THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE PURCHASE OF 100 AIRBUS AIRCRAFT AND PROPOSED AMENDMENTS TO TERMS OF SHARE OPTIONS GRANTED UNDER THE PRE-IPO SHARE OPTION SCHEME

A letter from the board of directors of the Company is set out on pages 5 to 13 of this circular.

A notice convening the EGM of the Company to be held at Cliftons Hong Kong, 508–520 Hutchison House, 10 Harcourt Road, Central, Hong Kong on Monday, 29 December 2014 at 11:00 a.m. is set out on pages 36 to 38 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish.

10 December 2014

CONTENTS

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

"Airbus"	Airbus S.A.S., a company created and existing under the laws of France
"Airbus Aircraft"	100 Airbus A320 series aircraft from Airbus, consisting of (i) 16 Airbus A320–200 CEO series aircraft (ii) 10 Airbus A321–200 CEO series aircraft and (iii) 74 Airbus A320 NEO series aircraft
"Aircraft Purchase Agreements"	the two aircraft purchase agreements each entered into between Airbus and CALC (BVI) on 1 December 2014, pursuant to which the CALC (BVI) agreed to purchase and Airbus agreed to sell the Airbus Aircraft
"Announcement"	the announcement of the Company dated 1 December 2014 relating to the acquisition of the Airbus Aircraft
"Board"	the board of Directors
"CALC (BVI)"	China Aircraft Leasing Company Limited, a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of the Company
"CALH"	China Aircraft Leasing Holdings Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands on 31 December 2010
"CE Aerospace"	China Everbright Aerospace Holdings Limited, a company incorporated in the Cayman Islands on 13 January 2009, a wholly-owned subsidiary of CEL and one of the Controlling Shareholders
"CEL"	China Everbright Limited, a company incorporated in Hong Kong on 25 August 1972 and listed on the Stock Exchange (Stock code: 165) and one of the Controlling Shareholders
"Company"	China Aircraft Leasing Group Holdings Limited (中國飛機租賃集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Consideration"	the actual consideration payable by CALC (BVI) to Airbus for purchase of Airbus Aircraft (taking into account the price concession)
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be held at Cliftons Hong Kong, 508–520 Hutchison House, 10 Harcourt Road, Central, Hong Kong on Monday, 29 December 2014 at 11:00 a.m., convened for the purpose of considering, and if thought fit, approving, among other things, the Aircraft Purchase Agreements and the transactions contemplated thereunder
"Equal Honour"	Equal Honour Holdings Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Poon Ho Man, a Director and the ultimate controlling shareholder of FPAM
"FPAM"	Friedmann Pacific Asset Management Limited, a company incorporated in the British Virgin Islands and one of the Controlling Shareholders
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	5 December 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information in the circular
"Listing Date"	11 July 2014, the date of listing of the Company on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MOU"	the memorandum of understanding dated 6 November 2014 entered into between Airbus and CALC (BVI) in relation to the proposed purchase of the Airbus Aircraft, as amended and supplemented by the Supplemental MOU

"Options"	the 45,000,000 share options, made up of Tranche A and Tranche B, granted under the Pre-IPO Share Option Scheme on 7 October 2011, 10 October 2011 and 30 December 2011, with outstanding 42,030,000 share options as at the Latest Practicable Date
"Post-IPO Share Option Scheme"	the post-IPO share option scheme conditionally adopted by the Company on 23 June 2014, which became effective on the Listing Date
"PRC"	the People's Republic of China
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by CALH on 4 August 2011 and taken over by the Company under the corporate reorganisation of the Group for the purpose of the listing of the Company on the Stock Exchange, and as amended and restated on 23 June 2014
"Previous Purchase Agreement"	the aircraft purchase agreement dated 25 August 2014 entered into by CALC (BVI) and Airbus pursuant to which CALC (BVI) agreed to purchase and Airbus agreed to sell certain Airbus A320 aircraft
"Prospectus"	the prospectus of the Company dated 30 June 2014
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	Share(s) with par value of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Smart Vintage"	Smart Vintage Investments Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Ms. Liu Wanting, a Director
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental MOU"	The supplemental agreement to the MOU dated 28 November 2014 entered into between Airbus and CALC (BVI) in relation to the extension of the (i) long stop date of entering into the Aircraft Purchase Agreements; and (ii) automatic termination date of the MOU from 30 November 2014 to 1 December 2014

"Tranche A"	30,000,000 share options granted under the Pre-IPO Share Option Scheme on 7 October 2011, 10 October 2011 and 30 December 2011 to CE Aerospace, FPAM, Equal Honour, and Wealth Amass Limited and to the employees of the Company, in proportions of 2,000,000, 1,300,000, 15,000,000, 10,000,000 and 1,700,000 share options respectively; with 29,530,000 share options outstanding as at the Latest Practicable Date
"Tranche B"	15,000,000 share options granted under the Pre-IPO Share Option Scheme on 7 October 2011 to Loft Profit Limited and Smart Vintage, in proportions of 5,000,000 and 10,000,000 share options respectively; with 12,500,000 share options outstanding as at the Latest Practicable Date
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

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

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. Poon Ho Man *(Chief Executive Officer)*
Ms. Liu Wanting

Non-executive Directors:
Mr. Chen Shuang *(Chairman)*
Mr. Tang Chi Chun
Mr. Guo Zibin

Independent non-executive Directors:
Mr. Fan Yan Hok, Philip
Mr. Ng Ming Wah, Charles
Mr. Zhang Chongqing
Mr. Nien Van Jin, Robert

Registered office in the Cayman Islands:
Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Principal Place of business in China:
Room 6026–14, 6/F
Joint Inspection Service Centre of Closed Area
1 American Road
Dongjiang Free Trade Port Zone
Tianjin, China

Principal place of business in Hong Kong:
28th Floor, Far East Finance Centre
16 Harcourt Road, Hong Kong

10 December 2014

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE PURCHASE OF 100 AIRBUS AIRCRAFT AND PROPOSED AMENDMENTS TO TERMS OF SHARE OPTIONS GRANTED UNDER THE PRE-IPO SHARE OPTION SCHEME

1 INTRODUCTION

Reference is made to the announcements of the Company dated 6 November 2014 and 30 November 2014 in relation to the MOU and the Supplemental MOU respectively entered into between CALC (BVI) and Airbus for the purchase of Airbus Aircraft.

As announced by the Company in the Announcement, on 1 December 2014, CALC (BVI) and Airbus entered into the Aircraft Purchase Agreements, pursuant to which CALC (BVI) agreed to purchase 100 Airbus A320 series aircraft from Airbus.

It is also proposed to amend the terms of the Options granted under the Pre-IPO Share Option Scheme.

The purpose of this circular is to provide the Shareholders with further details in relation to (i) the Aircraft Purchase Agreements in accordance with the Listing Rules; (ii) the proposed amendments to the terms of the Options granted under the Pre-IPO Share Option Scheme; and (iii) the notice of the EGM.

2 THE AIRCRAFT PURCHASE AGREEMENTS

Date: 1 December 2014

Parties

(1) CALC (BVI), as purchaser; and

(2) Airbus, as vendor.

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

Aircraft to be acquired

(i) 16 Airbus A320–200 CEO series aircraft

(ii) 10 Airbus A321–200 CEO series aircraft

(iii) 74 Airbus A320 NEO series aircraft

Consideration

The aggregate list price for the Airbus Aircraft (which comprises the airframe price, optional features price and engine price) is approximately US$10.2 billion (equivalent to approximately HK$79.56 billion).

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

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

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

The Company has applied to the Stock Exchange for , and the Stock Exchange has granted, a waiver from strict compliance with Rules 14.58(4) and 14.69(2) of the Listing Rules in respect of the disclosure of the Consideration.

Payment and delivery terms

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

It is estimated that the Airbus Aircraft will be delivered in stages to the Company during the period commencing from 2016 to 2022.

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

Source of funding

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

The undrawn banking facilities of the Company as of 31 October 2014 reached HK$1,015.2 million.

The Company entered into a cooperative agreement with China Development Bank, Hong Kong Branch in June 2013, pursuant to which the bank agreed to provide to the Group a conditional loan facility amounting to US$1.5 billion (equivalent to HK$11.7 billion) during the period of 2013 to 2018 for the purpose of purchasing aircraft. The

Company also entered into a framework strategic cooperative agreement with the Export-Import Bank of China on 4 November 2014, pursuant to which the bank agreed to provide to the Group credit facilities amounting to no more than RMB10 billion (or in any equivalent currency). The term of the framework strategic cooperative agreement is three years from the date of signing of the agreement.

The Company is also in discussion with various banks to obtain new Pre-delivery Payment financing and long-term bank borrowings. However, as at the Latest Practicable Date, no formal agreements have been reached on the Pre-delivery Payment financing and long-term bank borrowings. The Company has not made any definitive agreements or arrangements in relation to debt and equity fund raising.

Financial impact of the acquisition

As mentioned above, the Pre-delivery Payment and part of the Consideration are, as currently contemplated, being funded through Pre-delivery Payment financing and bank loans from commercial banks. The acquisition may therefore result in an increase in the Company's debt-to-equity ratio while the gearing ratio (borrowings to total assets) is maintained at below 95%. The Pre-delivery Payment is payable by instalments and the remaining part of the Consideration is payable upon delivery of aircraft. The payments of Pre-delivery Payment and the Consideration will increase the cashflow used in investment activities while the drawdown of Pre-delivery Payment financing and bank loans will increase the cash inflow generated from financing activities. The acquisition of aircraft is expected to result in a material increase in assets and liabilities of the Group but it is not expected to result in a material impact on the earnings until the commencement of the aircraft leases.

Conditions Precedent

Completion of the Aircraft Purchase Agreements is conditional upon, among other things, the approval of the Aircraft Purchase Agreements and the transactions contemplated hereunder by the Shareholders.

3 REASONS FOR ENTERING INTO THE AIRCRAFT PURCHASE AGREEMENTS

The Directors are of the view that completion of the Aircraft Purchase Agreements not only matches the growth strategy of the Group, but also demonstrates the ability of the Group to match customer demand with the sources of new aircraft under dynamic market conditions.

In addition to the expansion plan disclosed in the Prospectus and the further disclosure in the announcement of the Company dated 25 August 2014 in relation to the purchase of four aircraft, the Group planned to expand its fleet to 68 aircraft before the end of 2016.

As disclosed in the Prospectus, as at 24 June 2014 (the latest practicable date of the Prospectus), the Group committed to purchase 30 aircraft and out of these committed new aircraft, the Group has secured the lease of 17 aircraft scheduled to be delivered in 2014 and

2015. As at the Latest Practicable Date, the Group has yet to secure the lease commitment for three aircraft only as there are more than 12 months prior to the proposed dates of aircraft delivery.

In line with the industry practice, fleet size management and planning is way ahead of the delivery of aircraft. The Aircraft Purchase Agreements are primarily for the fleet size planning from 2016 to 2022. As such, there is no material change in the Group's aircraft purchase plan as disclosed in the Prospectus. Fleet planning and expansion plan will be monitored by the management and adjusted from time to time based on airline customers' demand of the Group's aircraft and the Group's financial resources and positions to acquire additional aircraft. Any change in the expansion plan of the Group will be announced as and when appropriate in accordance with the Listing Rules.

The Directors consider that the terms of the Aircraft Purchase Agreements are fair and reasonable and in the interest of the Shareholders as a whole.

4 INFORMATION ABOUT THE GROUP AND AIRBUS

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

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

5 IMPLICATIONS OF THE LISTING RULES

Pursuant to Rule 14.22 of the Listing Rules, the transactions contemplated under the Aircraft Purchase Agreements shall be aggregated together with the Previous Purchase Agreement. As the applicable percentage ratios of the Aircraft Purchase Agreements and the Previous Purchase Agreement on an aggregated basis are above 100%, the acquisition constitutes a very substantial acquisition of the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements in Chapter 14 of the Listing Rules.

So far as the Directors are aware after making reasonable enquiry, no Shareholder is required to abstain from voting at the EGM for approving the Aircraft Purchase Agreements and the transactions contemplated thereunder.

6 PROPOSED AMENDMENTS TO THE TERMS OF THE OPTIONS GRANTED UNDER THE PRE-IPO SHARE OPTION SCHEME

Background

On 4 August 2011, CALH adopted the Pre-IPO Share Option Scheme. On 7 October 2011, the board committee of CALH approved additional terms and conditions to the Pre-IPO Share Option Scheme and granted the Options.

As a result of a corporate reorganisation of the Group on 23 June 2014 for the purpose of the listing of the Company on the Stock Exchange and pursuant to the written board resolutions of the Company passed on 23 June 2014, the entire assets and undertakings of CALH under the Pre-IPO Share Option Scheme have been taken over by the Company.

Terms of the Pre-IPO Share Option Scheme

Under the Pre-IPO Share Option Scheme, the total number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme to a total of 25 grantees on 7 October 2011, 10 October 2011 and 30 December 2011 is 45,000,000 Shares (representing 15% of the then issued share capital of CALH at the time of grant and 9.6% of the then issued share capital of the Company at the time of the Pre-IPO Share Option Scheme being taken over by the Company under the corporate reorganisation), representing approximately 7.7% of the total issued share capital of the Company as at the Latest Practicable Date. Save for the Options granted, no further options would be granted under the Pre-IPO Share Option Scheme after the Listing Date.

Description of the Options granted under the Pre-IPO Share Option Scheme

All Options granted under the Pre-IPO Share Option Scheme are subject to the following general performance targets (the "**General Performance Targets**"):

(i) 30% of all options granted under the Pre-IPO Share Option Scheme (i.e. options to subscribe for a maximum of 13,500,000 Shares) shall become exercisable, only if the audited net profits (excluding non-operating profits) of the Group is at least HK$100,000,000 in the financial year ended 31 December 2012 or 31 December 2013;

(ii) 60% of all options granted under the Pre-IPO Share Option Scheme (i.e. options to subscribe for a maximum of 27,000,000 Shares) shall become exercisable, only if the audited net profits (excluding non-operating profits) of the Group is at least HK$150,000,000 in the financial year ended 31 December 2012 or 31 December 2013; and

(iii) 100% of all options granted under the Pre-IPO Share Option Scheme (i.e. options to subscribe for a maximum of 45,000,000 Shares) shall become exercisable, only if the audited net profits (excluding non-operating profits) of the Group is at least HK$200,000,000 in the financial year ended 31 December 2012 or 31 December 2013.

The Tranche A options shall, subject to the fulfilment of the general performance targets as described above and the specific performance targets set for the respective grantees, become exercisable (the "**Tranche A Exercise Dates**") as follows:

(i) Series 1: 33% of the Tranche A options (i.e. options to subscribe for a maximum of 9,900,000 Shares) shall become exercisable on the publication date of the first audited financial results of the Group after the Listing Date (the

"**Publication Date**"), and the exercisable period in respect of thereof shall commence on the Publication Date and end on the third anniversary of the Publication Date (the "**Expiration Date**");

(ii) Series 2: 33% of the Tranche A options (i.e. options to subscribe for a maximum of 9,900,000 Shares) shall become exercisable on and from the first anniversary date of the Publication Date and expires on the Expiration Date; and

(iii) Series 3: 34% of the Tranche A options (i.e. options to subscribe for a maximum of 10,200,000 Shares) shall become exercisable on and from the second anniversary date of the Publication Date and expires on the Expiration Date.

The Tranche B options shall, subject to the fulfilment of the general performance targets as described above and the specific performance targets set for the respective grantees, become exercisable (the "**Tranche B Exercise Dates**", and together with the Tranche A Exercise Dates the "**Exercise Dates**") within the three years immediately from the Publication Date.

Proposed amendments to the terms of the Options requiring approval of Shareholders

Out of the 45,000,000 Shares for subscription under the Pre-IPO Share Option Scheme to a total of 25 grantees, options for the subscription of 270,000 Shares allocated as Tranche A options to 8 employee grantees have lapsed as a result of cease of employment and 200,000 Shares allocated as Tranche A options to a senior management and 2,500,000 Shares allocated as Tranche B options to a consultant have lapsed and became non-exercisable due to non-fulfilment of their respective performance conditions.

Hence, only options for subscription of 42,030,000 Shares (representing approximately 7.2% of the total issued share capital of the Company as at the Latest Practicable Date) are outstanding, exercisable and not yet exercised as at the Latest Practicable Date.

Under the existing terms of the Options granted, subject to the fulfilment of general performance targets as described above and the specific performance targets set for the respective grantees, the Options may be exercised in accordance with the Exercise Dates as elaborated above.

As at the Latest Practicable Date, Wealth Amass Limited has fulfilled the General Performance Targets and its relevant specific performance targets and is therefore entitled to exercise its outstanding 10,000,000 options in accordance with the Tranche A Exercise Dates.

Mr. Yang Jianjun is the ultimate sole beneficial shareholder of Wealth Amass Limited and he specialises in providing consultancy services as the lead originator of aircraft for the Group. Mr. Yang was recognised by the investment committee of CALH as the lead originator of at least 16 aircraft for the Group by 31 December 2013 which were subsequently approved by the investment committee. The additional consultancy services to be provided by Wealth Amass Limited is in line with the Company's business plan. In order to recognise the continuous contribution of Mr. Yang and to provide further incentives to him to strive for future developments and expansion of the Group, it is proposed to offer to Wealth Amass Limited as an incentive that subject to the fulfilment of additional specific performance targets (as described below), the Tranche A Exercise Dates of the above outstanding options will be amended as follows (the "**New Tranche A Exercise Dates**"):

(i) Series 1: 60% of 10,000,000 options (i.e. options to subscribe for a maximum of 6,000,000 Shares) (the "**Series 1 New Options**") shall become exercisable on the publication date of the Group's audited financial results for the year ending 31 December 2014 (the "**New Publication Date**"), and the exercisable period in respect of thereof shall commence on the New Publication Date and end on the second anniversary of the New Publication Date (the "**New Expiration Date**"); and

(ii) Series 2: 40% of 10,000,000 options (i.e. options to subscribe for a maximum of 4,000,000 Shares) (the "**Series 2 New Options**") shall become exercisable on and from the first anniversary date of the New Publication Date and expires on the New Expiration Date.

Based on the reasons above, subject to the fulfilment of the following performance targets, the Board proposed to amend the terms of the Tranche A options granted to Wealth Amass Limited on 10 October 2011 on the terms set out above. The performance targets are:

(i) the Series 1 New Options shall become exercisable in accordance with the New Tranche A Exercise Dates on the date upon which Mr. Yang Jianjun, being the consultant made available to the Group by Wealth Amass Limited, is recognised by the strategy committee of the Company (the "**SC**") as the lead originator of at least 16 aircraft for the Group by 31 December 2013; and

(ii) the Series 2 New Options shall become exercisable in accordance with the New Tranche A Exercise Dates on the date upon which Mr. Yang Jianjun, being consultant made available to the Group by Wealth Amass Limited, is recognised by the SC as the lead originator of at least 22 aircraft for the Group by the New Publication Date.

General

Pursuant to clause 12.01(a) of the Pre-IPO Share Option Scheme, any change to the terms of the Options granted under the Pre-IPO Share Option Scheme must be approved by a resolution of the Shareholders in general meeting. Accordingly, resolution will be proposed at the EGM to give effect to the proposed amendments to the terms of the Options granted as described above.

So far as the Directors are aware after making reasonable enquiry, no Shareholder is required to abstain from voting at the EGM for approving the proposed amendments to the terms of the Options granted.

The amendments to the terms of the Options granted, if approved by the Shareholders at the EGM, will take effect from the date of the EGM at which (among other things) such amendments were approved.

7 EGM

A notice of the EGM to be held at Cliftons Hong Kong, 508–520 Hutchison House, 10 Harcourt Road, Central, Hong Kong on Monday, 29 December 2014 at 11:00 a.m. is set out on pages 36 to 38 of this circular. A form of proxy for the EGM is enclosed. At the EGM, resolution will be proposed to approve the Aircraft Purchase Agreements, the transactions contemplated thereunder and the amendments to the terms of the Options granted.

Whether or not you intend to be present at the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not prevent you from attending, and voting at, the EGM or any adjournment thereof if you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules and the articles of association of the Company, any vote of the Shareholders at the EGM must be taken by poll.

8 RECOMMENDATION

The Directors consider that the terms of the Aircraft Purchase Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the relevant resolution to be proposed at the EGM to approve the Aircraft Purchase Agreements and the transactions contemplated thereunder.

Based on the reasons set out on pages 11 and 12 of this circular, the Board also considers that the amendments to the terms of the Options granted are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends that Shareholders should vote in favour of the ordinary resolution to be proposed at the EGM to approve the amendments to the terms of the Options granted, as detailed in the EGM notice.

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

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

1. FINANCIAL INFORMATION OF THE GROUP FOR THE YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

Financial information of the Group for each of the years ended 31 December 2011, 2012 and 2013 is disclosed in pages I-1 to I-56 *(Appendix I)* of the Prospectus (http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0630/LTN20140630091.pdf) which has been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.calc.com.hk).

2. STATEMENT OF INDEBTEDNESS

As of 31 October 2014, which is the latest practicable date for the purpose of determining the amount of indebtedness, the Company had outstanding interest-bearing balance of bank borrowings and long-term borrowings in the total amount of HK$13,909.1 million.

As of 31 October 2014, the bank borrowings are secured by (a) in addition to other legal charges, all of the aircraft leased to airline companies by the Company under either finance leases or operating leases; (b) pledge of the shares in the special established vehicles of the Company owning the related aircraft; (c) guarantees from certain members of the Group; (d) pledge of deposits amounting to HK$68.2 million; and (e) certain rights and benefits in respect of acquisition of aircraft.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as of 31 October 2014, being the latest practicable date for determining indebtedness, the Company did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or other similar indebtedness or finance lease commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments or guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Consideration for each aircraft will be paid according to the respective delivery schedule. The Company is required to pay the Pre-delivery Payment to the aircraft manufacturer when the new aircraft ordered by the Company are being built. The Pre-delivery Payment represents approximately 30%–40% of the Consideration. The Company normally uses Pre-delivery Payment financing for settlement of the Pre-delivery Payment. The remaining balance of the Consideration will be financed by the long-term bank borrowings when the relevant aircraft is about to be delivered. The Company expects that the Consideration, together with other capital commitments and working capital requirements of the Group will be funded through new commercial bank loans, Pre-delivery Payment financing, debt and equity financing and the Company's internal resources.

In June 2013, the Company entered into a cooperative agreement with China Development Bank, Hong Kong Branch, pursuant to which the bank agreed to provide to the Group a conditional loan facility (the "**CDB Loan Facility**") amounting to US$1.5 billion (equivalent to HK$11.7 billion) during the period of 2013 to 2018 for the purpose of purchasing aircraft.

The granting of each specific loan will be subject to the credit assessment and approvals to be performed by bank and the agreement of terms and conditions of the respective loan agreements, which will only be confirmed shortly before the delivery of the relevant aircraft.

The Company also entered into a framework strategic cooperative agreement with The Export-Import Bank of China on 4 November 2014, pursuant to which the bank agreed to provide the Group with a credit facility (the "**EXIM Credit Facility**") of no more than RMB 10 billion (equivalent to HK$12.5 billion). The term of the framework agreement is three years from the date of signing of the framework agreement. The granting of each specific loan will be subject to the credit assessment and approvals to be performed by bank. Further definitive agreements will be entered into with the bank if consensus may be reached between the parties on any detailed terms and arrangements.

Besides, the Company also intends to obtain Pre-delivery Payment financings and long-term bank borrowings from other banks ("**New Bank Loans**"), and other debt and equity financing to finance the Consideration, other capital commitments and working capital requirements of the Group. The Group is in discussion with various banks to obtain new Pre-delivery Payment financing and long-term bank borrowings. However, as at the Latest Practicable Date, no formal agreements have been reached on the Pre-delivery Payment financing and long-term bank borrowings. The Company has not made any definitive agreements or arrangements in relation to debt and equity fund raising.

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

The working capital sufficiency for the Group's present requirements for at least the next twelve months from the date of this circular is heavily dependent on the Group's ability to obtain the necessary funding from CDB Loan Facility, the EXIM Credit Facility, New Bank Loans or other debt and equity financing as described in the preceding paragraphs, but it is noted that the Company is not required to arrange for the long-term bank borrowing for an aircraft until there is a lease commitment with the delivery date of the aircraft having been agreed with the relevant airline customer.

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

4. FINANCIAL AND TRADING PROSPECTS

Financial status

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

For the six months ended 30 June 2014, the Group delivered nine aircraft, which represented the full year delivery in 2013. Revenues grew by 63.5% to HK$432.4 million and recurring net profit after tax excluding one-off IPO listing expenses, increased by 79.3% to HK$87.5 million, when comparing with the corresponding period of last year. Recurring net operating profit margin excluding one-off IPO listing expenses, was at 20%, or around 2% higher than that of the corresponding period of last year. The profit growth is mainly driven by the Group's expansion and business growth.

After deducting one-off IPO listing expenses, the net profit attributable to owners of the Company was HK$62.8 million (six months ended 30 June 2013: HK$44.1 million), or 42.4% higher than that of the corresponding period of last year.

Total assets, mainly include aircraft and finance lease receivables, amounted to HK$14.3 billion as at 30 June 2014, representing 11.6% increase from that as at 31 December 2013. As the aircraft acquisition is based on project financing, the borrowings increased to HK$12.9 billion correspondingly. The total liabilities increased in line with the assets growth.

Equity attributable to owners of the Company was HK$897.9 million as at 30 June 2014 (31 December 2013: HK$938.6 million). Including the non-controlling interests, the total equity is HK$917.3 million as at 30 June 2014 (31 December 2013: HK$958.1 million) and return on total equity maintained at 20.4% as at 30 June 2014 (31 December 2013: 21.1%). Taking out the one-off IPO listing expenses, the return on total equity was 23.6% as at 30 June 2014 (31 December 2013: 22.3%).

Prospects

In the second half of 2014, the Chinese government will continue with placing emphasis on stable growth, actively expanding internal demand and guiding investments to develop the real economy. Current and future economic development will be balanced through reforms and innovation.

According to Ascend China Holding Limited, a Flightglobal advisory service and part of Reed Business Information Limited, the demand for aircraft in China market will continue to grow and the total number of leased commercial aircraft in China will increase by 262 aircraft to 1,061 aircraft during the three years ending 31 December 2016.

Because of the successful business development experience of the Company in aircraft leasing, it has established business relationships with most of the leading airlines in China, which the Company believes their demand for leased aircraft will continue to increase in the future.

Taking into account the 100 Airbus A320 to be delivered to the Company pursuant to the Aircraft Purchase Agreements, the fleet size of the Company is expected to reach 168 at the end of 2022.

The Company believes that its fleet expansion plan is reasonable in light of the prevailing demand and supply condition of the China aircraft leasing industry.

After successful listing in Hong Kong, the Group has started its planning in two important projects in China, namely, a RMB debt issuance and a new business in aircraft disassembly plant respectively. The implication of RMB debt issuance will positively confirm the Group's capability and qualification of fund raising in the PRC debt market as well as its credit rating in China. On 3 December 2014, the Company announced that a memorandum of understanding was entered into between the Company and Municipal Government of Harbin in relation to the aircraft disassembly plant. The aircraft disassembly plant will further demonstrate the Group's capability in providing full aircraft solutions to airlines.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited accounts of the Company have been made up.

6. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the results of the Group for each of the years ended 31 December 2011, 2012 and 2013. The information is extracted from the Prospectus or 2014 interim report of the Company.

The management discussion and analysis for each period should be read in conjunction with the financial information of the Group included in the Prospectus and 2014 interim report of the Company.

A. Management discussion and analysis of the Group for the year ended 31 December 2013

Business Development

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

Because of the Group's distinctive business model and the growing airline customer base, the Group's lease income grew from HK$447.6 million in 2012 to HK$623.3 million in 2013.

The Group's revenues and net profit are generated primarily from three sources, namely finance lease income, operating lease income, and other income from realisation of finance lease receivable. In 2013, the Group recognised HK$57.1 million as other income from the Group's first realisation of finance lease receivable.

In the year ended 31 December 2013, the cash flows from aircraft in operation was positive.

During the year, the Group is engaged in a single business segment, i.e. the provision of aircraft leasing services to airline companies in the PRC. As of 31 December 2013, the total finance and operating lease income of the Group amounted to HK$6.2 billion (31 December 2012: HK$4.5 billion) for the leasing of aircraft to 6 airline companies.

The Group plans to expand the fleet size to match the growth strategy of the Group. It is expected that such expansion will be funded by bank loans and/or financing and the Group's working capital.

Liquidity and financial resources

Total assets, mainly consisting of aircraft and finance lease receivables, amounted to HK$12.8 billion as of 31 December 2013 (31 December 2012: HK$6.89 billion).

The bank borrowings for aircraft acquisition are secured bank borrowings subject to fixed or floating three-month or six-month US$ LIBOR. The following table illustrates the amount of our bank borrowings as of 31 December 2012 and 2013 categorised by fixed and floating interest rates:

	2013		**2012**	
	HK$ million	*%*	*HK$ million*	*%*
Fixed-interest rate bank borrowings	3,427	30.0	2,082	34.2
Floating-interest rate bank borrowings	8,009	70.0	4,005	65.8
Total	11,436	100.0	6,087	100.0

The balance of bank borrowings as of 31 December 2013 are in the amount of HK$11.4 billion (31 December 2012: HK$6.1 billion), and the currency for all borrowings were held in US$.

The total liabilities of the Group increased in line with the growth of the Group's assets.

The maturity analysis of the Group's bank borrowings for the years ended 31 December 2012 and 2013 is as follows:

	2013	2012
	HK$ million	*HK$ million*
Within 1 year	2,821	374
Between 1 and 2 years	1,406	742
Between 2 and 5 years	1,505	998
Over 5 years	5,704	3,973
Total	11,436	6,087

The Group's principal financial instruments include finance lease receivable, interest-bearing bank loans (including Pre-delivery Payment financing), and cash and cash equivalents.

The following table sets forth the currencies of our cash and cash equivalents as of 31 December 2012 and 2013:

	2013	2012
	HK$ million	*HK$ million*
US$	452	49
RMB	909	24
HK$	5	—
Others	1	—
Total	1,367	73

The main purpose of these financial instruments is to support the Group's business operations and aircraft acquisition plans. The Group also have various financial assets and financial liabilities arising from its business operations. The principal risks arising from the Group's financial instruments are market risk (including the foreign exchange risk and the interest rate risk), credit risk, and liquidity risk.

The bank borrowings provided for aircraft acquisition are secured by legal charges over the leased aircraft, pledge of the shares of the relevant subsidiaries (as the registered owners of the aircraft) corporate guarantees provided by certain members of our Group (including CALC (BVI)), and pledged deposits amounting to HK$70.6 million as of 31 December 2013 (31 December 2012: HK$46.6 million).

Bank borrowings for deposits placed for purchase of aircraft were secured by the Group companies' rights and benefits in respect of the purchase of aircraft and pledged deposits of HK$6.1 million as of 31 December 2013 (31 December 2012: HK$6.0 million).

Foreign Exchange Risk

The Group is exposed to foreign exchange risks as certain portion of cash and cash equivalents, financial assets included in prepayments and other receivables, finance lease receivables, other payables and accruals and bank borrowings held by entities within the Group are denominated in currencies other than the entity's functional currency. The functional currencies of entities within the Group are principally United States dollars. The Group currently does not have a foreign currency hedging policy as the Directors are of the opinion that the Group's exposure to foreign exchange risk is insignificant. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when it is necessary and appropriate.

Interest rate risk and hedging

The Group's interest rate risk mainly arises from finance lease receivables and bank borrowings. The Group manages the interest rate risk by matching the interest rates of the finance lease receivables with interest rates of bank borrowings. Interest rate exposure arises when interest rates of the finance lease receivables and the corresponding bank borrowings do not match.

Given the above scenario, the Group has managed its cash flow interest rate risk by entering into certain swap transactions to mitigate such risk. The Group's hedge ratio, based on the balance of the hedged floating interest rate aircraft bank borrowings relative to the balance of the total floating interest rate aircraft bank borrowings of the Group for the year ended 31 December 2013 was 23% (31 December 2012: 22%).

The Group is not engaged in any interest hedging activity for the Pre-delivery Payment financing and working capital facilities as such facilities are generally of a shorter term (approximately two years on average).

Gearing ratio

The Group monitors its capital by monitoring its gearing ratio, which is calculated as total liabilities of the Group divided by total assets of the Group. The gearing ratio as of 31 December 2013 is 92.5% (31 December 2012: 89.9%).

The high gearing ratio of the Group is primarily due to the Group's financing strategy to fully leverage on the banking facilities (project financing) made available for the purposes of aircraft acquisition against the future cash flows generated from the entering into of long-term aircraft lease agreements and the underlying aircraft asset, rather than other types of financing which are commonly used by other international lessors.

Capital Structure

The Group's capital structure as of 31 December 2012 and 2013 is as follows:

	2013	2012	Change from previous year
Net debts (HK$ million)	11,591.6	6,087.2	90.4%
Total equity (HK$ million)	958.1	694.7	37.9%
Ratio of net debt to total equity	1,209.9%	876.2%	38.1%

As of 31 December 2013, the Group's Shareholders' equity was HK$958.1 million, representing an increase of HK$263.4 million from HK$694.7 million as of 31 December 2012.

Capital Commitments

The following table sets forth the Group's commitment contracted for as of 31 December 2012 and 2013, but not yet incurred by it:

	As of 31 December		Change from
	2013	2012	previous year
	HK$ million	*HK$ million*	
Purchase of Aircraft	10,162	16,359	-37.9%

The aircraft purchase commitments are expected to be financed by Pre-delivery Payment financing and long-term bank borrowings.

Other than the capital commitments stated above, the Group had no other material plans for major investment or capital assets acquisition.

Material transactions

During the year and as at 31 December 2013, the Group had no material investments (31 December 2012: nil).

During the year and as at 31 December 2013, there were no material acquisitions, disposal of subsidiaries or associated companies (31 December 2012: nil).

Material litigation

As at 31 December 2013, no legal proceedings were initiated by any of the third parties against the Group as defendant, or any outstanding claims (31 December 2012: nil).

Employees

As of 31 December 2013, the Company had a total of 64 employees (31 December 2012: 36 employees).

The Group has established effective employee incentive schemes to correlate the remuneration of our employees with their overall performance and contribution to the Group, and have established a merit-based remuneration awards system.

On 4 August 2011, CALH adopted the Pre-IPO Share Option Scheme. On 7 October 2011, the board committee of CALH approved additional terms and conditions to the Pre-IPO Share Option Scheme and granted the Options, with an aim to provide medium to long term incentives to certain Directors, senior management, managerial personnel and key technical personnel of the Company and promote the continuous development of the business of the Group. As disclosed above, the Pre-IPO Share Option Scheme has been taken over by the Company pursuant to a corporate reorganisation of the Group on 23 June 2014.

The Group had complied with all statutory social insurance, housing fund and mandatory provident fund obligations applicable to the Group under the laws of PRC, Hong Kong and overseas in all material aspects.

In 2013, the Group's expenses on staff wages and salaries and consultancy fees amounted to HK$16.4 million, representing 2.4% of the Group's revenues (2012: HK$5.9 million, 1.3% of the Group's revenues).

Contingent liabilities

As at 31 December 2013, the Directors have confirmed that the Group had no contingent liabilities.

B. Management discussion and analysis of the Group for the year ended 31 December 2012

Business Development

During the reporting period, the Group's lease income grew from HK$223.1 million in 2011 to HK$447.6 million in 2012.

The Group's revenues and net profit are generated primarily from finance lease income, operating lease income and other income.

In the year ended 31 December 2012, the cash flows from aircraft in operation was positive.

During the year, the Group is engaged in a single business segment, i.e. the provision of aircraft leasing services to airline companies in the PRC. As of 31 December 2012, the total finance and operating lease income of the Group amounted to HK$4.5 billion (31 December 2011: HK$2.2 billion) for the leasing of aircraft to 4 airline companies.

The Group plans to expand the fleet size to match the growth strategy of the Group. It is expected that such expansion will be funded by bank loans and/or financing and the Group's working capital.

Liquidity and financial resources

Total assets, mainly consisting of aircraft and finance lease receivables, amounted to HK$6.9 billion as of 31 December 2012 (31 December 2011: HK$3.3 billion).

The bank borrowings for aircraft acquisition are secured bank borrowings subject to fixed or floating three-month or six-month US$ LIBOR. The following table illustrates the amount of our bank borrowings as of 31 December 2011 and 2012 categorised by fixed and floating interest rates:

	2012		**2011**	
	HK$ million	%	*HK$ million*	%
Fixed-interest rate bank borrowings	2,082	34.2	1,257	47.9
Floating-interest rate bank borrowings	4,005	65.8	1,366	52.1
Total	6,087	100.0	2,623	100.0

The balance of bank borrowings as of 31 December 2012 are in the amount of HK$6.1 billion (31 December 2011: HK$2.6 billion), and the currency for all borrowings were held in US$.

The total liabilities of the Group increased in line with the growth of the Group's assets.

The maturity analysis of the Group's bank borrowings for the years ended 31 December 2011 and 2012 is as follows:

	2012	2011
	HK$ million	*HK$ million*
Within 1 year	374	136
Between 1 and 2 years	742	145
Between 2 and 5 years	998	490
Over 5 years	3,973	1,852
Total	6,087	2,623

The Group's principal financial instruments include finance lease receivable, interest-bearing bank loans (including Pre-delivery Payment financing), and cash and cash equivalents.

The following table sets forth the currencies of our cash and cash equivalents as of 31 December 2011 and 2012:

	2012	2011
	HK$ million	*HK$ million*
US$	49	69
RMB	24	20
HK$	—	1
Total	73	90

The main purpose of these financial instruments is to support the Group's business operations and aircraft acquisition plans. The Group also have various financial assets and financial liabilities arising from its business operations. The principal risks arising from the Group's financial instruments are market risk (including the foreign exchange risk and the interest rate risk), credit risk, and liquidity risk.

The bank borrowings provided for aircraft acquisition are secured by legal charges over the leased aircraft, pledge of the shares of the relevant subsidiaries (as the registered owners of the aircraft) corporate guarantees provided by certain members of our Group (including CALC (BVI)), and pledged deposits amounting to, HK$46.6 million as of 31 December 2012 (31 December 2011: HK$7.6 million).

Bank borrowings for deposits placed for purchase of aircraft were secured by the Group companies' rights and benefits in respect of the purchase of aircraft and pledged deposits of HK$6.0 million as of 31 December 2012 (31 December 2011: nil).

Foreign Exchange Risk

The Group is exposed to foreign exchange risks as certain portion of cash and cash equivalents, financial assets included in prepayments and other receivables, finance lease receivables, other payables and accruals and bank borrowings held by entities within the Group are denominated in currencies other than the entity's functional currency. The functional currencies of entities within the Group are principally United States dollars. The Group currently does not have a foreign currency hedging policy as the Directors are of the opinion that the Group's exposure to foreign exchange risk is insignificant. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when it is necessary and appropriate.

Interest rate risk and hedging

The Group's interest rate risk mainly arises from finance lease receivables and bank borrowings. The Group manages the interest rate risk by matching the interest rates of the finance lease receivables with interest rates of bank borrowings. Interest rate exposure arises when interest rates of the finance lease receivables and the corresponding bank borrowings do not match.

Given the above scenario, the Group has managed its cash flow interest rate risk by entering into certain swap transactions to mitigate such risk. The Group's hedge ratio, based on the balance of the hedged floating interest rate aircraft bank borrowings relative to the balance of the total floating interest rate aircraft bank borrowings of the Group for the year ended 31 December 2012 was 22% (31 December 2011: nil).

The Group was not engaged in any interest hedging activity for the Pre-delivery Payment financing as such facilities are generally of a shorter term (approximately two years on average).

Gearing ratio

The Group monitors its capital by monitoring its gearing ratio, which is calculated as total liabilities of the Group divided by total assets of the Group. The gearing ratio as of 31 December 2012 is 89.9% (31 December 2011: 93.0%).

The high gearing ratio of the Group is primarily due to the Group's financing strategy to fully leverage on the banking facilities (project financing) made available for the purposes of aircraft acquisition against the future cash flows generated from the entering into of long-term aircraft lease agreements and the underlying aircraft asset, rather than other types of financing which are commonly used by other international lessors.

Capital Structure

The Group's capital structure as of 31 December 2011 and 2012 is as follows:

	2012	2011	Change from previous year
Net debts (HK$ million)	6,087.2	2,622.8	132.1%
Total equity (HK$ million)	694.7	234.7	196.0%
Ratio of net debt to total equity	876.2%	1,117.6%	-21.6%

As of 31 December 2012, the Group's Shareholders' equity was HK$694.7 million, representing an increase of HK$460 million from HK$234.7 million as of 31 December 2011.

Capital Commitments

The following table sets forth the Group's commitment contracted for as of 31 December 2011 and 2012, but not yet incurred by it:

	As of 31 December		Change from
	2012	2011	last year
	HK$ million	*HK$ million*	
Purchase of Aircraft	16,359	5,846	179.8%

The aircraft purchase commitments are expected to be financed by Pre-delivery Payment financing and long-term bank borrowings.

Other than the capital commitments stated above, the Group had no other material plans for major investment or capital assets acquisition.

Material transactions

During the year and as at 31 December 2012, the Group had no material investments (31 December 2011: nil).

During the year and as at 31 December 2012, there were no material acquisitions, disposal of subsidiaries or associated companies (31 December 2011: nil).

Material litigation

As at 31 December 2012, no legal proceedings were initiated by any of the third parties against the Group as defendant, or any outstanding claims (31 December 2011: nil).

Employees

As of 31 December 2012, the Company had a total of 36 employees (31 December 2011: 25 employees).

The Group has established effective employee incentive schemes to correlate the remuneration of our employees with their overall performance and contribution to the Group, and have established a merit-based remuneration awards system.

On 4 August 2011, CALH adopted the Pre-IPO Share Option Scheme. On 7 October 2011, the board committee of CALH approved additional terms and conditions to the Pre-IPO Share Option Scheme and granted the Options, with an aim to provide medium to long term incentives to certain Directors, senior management, managerial personnel and key technical personnel of the Company and promote the continuous development of the business of the Group. As disclosed above, the Pre-IPO Share Option Scheme has been taken over by the Company pursuant to a corporate reorganisation of the Group on 23 June 2014.

The Group had complied with all statutory social insurance, housing fund and mandatory provident fund obligations applicable to the Group under the laws of PRC, Hong Kong and overseas in all material aspects.

In 2012, the Group's expenses on staff wages and salaries and consultancy fees amounted to HK$5.9 million, representing 1.3% of the Group's revenues. (2011: HK$8.4 million, 3.7% of the Group's revenues).

Contingent liabilities

As at 31 December 2012, the Directors have confirmed that the Group had no contingent liabilities.

C. Management discussion and analysis of the Group for the year ended 31 December 2011

Business Development

During the reporting period, the Group's lease income was HK$223.1 million in 2011.

The Group's revenues and net profit are generated primarily from finance lease income and other income.

In the year ended 31 December 2011, the cash flows from aircraft in operation was positive.

During the year, the Group is engaged in a single business segment, i.e. the provision of aircraft leasing services to airline companies in the PRC. As of 31 December 2011, the total finance and operating lease income of the Group amounted to HK$2.2 billion for the leasing of aircraft to 3 airline companies.

The Group plans to expand the fleet size to match the growth strategy of the Group. It is expected that such expansion will be funded by bank loans and/or financing and the Group's working capital.

Liquidity and financial resources

Total assets, mainly consisting of finance lease receivables, amounted to HK$3.3 billion, as of 31 December 2011.

The bank borrowings for aircraft acquisition are secured bank borrowings subject to fixed or floating six-month US$ LIBOR. The following table illustrates the amount of our bank borrowings as of 31 December 2011 categorised by fixed and floating interest rates:

	HK$ million	%
Fixed-interest rate bank borrowings	1,257	47.9
Floating-interest rate bank borrowings	1,366	52.1
Total	2,623	100.0

The balance of bank borrowings as of 31 December 2011 are in the amount of HK$2.6 billion, and the currency for all borrowings were held in US$.

The total liabilities of the Group increased in line with the growth of the Group's assets.

The maturity analysis of the Group's borrowings for the years ended 31 December 2011 is as follows:

	HK$ million
Within 1 year	136
Between 1 and 2 years	145
Between 2 and 5 years	490
Over 5 years	1,852
Total	2,623

The Group's principal financial instruments include finance lease receivable, interest-bearing bank loans and cash and cash equivalents.

The following table sets forth the currencies of our cash and cash equivalents as of 31 December 2011:

	HK$ million
US$	69
RMB	20
HK$	1
Total	90

The main purpose of these financial instruments is to support the Group's business operations and aircraft acquisition plans. The Group also have various financial assets and financial liabilities arising from its business operations. The principal risks arising from the Group's financial instruments are market risk (including the foreign exchange risk and the interest rate risk), credit risk, and liquidity risk.

The bank borrowings provided for aircraft acquisition are secured by legal charges over the leased aircraft, pledge of the shares of the relevant subsidiaries (as the registered owners of the aircraft) corporate guarantees provided by certain members of our Group (including CALC (BVI)), and pledged deposits amounting to HK$7.6 million as of 31 December 2011.

There were no pledged deposits secured for bank borrowings as of 31 December 2011.

Foreign Exchange Risk

The Group is exposed to foreign exchange risks as certain portion of cash and cash equivalents, financial assets included in prepayments and other receivables, finance lease receivables, other payables and accruals and bank borrowings held by entities within the Group are denominated in currencies other than the entity's functional currency. The functional currencies of entities within the Group are principally United States dollars. The Group currently does not have a foreign currency hedging policy as the Directors are of the opinion that the Group's exposure to foreign exchange risk is insignificant. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when it is necessary and appropriate.

Interest rate risk and hedging

The Group's interest rate risk mainly arises from finance lease receivables and bank borrowings. The Group manages the interest rate risk by matching the interest rates of the finance lease receivables with interest rates of bank borrowings. Interest rate exposure arises when interest rates of the finance lease receivables and the corresponding bank borrowings do not match.

Gearing ratio

The Group monitors its capital by monitoring its gearing ratio, which is calculated as total liabilities of the Group divided by total assets of the Group. The gearing ratio as of 31 December 2011 is 93.0%.

The high gearing ratio of the Group is primarily due to the Group's financing strategy to fully leverage on the banking facilities (project financing) made available for the purposes of aircraft acquisition against the future cash flows generated from the entering into of long-term aircraft lease agreements and the underlying aircraft asset, rather than other types of financing which are commonly used by other international lessors.

Capital Structure

The Group's capital structure as of 31 December 2011 is as follows:

	2011
Net debts (HK$ million)	2,622.8
Total equity (HK$ million)	234.7
Ratio of net debt to total equity	1,117.6%

As of 31 December 2011, the Group's Shareholders' equity was HK$234.7 million.

Capital Commitments

The Group's commitment contracted for as of 31 December 2011, but not yet incurred by it, was HK$5,846.0 million.

The aircraft purchase commitments are expected to be financed by long-term bank borrowings.

Other than the capital commitments stated above, the Group had no other material plans for major investment or capital assets acquisition.

Material transactions

During the year and as at 31 December 2011, the Group had no material investments.

During the year and as at 31 December 2011, there were no material acquisitions, disposal of subsidiaries or associated companies.

Material litigation

As at 31 December 2011, no legal proceedings were initiated by any of the third parties against the Group as defendant, or any outstanding claims.

Employees

As of 31 December 2011, the Company had a total of 25 employees.

The Group has established effective employee incentive schemes to correlate the remuneration of our employees with their overall performance and contribution to the Group, and have established a merit-based remuneration awards system.

The Group had complied with all statutory social insurance, housing fund and mandatory provident fund obligations applicable to the Group under the laws of PRC, Hong Kong and overseas in all material aspects.

On 4 August 2011, CALH adopted the Pre-IPO Share Option Scheme. On 7 October 2011, the board committee of CALH approved additional terms and conditions to the Pre-IPO Share Option Scheme and granted the Options, with an aim to provide medium to long term incentives to certain Directors, senior management, managerial personnel and key technical personnel of the Company and promote the continuous development of the business of the Group. As disclosed above, the Pre-IPO Share Option Scheme has been taken over by the Company pursuant to a corporate reorganisation of the Group on 23 June 2014.

In 2011, the Group's expenses on staff wages and salaries and consultancy fees amounted to HK$8.4 million, representing 3.7% of the Group's revenues.

Contingent liabilities

As at 31 December 2011, the Directors have confirmed that the Group had no contingent liabilities.

1 RESPONSIBILITY STATEMENT

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

2 INTERESTS OF DIRECTORS

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

Name	**Capacity/nature of interest**	**Number of shares held** *(Note 1)*	**Number of underlying shares held**	**Approximately percentage of shareholding**
Mr. Poon Ho Man	interest of controlled corporation	181,254,589(L) *(Note 2)*	—	30.94%
	interest of controlled corporation		1,300,000 *(Note 3)*	0.22%
	interest of controlled corporation		15,000,000 *(Note 4)*	2.56%
Ms. Liu Wanting	interest of controlled corporation		10,000,000 *(Note 5)*	1.71%
Mr. Chen Shuang	beneficial owner		200,000 *(Note 6)*	0.03%
Mr. Tang Chi Chun	beneficial owner		200,000 *(Note 6)*	0.03%
Mr. Guo Zibin	beneficial owner		200,000 *(Note 6)*	0.03%
Mr. Fan Yan Hok, Philip	beneficial owner		200,000 *(Note 6)*	0.03%
Mr. Ng Ming Wah, Charles	beneficial owner		200,000 *(Note 6)*	0.03%

Name	Capacity/nature of interest	Number of shares held *(Note 1)*	Number of underlying shares held	Approximately percentage of shareholding
Mr. Zhang Chongqing	beneficial owner		200,000 *(Note 6)*	0.03%
Mr. Nien Van Jin, Robert	beneficial owner		200,000 *(Note 6)*	0.03%

Notes:

(1) The letter "L" denotes the entity/person's long position in the securities.

(2) FPAM is a substantial shareholder of the Company which is owned as to 0.01% by Ms. Christina Ng and 99.99% by Capella Capital Limited, which is in turn owned as to 10% by Ms. Christina Ng and 90% by Mr. Poon Ho Man, spouse of Ms. Christina Ng and the founder of the FPAM group.

(3) These interests represented the interests in underlying shares in respect of the share options granted by the Company to FPAM pursuant to the Pre-IPO Share Option Scheme.

(4) These interests represented the interests in underlying shares in respect of the share options granted by the Company to Equal Honour pursuant to the Pre-IPO Share Option Scheme. Equal Honour is wholly-owned by Mr. Poon Ho Man.

(5) These interests represented the interests in underlying shares in respect of the share options granted by the Company to Smart Vintage pursuant to the Pre-IPO Share Option Scheme. Smart Vintage is wholly-owned by Ms. Liu Wanting.

(6) These interests represented the interests in underlying shares in respect of the share options granted by the Company to each non-executive director and independent non-executive director of the Company pursuant to the Post-IPO Share Option Scheme.

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

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

3 SERVICE CONTRACTS

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

4 COMPETING INTERESTS

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

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

As at the Latest Practicable Date, none of the Directors of the Company had any direct or indirect interest in any assets which have been, since 31 December 2013 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors of the Company was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Group.

6 LITIGATION

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

7 MATERIAL CONTRACTS

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

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

(b) the deed of non-competition dated 23 June 2014 entered into by the Controlling Shareholders in favour of the Group in respect of certain non-competition undertakings;

(c) the deed of indemnity dated 23 June 2014 entered into by the Controlling Shareholders in favour of the Group (for itself and as trustee for each of its subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of the Group by virtue of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong, as amended from time to time)) to any member of the Group on or before 30 June 2014; and

(d) the conditional underwriting agreement dated 27 June 2014 in respect of the public offering of the ordinary shares of the Company in Hong Kong entered into between, among others, the Company, the Controlling Shareholders, the executive Directors, the joint sponsors, the joint global coordinators, the joint bookrunners, joint lead managers, and the Hong Kong underwrites.

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

8 COMPANY SECRETARY

Mr. LEUNG Ming Yiu (梁明耀) is the finance manager and company secretary of the company. Mr. LEUNG is a Certified Public Accountant in Hong Kong.

9 DOCUMENTS FOR INSPECTION

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

(1) the Company's articles of association;

(2) the Prospectus;

(3) a copy of each contract set out in the paragraph headed "Material Contracts" in this Appendix; and

(4) this circular.

The Company has applied for, and has obtained, a waiver for the acquisition from strict compliance with Rule 14.58(4) and Rule 14.69(2) of the Listing Rules from the Stock Exchange, so that only the redacted versions of the Aircraft Purchase Agreements will be available for inspection by the public. Information in relation to the actual Consideration will not be disclosed in the Aircraft Purchase Agreements.

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 of China Aircraft Leasing Group Holdings Limited (the "**Company**") will be held at Cliftons Hong Kong, 508–520 Hutchison House, 10 Harcourt Road, Central, Hong Kong on Monday, 29 December 2014, at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1 "**THAT**:

(a) the two purchase agreements dated 1 December 2014 (the "**Aircraft Purchase Agreements**") each between China Aircraft Leasing Company Limited (the "**CALC (BVI)**"), a wholly owned subsidiary of the Company, and Airbus S.A.S. ("**Airbus**"), pursuant to which CALC (BVI) agreed to purchase 100 Airbus A320 series aircraft from Airbus in aggregate for a consideration determined with reference to the aggregate list price of approximately US$10.2 billion (equivalent to approximately HK$79.56 billion) and with price concessions determined after arm's length negotiations between CALC (BVI) and Airbus, be and is hereby approved, confirmed and ratified; and

(b) any one director of the Company be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Aircraft Purchase Agreements."; and

2 "**THAT**:

(a) subject to the fulfilment of the following performance targets, the vesting date of the Tranche A (as defined in the Circular of the Company dated 10 December 2014 (the "**Circular**")) options granted to Wealth Amass Limited on 10 October 2011 under the pre-IPO share option scheme, which was adopted by China Aircraft Leasing Holdings Limited on 4 August 2011 and taken over by the Company under the corporate reorganisation of the Company and its subsidiaries (the "**Group**") on 23 June 2014 (the "**Pre-IPO Share Option Scheme**"), and are outstanding as at the date of this resolution, be amended so that 60% of the above options that are outstanding (the "**Series 1 New Options**") as at the date of this resolution shall become exercisable on and from the publication date of the Group's audited financial results for the year ending

31 December 2014 (the "**New Publication Date**") and the remaining 40% of the above options (the "**Series 2 New Options**") shall become exercisable on and from the first anniversary date of the New Publication Date (the "**New Tranche A Exercise Dates**"); such options, if exercisable, shall expire on the second anniversary date of the New Publication Date (including the performance targets as set out below, the "**Share Options Terms Amendments**"); the performance targets are:

(i) the Series 1 New Options shall become exercisable in accordance with the New Tranche A Exercise Dates on the date upon which Mr. Yang Jianjun, being the consultant made available to the Group by Wealth Amass Limited, is recognised by the strategy committee of the Company (the "**SC**") as the lead originator of at least 16 aircraft for the Group by 31 December 2013; and

(ii) the Series 2 New Options shall become exercisable in accordance with the New Tranche A Exercise Dates on the date upon which Mr. Yang Jianjun, being consultant made available to the Group by Wealth Amass Limited, is recognised by the SC as the lead originator of at least 22 aircraft for the Group by the New Publication Date;

(b) any one director of the Company be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her to be incidental to, ancillary to or in connection with the Share Options Terms Amendments."

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

Hong Kong, 10 December 2014

Notes:

1 A form of proxy for use at the meeting is enclosed herewith.

2 The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.

3 Any shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.

4 In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed must be deposited at the Company's branch registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the meeting.

5 The register of members of the Company will be closed from Wednesday, 24 December 2014 to Monday, 29 December 2014, both days inclusive, on which no transfer of shares will be registered. Shareholders are reminded that, in order to qualify for attendance of the extraordinary general meeting, they must lodge

completed transfer forms together with the certificates for the relevant shares with the Company's branch registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 23 December 2014.

6 Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should you so wish, and in such an event, the form of proxy shall be deemed to be revoked.

7 Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.