caps and extend the duration of the Amended and Restated Assignment of Finance Lease Receivables Framework Agreement. The Supplemental Assignment of Finance Lease Receivables Framework Agreement is conditional upon Shareholders' approval at the EGM having been obtained. The principal terms of the Supplemental Assignment of Finance Lease Receivables Framework Agreement are summarized below:

Date

8 April 2016

LETTER FROM THE BOARD

Parties

- (i) the Company; and
- (ii) CE Group

Subject matter and term

Pursuant to the Supplemental Assignment of Finance Lease Receivables Framework Agreement, the Parties have agreed to revise the Existing Caps under the Amended and Restated Assignment of Finance Lease Receivables Framework Agreement and to extend the duration of the Amended and Restated Assignment of Finance Lease Receivables Framework Agreement to 31 December 2018, subject to the Shareholders' approval. Save as amended by the Supplemental Assignment of Finance Lease Receivables Framework Agreement, all other terms of the Amended and Restated Assignment of Finance Lease Receivables Framework Agreement (as disclosed below) shall remain unchanged.

Transactions contemplated thereunder

Assignment of the FLRs by the Group to associates of CE Group (including but not limited to CE Bank and the Trustee of a Trust Plan of which Sun Life Everbright is a beneficiary).

Payment

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

Other terms

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

LETTER FROM THE BOARD

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

Historical Figures, Existing Caps and Revised Caps

The following table sets out certain information regarding the amount of historical transactions for the assignment of FLRs by the Group to CE Group for the three years ended 31 December 2015 and the three months ended 31 March 2016:

	For the year ended 31 December		For the three months ended	
	<i>(HK\$'000)</i>		31 March	
	2013	2014	2015	2016
Total consideration	Nil	656,000	Nil	Nil

The following table sets out the Existing Caps of the continuing connected transactions contemplated under the Amended and Restated Assignment of Finance Lease Receivables Framework Agreement:

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

LETTER FROM THE BOARD

The following table sets out the pricing standard and the Revised Caps of the continuing connected transactions contemplated under the Supplemental Assignment of Finance Lease Receivables Framework Agreement:

	For the year ending 31 December		
	<i>(HK\$'000)</i>		
	2016	2017	2018
Total consideration	7,020,000	7,020,000	7,020,000

Pricing Standard	The consideration in respect of the assignment of FLRs shall be based on normal commercial terms, agreed through arm's-length negotiations between the parties and no less favourable to the Group than the terms offered by the Group to independent third parties for similar or comparable assignments.		
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Basis for the Revised Caps Contemplated under the Supplemental Assignment of Finance Lease Receivables Framework Agreement

The Directors (other than the independent non-executive Directors whose opinions and recommendations are contained in the letter from the Independent Board Committee, the text of which is set out on pages 28 and 29 of this circular) consider that it is in the interests of the Company to enter into the transactions under the terms and conditions set out in the Supplemental Assignment of Finance Lease Receivables Framework Agreement. The Directors (other than the independent non-executive Directors) have determined the Revised Caps for the assignment of FLRs with reference to a number of factors, including, among other things, (i) the historical figures of the total consideration in respect of assignment of FLRs in previous years, which have taken into account the carrying value of the FLRs, (ii) the expected increase in the number of aircraft owned by the Group and the corresponding expected increase in lease receivables in relation to such aircraft for the three years ending 31 December 2018, and (iii) the business development plans of the Group. In addition, a buffer has been incorporated into the Revised Caps to cater for potential business growth and market uncertainties during the period. Based on the projected increase in fleet size and the expected aircraft delivery schedule, the Group's fleet will increase to 172 aircraft by 2022. Such expansion is expected to result in a corresponding increase in the assignment of lease receivables in relation to such aircraft. As at the Latest Practicable Date, the Group's fleet consists of 66 aircraft.

LETTER FROM THE BOARD

(5) Reasons for and Benefits of the Supplemental Agreements

The Revised Caps of the Supplemental Agreements have been determined by taking into account of the new business development plans and overall increased financial needs of the Group. The Board believes that the Existing Caps may not be sufficient for the Company during the duration of each of the Existing Agreements.

As the Existing Agreements will expire on 31 December 2017, and the Company anticipates that it will continue to carry out the transactions contemplated under the Existing Agreements after 31 December 2017, the Company entered into the Supplemental Agreements with CE Group on 8 April 2016 for extending the duration of each of the Existing Agreements to 31 December 2018.

The terms of the Supplemental Agreements have been agreed upon arm's-length negotiations between the Company and CE Group.

The Directors (other than the independent non-executive Directors whose opinions and recommendations are contained in the letter from the Independent Board Committee, the text of which is set out on pages 28 and 29 of this circular) are of the view that (i) the continuing connected transactions contemplated under the Supplemental Agreements will be carried out in the ordinary and usual course of business of the Company; (ii) the terms of the Supplemental Agreements are normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (iii) the Revised Caps of the transactions contemplated under the Supplemental Agreements are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

(6) Internal Control Measures for the Continuing Connected Transactions

To safeguard the interest of the Group, the Group has adopted and will continue to adhere to the following internal control measures in respect of the deposit services provided by CE Group under the Existing Deposit Services Framework Agreement (as supplemented by the Supplemental Deposit Services Framework Agreement), the loan services provided by CE Group under the Existing Loan Services Framework Agreement (as supplemented by the Supplemental Loan Services Framework Agreement) and the assignment of FLRs carried out between the Group and CE Group under the Amended and Restated Assignment of Finance Lease Receivables Framework Agreement (as supplemented by the Supplemental Assignment of Finance Lease Receivables Framework Agreement).

LETTER FROM THE BOARD

Deposit services under the Supplemental Deposit Services Framework Agreement

The Company has adopted and will continue to adhere to the following review process and assessment criteria when obtaining deposit services from CE Group under the Supplemental Deposit Services Framework Agreement:

- (1) the designated staff of the Company will closely monitor the closing balance of deposits (including interests accrued thereon) of the Group with CE Group on a daily basis to ensure that it does not exceed the stipulated annual caps;
- (2) the company secretarial department of the Company would update the list of the Group's subsidiaries on a quarterly basis to ensure the aggregate outstanding deposit balances of the Group (including the subsidiaries in the updated list) with CE Group does not exceed the stipulated annual caps;
- (3) prior to placing deposits with CE Group, the designated staff of the Company will seek quotations from at least three independent major commercial banks for similar types of deposit services offered by such major commercial banks and will compare them against the interest rates and terms offered by CE Group to ensure that the interest rates and terms offered by CE Group are based on normal commercial terms, agreed through arm's-length negotiations between the parties and are not less favourable than those provided by independent commercial banks; and
- (4) the independent non-executive Directors and the risk management department of the Company will review at least every six months the status of deposit services provided by CE Group to ensure the Group has complied with internal approval process, the terms of the Supplemental Deposit Services Framework Agreement and the relevant Listing Rules.

LETTER FROM THE BOARD

Loan services under the Supplemental Loan Services Framework Agreement

The Company has adopted and will continue to adhere to the following review process and assessment criteria when obtaining loan services from CE Group under the Supplemental Loan Services Framework Agreement:

- (1) the designated staff of the Company will closely monitor the outstanding loan balances (including the guarantees) of the Group with CE Group on a daily basis to ensure that it does not exceed the stipulated annual caps;
- (2) the company secretarial department of the Company would update the list of the Group's subsidiaries on a quarterly basis to ensure the aggregate outstanding loan balances of the Group (including the subsidiaries in the updated list) with CE Group does not exceed the stipulated annual caps;
- (3) prior to entering into a loan service or guarantee transaction with CE Group, the designated staff of the Company will seek quotations from at least three independent major commercial banks for similar types of loans offered by such major commercial banks and will compare them against the interest rates and terms offered by CE Group to ensure that the interest rates and terms offered by CE Group are based on normal commercial terms, agreed through arm's-length negotiations between the parties and are not less favourable than those provided by independent commercial banks; and
- (4) the independent non-executive Directors and the risk management department of the Company will review at least every six months the status of loan services provided by CE Group to ensure the Group has complied with internal approval process, the terms of the Supplemental Loan Services Framework Agreement and the relevant Listing Rules.

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

The Group has adopted and will continue to adhere to the following review process and assessment criteria when carrying out assignment of FLRs with CE Group under the Supplemental Assignment of Finance Lease Receivables Framework Agreement:

LETTER FROM THE BOARD

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

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

LETTER FROM THE BOARD

(7) Listing rules implications

As at the Latest Practicable Date, CE Group is the sole shareholder of CE Hong Kong. CE Hong Kong is the indirect controlling shareholder of CE Limited which indirectly holds approximately 49.7% equity interest in CE Limited. CE Limited in turn indirectly holds approximately 35% equity interest in the Company. Accordingly, CE Group is a controlling shareholder of the Company, and CE Group and its associates are connected persons of the Company. The transactions contemplated under the Existing Agreements (as supplemented by the Supplemental Agreements) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) exceeds 5%, the transactions contemplated under each of the Existing Agreements (as supplemented by the Supplemental Agreements) constitute non-exempt continuing connected transactions of the Company and are subject to the reporting, announcement, annual review and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the transactions under the Supplemental Agreements or is required to abstain from voting on the resolutions in relation to such transactions.

(8) General information of the parties

The Company, through its subsidiaries, is principally engaged in the aircraft leasing business within and outside the PRC.

CE Group is incorporated as a joint stock company with limited liability in the PRC and is owned as to 44.33% and 55.67% by MOF and Huijin Limited, respectively. CE Group is a conglomerate which, through its subsidiaries and associates, engages in a diverse range of businesses including banking, securities and asset management.

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

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

LETTER FROM THE BOARD

III. RECOMMENDATION

Based on its views set out above, the Board (other than the independent non-executive Directors whose opinions and recommendations are contained in the letter from the Independent Board Committee, the text of which is set out on pages 28 and 29 of this circular) recommends that the Independent Shareholders vote in favour of the resolutions concerning the Supplemental Deposit Services Framework Agreement, the Supplemental Loan Services Framework Agreement and the Supplemental Assignment of Finance Lease Receivables Framework Agreement, and the proposed Revised Caps thereunder for the years of 2016, 2017 and 2018.

Your attention is drawn to the letter from the Independent Board Committee to the Shareholders, the text of which is set out on pages 28 and 29 of this circular. Your attention is also drawn to the letter from Investec which contains its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 30 to 54 of this circular. The Independent Board Committee, having taken into account the advice of Investec, considers that (i) the transactions contemplated under the Supplemental Deposit Services Framework Agreement, the Supplemental Loan Services Framework Agreement and the Supplemental Assignment of Finance Lease Receivables Framework Agreement will be carried out in the ordinary course of business of the Group; (ii) the terms of the Supplemental Deposit Services Framework Agreement, the Supplemental Loan Services Framework Agreement and the Supplemental Assignment of Finance Lease Receivables Framework Agreement are normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (iii) the proposed Revised Caps under the Supplemental Deposit Services Framework Agreement, the Supplemental Loan Services Framework Agreement and the Supplemental Assignment of Finance Lease Receivables Framework Agreement for the years of 2016, 2017 and 2018 are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends that the Independent Shareholders should vote in favour of the resolutions concerning the Supplemental Deposit Services Framework Agreement, the Supplemental Loan Services Framework Agreement and the Supplemental Assignment of Finance Lease Receivables Framework Agreement, and the proposed Revised Caps thereunder for the years of 2016, 2017 and 2018 to be proposed at the EGM.

LETTER FROM THE BOARD

IV. THE EGM AND SHAREHOLDERS' APPROVAL

The EGM will be held at Cliftons Hong Kong, 508-520 Hutchison House, 10 Harcourt Road, Central, Hong Kong on Tuesday, 17 May 2016 at 10:30 a.m. (or as soon thereafter as the annual general meeting of the Company convened for the same day and place shall have concluded or adjourned). A notice to convene the EGM is set out on pages 62 to 65 of this circular.

At the EGM, ordinary resolutions will be proposed to approve (i) the Supplemental Deposit Services Framework Agreement and the transactions contemplated thereunder, including the Revised Caps of transactions for the years of 2016, 2017 and 2018, (ii) the Supplemental Loan Services Framework Agreement and the transaction contemplated thereunder, including the Revised Caps of transactions for the years of 2016, 2017 and 2018 and (iii) the Supplemental Assignment of Finance Lease Receivable Framework Agreement and the transactions contemplated thereunder, including the Revised Caps of transactions for the years of 2016, 2017 and 2018.

CE Group (which is the holder of 100% of the issued share capital of CE Hong Kong), CE Hong Kong (which beneficially holds approximately 49.7% of CE Limited's existing total issued share capital through its wholly-owned subsidiaries) and CE Limited (which beneficially holds 215,859,479 Shares representing approximately 35% of the Company's total issued share capital as at the Latest Practicable Date) will be required to abstain from voting at the EGM with respect to the ordinary resolutions in connection with the Supplemental Deposit Services Framework Agreement, the Supplemental Loan Services Framework Agreement and the Supplemental Assignment of Finance Lease Receivables Framework Agreement, including the Revised Caps of transactions for the years of 2016, 2017 and 2018.

In order to determine the list of Shareholders who are entitled to attend and vote at the EGM, the register of the Shareholders of the Company will be closed from Monday, 16 May 2016 to Tuesday, 17 May 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 on Tuesday, 17 May 2016 will be entitled to attend and vote at the EGM.

LETTER FROM THE BOARD

V. FURTHER INFORMATION

Your attention is also drawn to the additional information set out on pages 55 to 61 of this circular.

Yours faithfully,

By order of the Board

China Aircraft Leasing Group Holdings Limited

CHEN SHUANG

Executive Director, Chairman and

Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

CALC

CHINA AIRCRAFT LEASING GROUP HOLDINGS LIMITED

中國飛機租賃集團控股有限公司

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

(Stock code: 1848)

29 April 2016

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company (the “**Circular**”) dated 29 April 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 the Supplemental Deposit Services Framework Agreement, the Supplemental Loan Services Framework Agreement and the Supplemental Assignment of Finance Lease Receivables Framework Agreement, and the transactions contemplated thereunder, details of which are set out in the section headed “Letter from the Board” in the Circular. Investec has been appointed to advise the Shareholders and the Independent Board Committee 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.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the terms of the Supplemental Deposit Services Framework Agreement, the Supplemental Loan Services Framework Agreement and the Supplemental Assignment of Finance Lease Receivables Framework Agreement, and the transactions contemplated thereunder and the advice of Investec, we are of the opinion that (i) the transactions contemplated under the Supplemental Deposit Services Framework Agreement, the Supplemental Loan Services Framework Agreement and the Supplemental Assignment of Finance Lease Receivables Framework Agreement will be carried out in the ordinary course of business of the Group; (ii) the terms of the Supplemental Deposit Services Framework Agreement, the Supplemental Loan Services Framework Agreement and the Supplemental Assignment of Finance Lease Receivables Framework Agreement are normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (iii) the proposed Revised Caps under the Supplemental Deposit Services Framework Agreement, the Supplemental Loan Services Framework Agreement and the Supplemental Assignment of Finance Lease Receivables Framework Agreement for the years of 2016, 2017 and 2018 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 resolutions to be proposed at the EGM to approve the Supplemental Deposit Services Framework Agreement, the Supplemental Loan Services Framework Agreement and the Supplemental Assignment of Finance Lease Receivables Framework Agreement.

Yours faithfully,

For and on behalf of

INDEPENDENT BOARD COMMITTEE

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

LETTER FROM INVESTEC

The following is the text of the letter of advice from Investec Capital Asia Limited to the Independent Board Committee and the Shareholders in relation to the continuing connected transactions contemplated under the Supplemental Agreements (including the Revised Caps) prepared for the purpose of incorporation in this circular.



Investec Capital Asia Ltd
Room 3609-3613, 36/F, Two International Finance Centre
8 Finance Street, Central, Hong Kong
香港中環金融街8號國際金融中心二期36樓3609-3613室
Tel/電話: (852) 3187 5000
Fax/傳真: (852) 2501 0171
www.investec.com

29 April 2016

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

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS REVISION OF ANNUAL CAPS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Supplemental Agreements and the transactions (including the Revised Caps) contemplated thereunder, details of which are set out in the circular of the Company dated 29 April 2016 (the “**Circular**”), of which this letter forms part. This letter contains our advice to the Independent Board Committee and the Shareholders in this regard. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

Reference is made to the 2015 First Announcement and the 2015 Circular in relation to, among other things, the continuing connected transactions between the Group and CE Group. Reference is also made to the 2015 Second Announcement in relation to the Amended and Restated Assignment of Finance Lease Receivables Framework Agreement, pursuant to which the Company and CE Group amended and restated the Original Assignment of Finance Lease Receivables Framework Agreement. The transactions contemplated under the Existing Agreements including the Existing Caps were approved by the then Shareholders at the extraordinary general meeting of the Company held on 30 June 2015.

LETTER FROM INVESTEC

The Board expected that the Existing Caps of each of the Existing Agreements for the years ending 31 December 2016 and 2017 would no longer be sufficient, and announced that on 8 April 2016, the Company and CE Group entered into the Supplemental Agreements to revise the Existing Caps for the years ending 31 December 2016 and 2017 and to extend the duration of each of the Existing Agreements to 31 December 2018.

As set out in the letter from the Board contained in the Circular (the “**Letter from the Board**”), CE Group is the sole shareholder of CE Hong Kong. CE Hong Kong is the indirect controlling shareholder of CE Limited which indirectly holds approximately 49.7% equity interest in CE Limited. CE Limited in turn indirectly holds approximately 35% equity interest in the Company. Accordingly, CE Group is a controlling shareholder of the Company, and CE Group and its associates are connected persons of the Company. The transactions contemplated under the Existing Agreements (as supplemented by the Supplemental Agreements) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) exceeds 5%, the transactions contemplated under each of the Existing Agreements (as supplemented by the Supplemental Agreements) constitute non-exempt continuing connected transactions of the Company and are subject to the reporting, announcement, annual review and Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. Fan Yan Hok, Philip, Mr. Ng Ming Wah, Charles, Mr. Nien Van Jin, Robert and Mr. Cheok Albert Saychuan, has been established to advise the Shareholders in respect of the Supplemental Agreements and the transactions (including the Revised Caps) contemplated thereunder. As the Independent Financial Adviser to the Independent Board Committee and Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Shareholders as to (i) whether the continuing connected transactions contemplated under the Supplemental Agreements will be carried out in the ordinary course of business of the Group; (ii) whether the terms of the Supplemental Agreements are normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; (iii) whether the Revised Caps of the transactions contemplated under the Supplemental Agreements are fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote for the relevant resolutions to be proposed at the EGM in respect of the Supplemental Agreements and the transactions (including the Revised Caps) contemplated thereunder.

LETTER FROM INVESTEC

As at the Latest Practicable Date, we were independent from and not connected with the Group and CE Group pursuant to Rule 13.84 of the Listing Rules, and accordingly, qualified to give independent advice to the Independent Board Committee and the Shareholders regarding the Supplemental Agreements and the transactions contemplated thereunder (including the Revised 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 continuing connected transactions in June 2015, as well as in respect of 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.

BASIS OF OUR OPINION

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

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

LETTER FROM INVESTEC

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion regarding the Supplemental Agreements and the transactions contemplated thereunder (together with the Revised Caps), we have taken into consideration the following principal factors:

1. Background information

i. Information on the Group

As set out in the Company's annual report for the year ended 31 December 2015 (the "**2015 Annual Report**"), the Group is principally engaged in the aircraft leasing business mainly in the PRC and also provides airline customers sale-and-leaseback arrangements, aircraft replacement, aircraft disassembly, asset management and other value-added fleet management solutions. The Group has a single reporting segment.

According to the 2015 Annual Report, the Group delivered 19 aircraft during the year ended 31 December 2015, increasing the fleet size of the Group to 63 aircraft at the end of 2015 from 44 at the end of 2014. The Group plans to deliver no fewer than 17 aircraft in 2016, and increase the fleet to at least 80 aircraft by the end of the year. Based on the order commitments, the Group's aircraft fleet will increase to 172 aircraft by the end of 2022.

We also note from our discussion with the Management and the 2015 Annual Report that the Group completed two transactions for the realisation of finance lease receivables during the year ended 31 December 2015, and plans to increase the number of transactions in such respect in 2016.

LETTER FROM INVESTEC

Set out below are the summaries of (i) the audited consolidated statement of income; and (ii) the audited consolidated balance sheet of the Group in respect of the two years ended 31 December 2015 as extracted from the 2015 Annual Report:

Summary of consolidated statement of income

<i>Approximately</i>	For the year ended	
	31 December	
	2014	2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(Audited)	(Audited)
Revenue and other income	1,145.0	1,549.3
Finance lease income	714.7	1,015.4
Operating lease income	182.1	223.9
Other income	248.1	310.0
Operating profit	353.2	481.1
Profit for the year attributable to		
owners of the Company	302.8	380.2

For the year ended 31 December 2015, the Group recorded total revenue and other income of approximately HK\$1,549.3 million compared to approximately HK\$1,145.0 million for the year ended 31 December 2014. The Group recorded finance lease income of approximately HK\$1,015.4 million which represented approximately 65.5% of total revenue and other income and operating lease income of approximately HK\$223.9 million which represented approximately 14.5% of total revenue and other income for the year ended 31 December 2015. For the year ended 31 December 2015, the Group generated profit for the period attributable to owners of the Company of approximately HK\$380.2 million, representing an increase of approximately 25.6% from such for the year ended 31 December 2014.

As advised by the Management and set out in the 2015 Annual Report, the Group's revenue and other income for the year ended 31 December 2015 included lease income, gains from realisation of finance lease receivables and government subsidies. The revenue growth was mainly driven by the Group's business growth in aircraft leasing and the receipt of government subsidies. The growth in lease income during the year was principally attributable to the increase in the Group's fleet size from 44 aircraft as at 31 December 2014 to 63 aircraft as at 31 December 2015.

LETTER FROM INVESTEC

Summary of consolidated balance sheet

<i>Approximately</i>	As at 31 December	
	2014	2015
	<i>HK\$ million</i> (Audited)	<i>HK\$ million</i> (Audited)
Total assets	18,313.0	23,947.0
Finance lease receivables – net	11,443.5	16,473.0
Prepayments and other receivables	3,503.4	3,444.3
Property, plant and equipment	1,706.7	2,412.5
Cash and cash equivalents	1,425.6	1,389.3
Total liabilities	16,532.3	21,739.0
Bank borrowings	15,342.6	18,775.2
Long-term borrowings	642.1	794.2
Medium-term notes	–	400.5
Convertible bonds	–	796.5
Total equity attributable to owners of the Company	1,761.3	2,188.5

The Group's total assets increased by approximately 30.8%, 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, the majority of the increase in total assets was attributable to increased finance lease receivables and property, plant and equipment.

As at 31 December 2015, the Group's total liabilities amounted to approximately HK\$21,739.0 million compared with approximately HK\$16,532.3 million as at 31 December 2014, representing an increase of approximately 31.5%. As set out in the 2015 Annual Report, the increase was principally attributable to bank borrowings, due to business expansion through the increase in fleet size and issue of convertible bonds and medium-term notes in 2015.

LETTER FROM INVESTEC

Based on the 2015 Annual Report and advice by the Management, (i) the bank borrowings of the Group as at 31 December 2015 amounted to approximately HK\$18,775.2 million, of which approximately HK\$2,115.6 million were the aggregate outstanding balance with CE Bank, which comprised of secured bank borrowings for aircraft acquisition financing, pre-delivery payments (“PDP”) financing and working capital borrowings; and (ii) the long-term borrowings of the Group as at 31 December 2015 amounted to approximately HK\$794.2 million, of which of approximately HK\$155.0 million were the aggregate outstanding balance with the Trustee of a Trust plan of which Sun Life Everbright is a beneficiary.

We noted from the 2015 Annual Report that the Group’s financing strategies to fund operations and capital expenditure requirements include, among others, cash generated from operating activities, long-term bank borrowings, issuance of debts and the proceeds from disposal of finance lease receivables. We understand from the Management that the Group is considering possible financing options in order to meet expansion requirements.

We also noted from our discussion with the Management and the 2015 Annual Report that the Group entered into framework agreements with two commercial banks in March 2015 and January 2016 regarding the realisation of finance lease receivables for 20 aircraft and 15 aircraft, respectively. As advised by the Management, the Group expects the market demand for the realisation of finance lease receivables to become stronger on the basis that the devaluation of the Renminbi and the US dollars interest rate remaining at a low level have boosted the demand of investors for fixed-income assets denominated in US dollars, and the Group plans to step up a number of transactions in this respect in 2016 and to grasp the opportunities arising from the market for aircraft asset realisation.

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

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

LETTER FROM INVESTEC

CE Bank is incorporated as a joint stock company with limited liability in the PRC and is one of the major commercial banks in the PRC and primarily engaged in the commercial banking business, including retail banking, corporate banking and treasury operation. The H shares and A shares of CE Bank are listed on the Stock Exchange (stock code: 6818) and the Shanghai Stock Exchange (stock code: SH601818), respectively. As set out in the 2015 annual results announcement of CE Bank, the group recorded total assets of approximately RMB3.2 trillion and loans and advances to customers of approximately RMB1.5 trillion as at 31 December 2015 and generated net profit attributable to shareholders of approximately RMB29.5 billion for the year ended 31 December 2015.

We understand from the Management that in the last quarter of 2015, the CE Bank has introduced a new cash management system (the “**New Cash Management System**”) streamlining its cash management services enabling the Group to centrally manage its deposits, fund collection and the payment and settlement for the Group’s business operations through CE Bank more efficiently and effectively, and thus the Group expects the resultant increase in the use of cash management services provided by CE Group in the PRC and Hong Kong in the coming years.

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

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

LETTER FROM INVESTEC

2. Reasons for and benefits of the Supplemental Agreements

As set out in the Letter from the Board,

- (i) the Board believes that the Existing Caps may not be sufficient for the Company during the term of each of the Existing Agreements; and
- (ii) the Existing Agreements will expire on 31 December 2017, and the Company anticipates that it will continue to carry out the transactions contemplated under the Existing Agreements after 31 December 2017.

We are given to understand that the Group, having considered the aforesaid reasons, entered into the Supplemental Agreements with CE Group to extend the term of each of the Existing Agreements to 31 December 2018 and to revise the Existing Caps to the Revised Caps, which have been determined by taking into account of the new business development plans of the Group and overall increased financial needs of the Group.

In connection to the above, we have (i) considered the reasons for and benefits of the Supplemental Agreements set out above; (ii) reviewed the Supplemental Agreements provided by the Company; (iii) noted the Group's principal business of aircraft leasing in the PRC and the Group's strategy of expanding its fleet of aircraft as stated in the 2015 Annual Report; (iv) understood through discussion with the Management that (a) the business model of the Group, of which the borrowings in relation to the aircraft acquisition and the realisation of finance lease receivables forms an integral part; and (b) the realisation of the finance lease receivables would typically enhance the Group's financial resources, lower its financial leverage and accelerate the Group's asset rotation; and (v) discussed with the Management with respect to the Group's business plans and financing requirements under the ordinary and usual course of business of the Company, which include the tentative schedule of aircraft acquisitions for fleet expansion and the corresponding tentative schedule of aircraft leasing as well as the Group's consideration of potential debt raisings, from which the proceeds raised (in part or in whole) may be deposited to CE Bank; and (vi) the introduction of the New Cash Management System with CE Bank which enables the Group to manage its deposits and fund transactions more efficiently and effectively.

LETTER FROM INVESTEC

Notwithstanding that more business and transactions with CE Group are expected in the coming years, the Management advised that the Group will monitor the overall balance and exposure of the Group with CE Group to ensure the Group shall not be over-reliant on CE Group in terms of the provision of financial services. Based on above, we concur with the Directors' view that the continuing connected transactions contemplated under the Supplemental Agreements will be carried out in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Supplemental Agreements

The principal terms of each of the Supplemental Agreements, namely the Supplemental Deposit Services Framework Agreement, the Supplemental Loan Services Framework Agreement, and the Supplemental Assignment of Finance Lease Receivables Framework Agreement, are summarised below:

i. The Supplemental Deposit Services Framework Agreement

Pursuant to the Supplemental Deposit Services Framework Agreement dated 8 April 2016 entered into between the Company and CE Group, the parties have agreed to revise the Existing Caps under the Existing Deposit Services Framework Agreement and to extend the duration of the Existing Deposit Services Framework Agreement to 31 December 2018, subject to the Shareholders' approval. Save as amended by the Supplemental Deposit Services Framework Agreement, all other terms of the Existing Deposit Services Framework Agreement (as disclosed below) shall remain unchanged.

Pursuant to the Existing Deposit Services Framework Agreement (as supplemented by the Supplemental Deposit Services Framework Agreement), CE Group agrees to provide deposit services through CE Bank to the Group on a non-exclusive basis and the Company is at liberty to obtain deposit services from other third parties.

CE Group shall procure CE Bank to provide to the Group deposit services (including current and fixed term deposit) in accordance with rules and regulations prescribed by the PBOC and/or other relevant rules and regulations within or outside the PRC.

LETTER FROM INVESTEC

As stated in the Letter from Board, the deposit services to be provided by CE Group shall be on normal commercial terms which are arrived at upon arm's-length negotiations and are no less favourable, at the time such terms are being offered, than:

- (i) terms available to the Group from independent third parties of comparable credit standing; and
- (ii) the most favourable terms offered by CE Bank to independent third party customers for similar or comparable deposit services.

The time and means of payment is to be agreed by the parties with reference to customary business terms through arm's-length negotiations.

ii. The Supplemental Loan Services Framework Agreement

Pursuant to the Supplemental Loan Services Framework Agreement dated 8 April 2016 entered into between the Company and CE Group, the parties have agreed to revise the Existing Caps under the Existing Loan Services Framework Agreement and to extend the duration of the Existing Loan Services Framework Agreement to 31 December 2018, subject to the Shareholders' approval. Save as amended by the Supplemental Loan Services Framework Agreement, all other terms of the Existing Loan Services Framework Agreement (as disclosed below) shall remain unchanged.

Pursuant to the Existing Loan Services Framework Agreement (as supplemented by the Supplemental Loan Services Framework Agreement), CE Group agrees to provide secured loan services and guarantees through CE Bank and secured loan services through the Trustee using funds of a Trust Plan of which Sun Life Everbright is a beneficiary, to the Group (the Trustee, i.e. the lender, is also one of the assignees of the FLRs under the Amended and Restated Assignment of Finance Lease Receivables Framework Agreement) on a non-exclusive basis and the Company is at liberty to obtain loan services or guarantees from other third parties.

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

LETTER FROM INVESTEC

We note from the Letter from Board, the loans services and guarantees to be provided by CE Group shall be on normal commercial terms which are arrived at upon arm's-length negotiations and are no less favourable, at the time such terms are offered, than:

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

We also note that from the Letter from the Board that as security for the Group's performance under loan agreements with the Trustee, the Group will provide security for the benefit of the Trustee by way of executing (i) a second aircraft mortgage¹, pursuant to which the relevant aircraft will be mortgaged by the Group to the Trustee; and (ii) an insurance assignment, pursuant to which the Trustee will be assigned, as first loss payee and added as an additional assured, with all of the insurance proceeds and relevant income under prevailing insurance policies over the relevant aircraft and under circumstances of total loss in relation to the relevant aircraft.

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

iii. The Supplemental Assignment of Finance Lease Receivables Framework Agreement

Pursuant to the Supplemental Assignment of Finance Lease Receivables Framework Agreement dated 8 April 2016 entered into between the Company and CE Group, the parties have agreed to revise the Existing Caps under the Amended and Restated Assignment of Finance Lease Receivables Framework Agreement and to extend the duration of the Amended and Restated Assignment of Finance Lease Receivables Framework Agreement to 31 December 2018, subject to the Shareholders' approval. Save as amended by the Supplemental Assignment of Finance Lease Receivables Framework Agreement, all other terms of the Amended and Restated Assignment of Finance Lease Receivables Framework Agreement (as disclosed below) shall remain unchanged.

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

LETTER FROM INVESTEC

Pursuant to the Amended and Restated Assignment of Finance Lease Receivables Framework Agreement, the Group agrees to assign the FLRs to the associates of CE Group (including but not limited to CE Bank and the Trustee of a Trust Plan of which Sun Life Everbright is a beneficiary).

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

We also note from the Letter from the Board that as security for the lease payment by the relevant Aircraft Lessees, the Group will provide security for the benefit of the Trustee by way of executing (i) a first aircraft mortgage¹, pursuant to which the relevant aircraft will be mortgaged by the Group to the Trustee as security for the relevant Aircraft Lessee's payment obligations for rental receivables; and (ii) an insurance assignment, pursuant to which the Trustee will be assigned, as first loss payee and added as an additional assured, with all of the insurance proceeds and relevant income under prevailing insurance policies over the relevant aircraft and under circumstances of total loss in relation to the relevant aircraft.

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

Further details of the principal terms of each of the Supplemental Agreements are set out in the Letter from the Board.

LETTER FROM INVESTEC

4. Our analysis on the principal terms of the Supplemental Agreements

Set out below is our analysis on the principal terms of each of the Supplemental Agreements:

i. The Supplemental Deposit Services Framework Agreement

We note that the Letter from the Board states that the Existing Deposit Services Framework Agreement (as supplemented by Supplemental Deposit Services Framework Agreement) shall be non-exclusive and the Company has the right but not the obligation to engage CE Group for the provision of deposit services.

As advised by the Management, the Group has adopted a set of internal control policy (the “**Internal Control Policy**”) to regulate the continuing connected transactions. In this connection, we have reviewed the Internal Control Policy provided by the Company and discussed the relevant measures and procedures with the Management. Based on the Internal Control Policy and our discussion with the Management, (i) before accepting deposit services provided by CE Group through CE Bank, the relevant finance and accounting team of the Company will compare the interest rates and terms offered by CE Bank against those for similar types of deposit offered by several major commercial banks to ensure that the interest rates and terms offered by CE Bank are based on normal commercial terms, agreed through arm’s-length negotiations between the parties and are not less favourable than those provided by independent commercial banks; (ii) the relevant finance and accounting team of the Company shall monitor the outstanding deposit balance of the Group with CE Group to ensure the relevant Revised Caps are not exceeded; (iii) the company secretarial department of the Company will update the list of the Group’s subsidiaries and the finance and accounting team of the Company shall monitor the relevant continuing connected transactions with CE Group on a monthly basis to ensure the aggregate daily closing balance of deposits of the Group (including the subsidiaries in the updated list) with CE Group does not exceed the relevant Revised Caps; and (iv) the independent non-executive Directors will review at least every six months the status of deposits services provided by CE Group to ensure the Group’s compliance with the Internal Control Policy (including the relevant internal approval process) and the relevant Listing Rules. The Management confirmed that since the commencement of the Existing Agreements, there has been no material non-compliance to the related Internal Control Policy.

LETTER FROM INVESTEC

In addition, based on publicly available information and the relevant information provided by the Company, we have reviewed and compared the interest rates and services fees in relation to the relevant comparable deposits of the Group maintained with CE Bank and those of three other commercial banks which are independent deposit services providers in the PRC. We note from our review and from our discussions with the Management that the principal terms of the relevant deposits the Group maintained with CE Bank, including interest rates and services fees, were no less favourable than those of the sampled commercial banks which are independent deposit services providers in the PRC.

ii. The Supplemental Loan Services Framework Agreement

As set out in the Letter from the Board, we note that the Existing Loan Services Framework Agreement (as supplemented by the Supplemental Loan Services Framework Agreement) shall be non-exclusive and the Company has the right but not the obligation to engage CE Group for the provision of loan services and guarantees.

In this connection, we have reviewed the Internal Control Policy provided by the Company and discussed the relevant measures and procedures with the Management. Based on the Internal Control Policy and our discussion with the Management, we note that (i) before entering into loan transaction with CE Group, the relevant transaction team of the Company will prepare a memorandum to the strategy committee to compare the interest rates and terms offered by CE Group and those for similar types of loans or guarantees offered by several major commercial banks to ensure that the interest rates and terms offered by CE Group are based on normal commercial terms, agreed through arm's-length negotiations between the parties and are not less favourable than those provided by independent commercial banks; (ii) the relevant finance and accounting team of the Company shall monitor the outstanding relevant loan balance (including the guarantees) of the Group with CE Group to ensure the relevant Revised Caps are not exceeded; (iii) the company secretarial department of the Company will update the list of the Group's subsidiaries and the finance and accounting team of the Company shall monitor the relevant continuing connected transactions with CE Group on a monthly basis to ensure the aggregate daily closing balance of loans (including guarantees) of the Group (including the subsidiaries in the updated list) with CE Group does not exceed the relevant Revised Caps; and (iv) the independent non-executive Directors will review at least every six months the status of the relevant loan services and guarantees provided by CE Group to ensure the Group's compliance with the Internal Control Policy (including the relevant internal approval process) and the relevant Listing Rules. The Management confirmed that since the commencement of the Existing Agreements, there has been no material non-compliance to the related Internal Control Policy.

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We also note from the Management that there were two new fixed rate aircraft loan transactions with CE Bank in 2015 (the “**Connected Party Fixed Rate Loans**”) and six new fixed rate aircraft loan transactions with independent loan provider in 2015 (the “**I3P Fixed Rate Loans**”). We have obtained from the Company and compared the contracts of (i) the two Connected Party Fixed Rate Loans; and (ii) the six I3P Fixed Rate Loans. We note from our review of the relevant documents and supporting materials provided by the Management as well as from our discussions with the Management that (i) the principal terms of these transactions, including interest rate and loan tenor, were in line with those provided by the independent loan providers; and (ii) the interest rate under the Connected Party Fixed Rate Loans is within range of the interest rates under the I3P Fixed Rate Loans.

iii. The Supplemental Assignment of Finance Lease Receivables Framework Agreement

We note from the Letter from the Board that the Amended and Restated Assignment of Finance Lease Receivables Framework Agreement (as supplemented by the Supplemental Assignment of Finance Lease Receivables Framework Agreement) is on a non-exclusive basis that the Company has the right but not the obligation to engage CE Group for the assignment of the FLRs, subject to the relevant terms and conditions.

We note from the Internal Control Policy and our discussions with the Management in respect of the relevant measures and procedures that (i) before entering into assignment of FLRs, the relevant transaction team of the Company will prepare a memorandum to the strategy committee to compare the proceeds, interest rates and terms offered by CE Group and those for similar types of assignment of FLRs offered by several major commercial banks or independent investors to ensure that the proceeds, interest rates and terms offered by CE Group are based on normal commercial terms, agreed through arm’s-length negotiations between the parties and are not less favourable than those provided by independent commercial banks or investors; (ii) the relevant finance and accounting team of the Company shall monitor the total consideration under assignments of FLRs of the Group with CE Group to ensure the relevant Revised Caps are not exceeded; (iii) the company secretarial department of the Company will update the list of the Group’s subsidiaries and the finance and accounting team of the Company shall monitor the relevant continuing connected transactions with CE Group on a monthly basis to ensure the total consideration under assignments of FLRs of the Group (including the subsidiaries in the updated list) with CE Group does not exceed the relevant Revised Caps; and (iv) the independent non-executive Directors will review every six months the status of assignment of FLRs by the Group to CE Group to ensure the Group has complied

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with internal approval process, the terms of the Amended and Restated Assignment of Finance Lease Receivables Framework Agreement (as supplemented by the Supplemental Assignment of Finance Lease Receivables Framework Agreement) and the relevant Listing Rules.

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

The Management confirmed that there was no new assignment of FLRs transaction with CE Bank since the commencement of the Existing Agreements. The Management also confirmed that the Group will ensure compliance with the Internal Control Policy prior to and after entering into any new assignment of FLRs transactions with CE Bank.

Having considered the aforesaid, we concur with the Directors' view that the terms of each of the Supplemental Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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5. Rationale for determining the respective Revised Caps contemplated under the Supplemental Agreements

Set out below is information regarding the amount of historical transactions for (i) deposit services provided by CE Bank to the Group; (ii) the loan services and guarantees provided by CE Bank and the Trustee to the Group; and (iii) the assignment of FLRs by the Group to CE Group for the three years ended 31 December 2015 and the three months ended 31 March 2016:

	For the year ended 31 December			For the three months ended
	2013	2014	2015	31 March 2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Maximum daily closing balance of deposits (including interests accrued thereon) under the deposit services provided by CE Bank to the Group	986,213	307,085	272,449	315,394
Maximum daily closing balance of loans (including the guarantees) under the loan services provided by CE Bank and the Trustee to the Group	176,000	1,164,000	1,965,923	1,809,018
Total consideration under the assignment of FLRs by the Group to CE Group	Nil	656,000	Nil	Nil

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The Existing Caps of the continuing connected transactions contemplated under (i) the Existing Deposit Services Framework Agreement; (ii) the Existing Loan Services Framework Agreement; and (iii) the Amended and Restated Assignment of Finance Lease Receivables Framework Agreement for the eight months ended 31 December 2015 and each of the years ending 31 December 2016 and 2017 are set out below:

	For the eight months ended 31 December 2015	For the year ending 31 December	
	<i>(HK\$'000)</i>	2016	2017
		<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Maximum daily closing balance of deposits (including interests accrued thereon) under the Existing Deposit Services Framework Agreement	296,000	345,000	394,000
Maximum daily closing balance of loans (including the guarantees) under the Existing Loan Services Framework Agreement	4,271,000	7,898,000	11,096,000
Total consideration under the Amended and Restated Assignment of Finance Lease Receivables Framework Agreement	936,000	1,560,000	2,496,000

The proposed Revised Caps of the continuing connected transactions contemplated under (i) the Supplemental Deposit Services Framework Agreement; (ii) the Supplemental Loan Services Framework Agreement; and (iii) the Supplemental Assignment of Finance Lease Receivables Framework Agreement for each of the years ending 31 December and 2016, 2017 and 2018 are set out below:

	For the year ending 31 December		
	2016	2017	2018
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
The Revised Caps under the Supplemental Deposit Services Framework Agreement (Maximum daily closing balance of deposits (including interests accrued thereon))	2,741,000	3,182,000	3,843,000
The Revised Caps under the Supplemental Loan Services Framework Agreement (Maximum daily closing balance of loans (including the guarantees))	8,146,000	14,082,000	18,214,000
The Revised Caps under the Supplemental Assignment of Finance Lease Receivables Framework Agreement (Total consideration)	7,020,000	7,020,000	7,020,000

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i. The Revised Caps under the Supplemental Deposit Services Framework Agreement

As set out in the Letter from the Board, the Directors have determined the Revised Caps for the deposit services with reference to a number of factors, including, among other things, (i) the historical figures of the maximum closing balance (including interest accrued thereon) of deposit in previous years; (ii) the expected increase in the amount of deposits to be placed with CE Bank; (iii) the expected interest income offered by CE Bank to the Group as compared with interest income that could otherwise be obtained by placing deposits with other commercial banks; and (iv) the business development plans and financial needs of the Group.

Through our discussions with the Management, we understand that the Revised Caps under the Supplemental Deposit Services Framework Agreement are primarily determined by the expected amount of deposits to be placed with CE Bank, which has taken into account the expected expansion in the aircraft fleet of the Group, the relevant expected lease income and the consideration of potential debt raisings, from which the proceeds raised (in part or in whole) may be deposited to CE Bank. In addition, we were advised by the Management that a buffer has been incorporated into the Revised Caps to cater for potential business growth and market uncertainties during the period.

In connection to the above, we have reviewed the relevant budget schedule up to 31 December 2018 provided by the Company as well as their principal underlying assumptions for the projection, and discussed the basis and assumption of such projection with the Management, including (i) the expected expansion in the Group's aircraft fleet from 63 aircraft at the end of 2015 to at least 80 aircraft by the end of 2016 and to 172 aircraft by the end of 2022, (ii) the relevant lease income to be deposited with CE Bank expected to increase from 2016 to 2018; (iii) the expected increase in the use of the financial services by CE Bank as a result of the establishment of the New Cash Management System; (iv) the expected increase in funds (including working capital) being deposited with or transferred through CE Bank which may temporarily increase the daily closing balance of deposits with CE Bank; and (v) the Group's consideration of potential debt raisings, and that the Management may contemplate to deposit the unutilised amount, in part or in whole, with CE Bank. We also note from the Management that the buffer would enable the Group to capture potential opportunities, as well as the ability to manage unforeseen circumstances and/or market uncertainties which may cause interruptions to the Group's operations.

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Having considered the above, in particular, (i) the relevant budget schedule up to 31 December 2018 provided by the Company; (ii) the expected expansion in the aircraft fleet; (iii) the establishment of the New Cash Management System which enables the Group to manage its deposits and fund transactions with CE Bank more efficiently and effectively; (iv) the potential debt raising exercises by the Group; and (v) the Group has the right but not the obligation to engage CE Group for their provision of deposit services, we concur with the Director's view that the Revised Caps under the Supplemental Deposit Services Framework Agreement are fair and reasonable.

ii. The Revised Caps under the Supplemental Loan Services Framework Agreement

As set out in the Letter from the Board, the Directors have determined the Revised Caps for the loan services and guarantees with reference to a number of factors, including, among other things, (i) the historical figures of the maximum closing balance of loans (including the guarantees) in previous years; (ii) the expected increase in the amount of loans and guarantees required by the Group; and (iii) the business development plans and financial needs of the Group. Based on the projected increase in fleet size and the expected aircraft delivery schedule, the Group's fleet shall increase to 172 aircraft by 2022, resulting in an expected increase in the amount of loans required by the Group to fund, among others, the acquisition cost, of which approximately 20% to 40% is expected to be funded by loans from CE Group.

Through our discussions with the Management, we understand that the Revised Caps under the Supplemental Loan Services Framework Agreement are primarily determined by the expected amount of loans to be obtained from CE Bank, which has taken into account the expected expansion in the aircraft fleet of the Group and the corresponding expected required loan amount for the three years ending 31 December 2018. In addition, we were advised by the Management that a buffer has been incorporated into the Revised Caps to cater for potential business growth and market uncertainties during the period.

In connection to the above, we have reviewed the relevant budget schedule up to 31 December 2018 provided by the Company as well as their principal underlying assumptions for the projection, and discussed with the Management the basis and assumption of such projection including the expected expansion in the aircraft fleet and the expected maximum loan balance with CE Bank which takes into account, among others, (i) the Group's existing loan balance with CE Bank; (ii) estimated additional aircraft acquisition loan transactions with CE Bank in 2016, 2017 and 2018; (iii) estimated additional aircraft PDP loan transactions with CE Bank in 2016,

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2017 and 2018; and (iv) estimated additional long-term loans with the associates of CE Group (including but not limited to CE Bank and the Trustee of a Trust Plan of which Sun Life Everbright is a beneficiary) in 2016, 2017 and 2018; and (v) the projected outstanding repayments for each type of loans of the Group with the associates of CE Group. We note from the 2015 Annual Report that (i) during 2015, 19 aircraft were delivered, increasing the Group's fleet size to 63 aircraft as at the end of 2015; and (ii) it is the Group's plan to increase the fleet to 172 aircraft by the end of 2022 from 63 aircraft as at the end of 2015 (which represents an average increase of approximately 15-16 aircraft per year for each of the seven years from 2016 to 2022). For the avoidance of doubt, the Management advised that the Group can arrange various types of loans, including acquisition loans, PDP loans and other long-term loans, for the same aircraft in different stages of lease life cycle (including the purchase of aircraft).

We also note from the 2015 Annual Report that the bank borrowings of Group amounted to approximately HK\$18.8 billion as at 31 December 2015. As such, the relevant Revised Caps under the Supplemental Loan Services Framework Agreement for each of the years ending 31 December 2016, 2017 and 2018 represent approximately 43.4%, 75.0% and 97.0% of the bank borrowings of the Group as at 31 December 2015. In addition, we note from the Management that the buffer would enable the Group to capture potential opportunities as well as the ability to manage unforeseen circumstances and/or market uncertainties, such as potential tightening of lending policies by the Group's other existing financiers/lenders, which may cause interruptions to the Group's operations.

Based on above, we concur with the Director's view that the Revised Caps under the Supplemental Loan Services Framework Agreement are fair and reasonable.

iii. The Revised Caps under the Supplemental Assignment of Finance Lease Receivables Framework Agreement

As set out in the Letter from the Board, the Directors have determined the Revised Caps for the assignment of FLRs with reference to a number of factors, including, among other things, (i) the historical figures of the total consideration in respect of assignment of FLRs in previous years, which have taken into account the carrying value of the FLRs; (ii) the expected increase in the number of aircraft owned by the Group and the corresponding expected increase in lease receivables in relation to such aircraft; and (iii) the business development plans of the Group. Based on the projected increase in fleet size and the expected aircraft delivery schedule, the

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Group's fleet will increase to 172 aircraft by 2022. Such expansion is expected to result in a corresponding increase in the assignment of lease receivables in relation to such aircraft.

We understand from our discussions with the Company that the Revised Caps under the Supplemental Assignment of Finance Lease Receivables Framework Agreement are primarily determined by the expected increase in the number of aircraft owned by the Group and the corresponding expected increase in finance lease receivables in relation to the relevant aircraft for the three years ending 31 December 2018. In addition, the Management advised that a buffer has been incorporated into the Revised Caps to cater for potential business growth and market uncertainties during the period.

In connection to above, we have reviewed the relevant budget schedule up to 31 December 2018 provided by the Company as well as their principal underlying assumptions for the projection, and discussed the basis and assumption of such projection with the Management, including the expected expansion in the aircraft fleet, the expected maximum increase of 20 assignment of FLRs transactions per year with CE Bank in 2016, 2017 and 2018. We note from our discussion with the Management and the 2015 Annual Report that the Group entered into a framework agreements with two commercial banks in March 2015 and January 2016 regarding the finance lease receivables for 20 aircraft and 15 aircraft, respectively, and the Group plans to step up a number of transactions in this respect in 2016 and to grasp the opportunities arising from the market for aircraft asset realisation. We also note from the 2015 Annual Report that the net finance lease receivables of the Group amounted to approximately HK\$16.5 billion as at 31 December 2015. As such, the relevant Revised Caps under the Supplemental Assignment of Finance Lease Receivables Framework Agreement for each of the years ending 31 December 2016, 2017 and 2018 represent approximately 42.6%, 42.6% and 42.6% of the net finance lease receivables of the Group as at 31 December 2015. Based on above, we concur with the Directors' view that the Revised Caps under the Supplemental Assignment of Finance Lease Receivables Framework Agreement are fair and reasonable.

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6. Continuing obligations under the Listing Rules

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

RECOMMENDATION

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

- (i) the transactions contemplated under each of the Supplemental Agreements form an integral part of the business model of the Group;
- (ii) the Group has the right but not the obligation to engage CE Group for their provision of financial services and realisation of FLRs;
- (iii) the transactions to be conducted under each of the Supplemental Agreements will be on normal commercial terms that are no less favourable than those prices and terms available to or from independent third parties to the Group in accordance to the relevant Internal Control Policy; and
- (iv) the value of, and the basis for determining, the respective annual caps are reasonable as discussed in this letter above,

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

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

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

GENERAL INFORMATION

I. RESPONSIBILITY STATEMENT

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

II. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and/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) ⁽¹⁾	Number of underlying shares held(L) ⁽¹⁾	Total interests(L) ⁽¹⁾	Approximate percentage of interest
Mr. Chen Shuang	beneficial owner	200,000	200,000 ⁽³⁾	400,000	0.06%
Ms. Liu Wanting	interest of controlled corporation	10,000,000 ⁽²⁾		10,000,000	1.62%
Mr. Tang Chi Chun	beneficial owner		200,000 ⁽³⁾	200,000	0.03%
Mr. Guo Zibin	beneficial owner		200,000 ⁽³⁾	200,000	0.03%
Mr. Fan Yan Hok, Philip	beneficial owner	66,000	134,000 ⁽³⁾	200,000	0.03%
Mr. Ng Ming Wah, Charles	beneficial owner		200,000 ⁽³⁾	200,000	0.03%
Mr. Nien Van Jin, Robert	beneficial owner	100,000	134,000 ⁽³⁾	234,000	0.04%
Mr. Cheok Albert Saychuan	beneficial owner	5,000	–	5,000	Below 0.01%

Notes:

- ⁽¹⁾ The letter “L” denotes the entity/person’s long position in the securities.
- ⁽²⁾ These Shares were held by Smart Vintage Investments Limited, a company wholly-owned by Ms. Liu Wanting.
- ⁽³⁾ These interests represented the interests in 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.

GENERAL INFORMATION

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

III. SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Name of Shareholders	Capacity/Nature of interest	Number of Shares held(L) ⁽¹⁾	Number of underlying shares held(L) ⁽¹⁾	Approximate percentage of interest
China Everbright Aerospace Holdings Limited ("CE Aerospace")	Beneficial Owner	207,639,479 ⁽⁴⁾		33.69%
	Beneficial Owner		1,340,000 ⁽²⁾	0.22%
China Everbright Financial Investments Limited ("CE Financial")	Beneficial Owner	8,220,000 ⁽⁴⁾		1.33%
	Beneficial Owner		34,388,297 ⁽³⁾	5.58%
CE Limited	Interest of controlled corporation	215,859,479 ⁽⁴⁾		35.02%
	Interest of controlled corporation		34,388,297 ⁽³⁾	5.58%
	Interest of controlled corporation		1,340,000 ⁽²⁾	0.22%
CE Hong Kong	Interest of controlled corporation	215,859,479 ⁽⁵⁾		35.02%
	Interest of controlled corporation		34,388,297 ⁽³⁾	5.58%
	Interest of controlled corporation		1,340,000 ⁽²⁾	0.22%
CE Group	Interest of controlled corporation	215,859,479 ⁽⁶⁾		35.02%
	Interest of controlled corporation		34,388,297 ⁽³⁾	5.58%
	Interest of controlled corporation		1,340,000 ⁽²⁾	0.22%

GENERAL INFORMATION

Name of Shareholders	Capacity/Nature of interest	Number of Shares held(L) ⁽¹⁾	Number of underlying shares held(L) ⁽¹⁾	Approximate percentage of interest
Huijin Limited	Interest of controlled corporation	215,859,479 ⁽⁶⁾		35.02%
	Interest of controlled corporation		34,388,297 ⁽³⁾	5.58%
	Interest of controlled corporation		1,340,000 ⁽²⁾	0.22%
Friedmann Pacific Asset Management Limited (“FPAM”)	Beneficial Owner	181,683,589 ⁽⁹⁾		29.48%
	Beneficial Owner		871,000 ⁽⁷⁾	0.14%
Capella Capital Limited (“Capella”)	Interest of controlled corporation	181,683,589 ⁽⁹⁾		29.48%
	Interest of controlled corporation		871,000 ⁽⁷⁾	0.14%
POON Ho Man	Interest of controlled corporation	186,633,589 ⁽¹⁰⁾		30.28%
	Interest of controlled corporation		871,000 ⁽⁷⁾	0.14%
	Interest of controlled corporation		10,050,000 ⁽⁸⁾	1.63%
Christina NG	Interest of spouse	186,633,589 ⁽¹¹⁾		30.28%
	Interest of spouse		871,000 ⁽⁷⁾	0.14%
	Interest of spouse		10,050,000 ⁽⁸⁾	1.63%
Huarong (HK) International Holdings Limited (“HK Huarong”)	Beneficial owner		34,388,297 ⁽¹²⁾	5.58%
China Huarong Asset Management Co., Ltd. (“China Huarong”)	Interest of controlled corporation		34,388,297 ⁽¹³⁾	5.58%

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 CE Limited. Accordingly, CE Limited is deemed to be interested in all Shares and underlying shares held by CE Aerospace and CE Financial.

GENERAL INFORMATION

- ⁽⁵⁾ CE Hong Kong indirectly holds more than one-third of the voting power at general meetings of CE Limited. Accordingly, CE Hong Kong is deemed to be interested in all Shares and underlying shares mentioned in notes (2) to (4) above.
- ⁽⁶⁾ According to the Company's announcements in respect of the 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⁾ The issued share capital of FPAM is owned as to 0.000001% by Ms. Christina Ng and 99.999999% by Capella. Accordingly, Capella is deemed to be interested in all Shares and underlying shares held by FPAM.
- ⁽¹⁰⁾ The issued share capital of Capella is owned as to 10% by Ms. Christina Ng and 90% by Mr. Poon Ho Man. Accordingly, Mr. Poon is deemed to be interested in all Shares and underlying shares mentioned in notes (7) and (9) above. Mr. Poon is also interested in 4,950,000 Shares held by Equal Honour.
- ⁽¹¹⁾ Ms. Christina Ng is the spouse of Mr. Poon Ho Man.
- ⁽¹²⁾ These interests represented the interests in underlying shares in respect of the convertible bonds issued by the Company to HK Huarong pursuant to a subscription agreement with HK Huarong dated 26 March 2015.
- ⁽¹³⁾ The entire issued share capital of HK Huarong is indirectly wholly-owned by China Huarong. Accordingly, China Huarong is deemed to be interested in all underlying shares held by HK Huarong.

As at the Latest Practicable Date, Mr. 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 had not been 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.

GENERAL INFORMATION

IV. DIRECTORS' SERVICE CONTRACTS

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

V. COMPETING INTERESTS

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

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

On 6 April 2016, the Company, Aircraft Recycling International Limited (“**ARI**”, a wholly-owned subsidiary of the Company) and Neo Modern Limited (“**Neo Modern**”), among others, entered into an investment agreement, pursuant to which, among other things, ARI agreed to issue, and Neo Modern agreed to subscribe for 1,400,000 ARI shares, representing 14% of the issued share capital of ARI (immediately after the completion of subscription), subject to satisfaction of certain conditions precedent. The subscription price is US\$1.0 per ARI share. Neo Modern is a wholly-owned subsidiary of CE Limited, which holds approximately 35% equity interest in the Company. Mr. Chen Shuang (being the executive director and chief executive officer of CE Limited and an executive Director) and Mr. Tang Chi Chun (being executive director of CE Limited and a non-executive Director) are considered to have an indirect interest in Neo Modern and its subscription for ARI shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests, either directly or indirectly, in the transaction or any assets which had been, since 31 December 2015 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of or leased to any member of the Group, or were proposed to be acquired or disposed of or leased to any member of the Group.

GENERAL INFORMATION

VII. OTHER ARRANGEMENTS INVOLVING DIRECTORS

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

VIII. MATERIAL ADVERSE CHANGE

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

IX. EXPERT

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

Name	Qualification
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

- (2) As at the Latest Practicable Date, the above expert did not have any shareholding directly or indirectly in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (3) As at the Latest Practicable Date, the above expert had no direct or indirect interest in any assets which had been, since 31 December 2015 (being the date to which the latest published audited financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.
- (4) The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

GENERAL INFORMATION

X. MISCELLANEOUS

- (1) As announced on 22 March 2016, Mr. Ng Ming Wah, Charles will not offer himself for re-election and accordingly will retire as a Director at the conclusion of the annual general meeting of the Company to be convened for the same day as the EGM.
- (2) The registered office of the Company is at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business in Hong Kong is situated at 28th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (3) The company secretary of the Company is Ms. Tai Bik Yin, who is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators of the United Kingdom.
- (4) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (5) In any event of inconsistency, the English version of this circular shall prevail over the Chinese version to the extent of such inconsistency.

XI. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of the Supplemental Deposit Services Framework Agreement, the Supplemental Loan Services Framework Agreement and the Supplemental Assignment of Finance Lease Receivables Framework Agreement and each of the Existing Deposit Services Framework Agreement, the Existing Loan Services Framework Agreement and the Amended and Restated Assignment of Finance Lease Receivables Framework Agreement will be available for inspection during normal business hours at the offices of the Company at 28th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for a period of 14 days (excluding Saturdays and public holidays) from the date of this circular.

NOTICE OF EGM

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 OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of China Aircraft Leasing Group Holdings Limited will be held at Cliftons Hong Kong, 508-520 Hutchison House, 10 Harcourt Road, Central, Hong Kong on Tuesday, 17 May 2016 at 10:30 a.m. (or as soon thereafter as the annual general meeting of the Company convened for the same day and place shall have concluded or adjourned) for the purposes of considering and, if thought fit, passing with or without modifications, the following proposed ordinary resolutions of the Company. Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the circular of the Company dated 29 April 2016.

ORDINARY RESOLUTIONS

1. **“THAT**

- (a) the Supplemental Deposit Services Framework Agreement dated 8 April 2016 entered into between the Company and CE Group (a copy of which is produced to the EGM marked “A” and signed by the Chairman of the EGM for the purpose of identification), and the proposed Revised Caps for the transactions contemplated thereunder for the years of 2016, 2017 and 2018 be and are hereby approved, confirmed and ratified; and
- (b) any one Director of the Company be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Supplemental Deposit Services Framework Agreement, including but not limited to the execution of all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the Supplemental Deposit Services Framework Agreement and the transactions thereunder, and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

NOTICE OF EGM

2. **“THAT**

- (a) the Supplemental Loan Services Framework Agreement dated 8 April 2016 entered into between the Company and CE Group (a copy of which is produced to the EGM marked “B” and signed by the Chairman of the EGM for the purpose of identification), and the proposed Revised Caps for the transactions contemplated thereunder for the years of 2016, 2017 and 2018 be and are hereby approved, confirmed and ratified; and

- (b) any one Director of the Company be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Supplemental Loan Services Framework Agreement, including but not limited to the execution of all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the Supplemental Loan Services Framework Agreement and the transactions thereunder, and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

3. **“THAT**

- (a) the Supplemental Assignment of Finance Lease Receivables Framework Agreement dated 8 April 2016 entered into between the Company and CE Group (a copy of which is produced to the EGM marked “C” and signed by the Chairman of the EGM for the purpose of identification), and the proposed Revised Caps for the transactions contemplated thereunder for the years of 2016, 2017 and 2018 be and are hereby approved, confirmed and ratified; and

NOTICE OF EGM

- (b) any one Director of the Company be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Supplemental Assignment of Finance Lease Receivables Framework Agreement, including but not limited to the execution of all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the Supplemental Assignment of Finance Lease Receivables Framework Agreement and the transaction thereunder, and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

By order of the Board

China Aircraft Leasing Group Holdings Limited

CHEN SHUANG

Executive Director, Chairman and Chief Executive Officer

Hong Kong, 29 April 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. Ng Ming Wah, Charles, Mr. Nien Van Jin, Robert and Mr. Cheok Albert Saychuan.

NOTICE OF EGM

Notes:

1. In order to determine the list of Shareholders who are entitled to attend and vote at the EGM, the register of the Shareholders of the Company will be closed from Monday, 16 May 2016, to Tuesday, 17 May 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 on Tuesday, 17 May 2016 will be 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 and transfer office, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Friday, 13 May 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.
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 Listing Rules, the above resolutions will be decided by way of poll.
6. In case the EGM is anticipated to be affected by black rainstorms or tropical cyclone with warning signal no. 8 or above, please refer to the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> and the Company's website at <http://www.calc.com.hk> for announcement on bad weather arrangement for the EGM.
7. The form of proxy in connection with the EGM is enclosed herewith.