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

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CALC

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

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

(Stock code: 1848)

MAJOR TRANSACTION
IN RELATION TO THE PURCHASE OF FIVE AIRBUS AIRCRAFT

12 January 2018

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
1 INTRODUCTION	4
2 AIRBUS PURCHASE AGREEMENT	5
3 VIVA SALE AND PURCHASE AGREEMENT AND VIVA LEASE AGREEMENTS	7
4 REASONS FOR ENTERING INTO THE TRANSACTIONS AND VIVA LEASE AGREEMENTS	9
5 INFORMATION ABOUT THE GROUP, AIRBUS AND VIVA AIR GROUP	9
6 IMPLICATIONS OF THE LISTING RULES	9
7 ADDITIONAL INFORMATION	11
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	12
APPENDIX II – GENERAL INFORMATION	16

DEFINITIONS

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

“2014 Aircraft Purchase Agreement”	the two aircraft purchase agreements each entered into between Airbus and CALC (BVI) on 1 December 2014, pursuant to which CALC (BVI) agreed to purchase and Airbus agreed to sell certain Airbus aircraft, details of which are disclosed in the announcement of the Company dated 1 December 2014
“Airbus”	Airbus S.A.S., a company created and existing under the laws of France
“Airbus Consideration”	the actual consideration payable by CALC (BVI) to Airbus for the purchase of the Aircraft (taking into account the price concession)
“Airbus Purchase Agreement”	the amendment to the 2014 Aircraft Purchase Agreement entered into between Airbus and CALC (BVI) on 21 December 2017, pursuant to which CALC (BVI) agreed to purchase and Airbus agreed to sell the Aircraft
“Airbus Transaction”	the purchase of the Aircraft pursuant to the terms and conditions of the Airbus Purchase Agreement
“Aircraft”	five Airbus A320-200 CEO series aircraft
“Aircraft Purchase Mandate”	the general mandate granted to the Directors by way of ordinary resolution of the Shareholders in the 2017 annual general meeting of the Company held on 22 May 2017 to purchase new aircraft from Airbus and Boeing during the Mandate Period, the terms of which are set out in the circular of the Company dated 19 April 2017
“Announcement”	the announcement of the Company dated 21 December 2017 in relation to the Airbus Purchase Agreement and the Viva Sale and Purchase Agreement
“Board”	the board of Directors
“Boeing”	The Boeing Company, a company incorporated in the State of Delaware of the United States of America
“CALC (BVI)”	China Aircraft Leasing Company Limited, a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of the Company
“CE Aerospace”	China Everbright Aerospace Holdings Limited, a company incorporated in the Cayman Islands and one of the substantial shareholders of the Company

DEFINITIONS

“Company”	China Aircraft Leasing Group Holdings Limited (中國飛機租賃集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Delivery Conditions Precedent”	certain events occur, including, among others, (i) Airbus has received the final instalment of the purchase price in respect of the Aircraft; and (ii) Airbus has received confirmation from CALC (BVI) that no payments are due from Viva Air Group to CALC (BVI)
“Directors”	the directors of the Company
“FPAM”	Friedmann Pacific Asset Management Limited, a company incorporated in the British Virgin Islands and one of the substantial shareholders of the Company
“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”	8 January 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mandate Period”	the period from 22 May 2017, being the date of the 2017 annual general meeting of the Company, until the earliest of (a) the conclusion of the next annual general meeting of the Company, or (b) the end of the period within which the Company is required by its Articles of Association or any applicable laws to hold its next annual general meeting, or (c) the date on which the Aircraft Purchase Mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this circular
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	share(s) with par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Transactions”	the Airbus Transaction and the Viva Transaction
“US\$”	United States dollars, the lawful currency of the United States of America
“Viva Air Group”	Viva Procurement S.A., a Panamanian company, and Viva Air Columbia, a Columbian airline
“Viva Consideration”	the actual consideration payable by the Company, through its wholly-owned special purpose vehicle, to Viva Air Group for purchase of the Aircraft
“Viva Lease Agreements”	the five lease agreements entered into between the Company (through five of its wholly-owned special purpose vehicles, as lessors) and Viva Air Group (as lessee) on 21 December 2017 for the lease of the Aircraft
“Viva Sale and Purchase Agreement”	an aircraft sale and purchase agreement entered into between the Company (through its wholly-owned special purpose vehicle, as purchaser) and Viva Air Group (as vendor) on 21 December 2017, pursuant to which the Company agreed to purchase and Viva Air Group agreed to sell the Aircraft
“Viva Transaction”	the purchase of the Aircraft pursuant to the terms and conditions of the Viva Sale and Purchase Agreement
“%”	per cent.

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

LETTER FROM THE BOARD

CALC

CHINA AIRCRAFT LEASING GROUP HOLDINGS LIMITED

中國飛機租賃集團控股有限公司

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

(Stock code: 1848)

Executive Directors:

Mr. CHEN Shuang, *JP (Chairman)*

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

Ms. LIU Wanting *(Deputy Chief Executive Officer)*

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 Hong Kong:

28th Floor, Far East Finance Centre

16 Harcourt Road

Hong Kong

Independent Non-executive Directors:

Mr. FAN Yan Hok, Philip

Mr. NIEN Van Jin, Robert

Mr. CHEOK Albert Saychuan

Mr. CHOW Kwong Fai, Edward, *JP*

12 January 2018

To the Shareholders

Dear Sir or Madam,

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

1 INTRODUCTION

Reference is made to the Announcement in relation to the Airbus Purchase Agreement and the Viva Sale and Purchase Agreement, which were entered into as part of an aircraft purchase and leasing arrangement.

The purpose of this circular is to provide the Shareholders with further details in relation to the Airbus Purchase Agreement and the Viva Sale and Purchase Agreement in accordance with the Listing Rules.

LETTER FROM THE BOARD

2 AIRBUS PURCHASE AGREEMENT

All principal terms and conditions of the 2014 Aircraft Purchase Agreement shall apply to the Airbus Purchase Agreement, unless otherwise agreed by the parties. The Directors consider that the Airbus Purchase Agreement is negotiated and entered into by the Group on arm's length terms in accordance with the Group's customary business practices. The actual purchase price of each of the Aircraft does not exceed the relevant aircraft list price and the terms of the Airbus Purchase Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Date

21 December 2017

Parties

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

Aircraft to be acquired

The Aircraft

Airbus Consideration

The aggregate list price of the Aircraft (which comprises the airframe price, optional features price and engine price) is approximately US\$495 million (equivalent to approximately HK\$3.9 billion).

In accordance with customary business and industry practice, Airbus granted CALC (BVI) significant price concessions with regard to the Aircraft to be purchased. Such price concessions were determined after arm's length negotiations between CALC (BVI) and Airbus. As a result, the Airbus Consideration for the Aircraft to be purchased is 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 Airbus Purchase Agreement is comparable to the price concessions that CALC (BVI) had obtained under the 2014 Aircraft Purchase Agreement. The Company believes that there is no material impact of the price concessions obtained under the Airbus Purchase Agreement on the operating costs of its fleet and the aircraft financing amount of the Aircraft will be reduced 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 Airbus Purchase Agreement can be disclosed to any third party without the written consent of Airbus. For the purpose of the disclosure obligations of the Company normally required under Chapter 14 of the Listing Rules, the Company has obtained such consent save for the Airbus Consideration.

LETTER FROM THE BOARD

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 Airbus Consideration will result in the loss of the 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) of the Listing Rules in respect of the disclosure of the Airbus Consideration.

Payment and delivery terms

It is estimated that the Aircraft will be delivered in stages between 2018 and 2019.

The Airbus Consideration for each of the Aircraft will be paid according to its respective delivery schedule. The Company will pay Airbus pre-delivery payment prior to delivery of each of the Aircraft (the “**Pre-delivery Payment**”) and the balance, being a substantial portion of the Airbus Consideration, upon delivery of each of the Aircraft. The Pre-delivery Payment is a progress payment to be made by the Company to Airbus at different milestones when the new aircraft are being built.

Source of funding

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

Aircraft Purchase Mandate

The Shareholders have granted the Aircraft Purchase Mandate to the Directors to purchase new aircraft from Airbus and Boeing at the 2017 annual general meeting of the Company held on 22 May 2017, pursuant to which the Directors are authorised to purchase from Airbus not exceeding 70 aircraft of certain aircraft types with an aggregate aircraft list price of not exceeding US\$8.9 billion (equivalent to approximately HK\$69.4 billion). Further details of the Aircraft Purchase Mandate are set out in the circular of the Company dated 19 April 2017.

The Airbus Transaction is made pursuant to and in accordance with the terms of the Aircraft Purchase Mandate. Accordingly, no circular containing details of the Airbus Purchase Agreement is required to be despatched to the Shareholders and separate Shareholders’ approval for the Airbus Transaction is not required. The details of the Airbus Purchase Agreement which are contained in this circular have been included for completeness only.

LETTER FROM THE BOARD

3 VIVA SALE AND PURCHASE AGREEMENT AND VIVA LEASE AGREEMENTS

Should Viva Air Group fulfill all the Delivery Conditions Precedent contemplated by the Viva Sale and Purchase Agreement within the specified timeframe, the Company shall acquire title to the Aircraft and Viva Air Group shall lease the Aircraft from the Company based upon the arrangements contemplated by the Viva Sale and Purchase Agreement and the Viva Lease Agreements respectively. Should Viva Air Group not fulfill all the Delivery Conditions Precedent contemplated by the Viva Sale and Purchase Agreement within the specified timeframe, the Company will take delivery of the Aircraft based upon the arrangements contemplated by the Airbus Purchase Agreement and the Aircraft will not be leased to Viva Air Group. The Aircraft will be leased to other independent airline companies subsequently.

VIVA SALE AND PURCHASE AGREEMENT

Date

21 December 2017

Parties

- (1) the Company, through its wholly-owned special purpose vehicle, as the purchaser; and
- (2) Viva Air Group, as vendor.

Aircraft to be acquired

The Aircraft (same Aircraft to be acquired under the Airbus Purchase Agreement)

Viva Consideration

As disclosed in the Airbus Consideration above, the aggregate list price of the Aircraft is approximately US\$495 million (equivalent to approximately HK\$3.9 billion).

In accordance with customary business and industry practice, there is a significant difference between the list price of the Aircraft and the Viva Consideration. The Viva Consideration was determined on an arm's length basis between the Company and Viva Air Group, taking into account the terms and conditions of the Viva Transaction as a whole and with reference to market conditions.

Based on the Company's industry understanding, the difference between the Viva Consideration and the list price of the Aircraft is a result of many different factors, the most important of which is that a purchaser of a new aircraft from a manufacturer would usually be granted a significant discount against the list price by the manufacturer. Based on the Company's industry understanding, the discount against the list price granted by a manufacturer to an aircraft purchaser is commercially sensitive information and is usually determined on the basis of certain variables and after arm's length negotiations between the aircraft purchaser and the manufacturer.

LETTER FROM THE BOARD

Based on the Company's industry understanding, the Company believes that the difference between the list price of the Aircraft (after discount against the list price that the Company has obtained in previous purchases of new aircraft) and the Viva Consideration is not material. The Company believes that the price difference between the list price of the Aircraft (after the abovementioned discount) and the Viva Consideration has no material adverse impact on the Company's future operating costs taken as a whole.

The Company is subject to a strict confidentiality obligation with regard to the Viva Consideration for the Aircraft under the Viva Sale and Purchase Agreement. Viva Air Group would not have entered into the Viva Sale and Purchase Agreement and the Viva Lease Agreements with the Company if the Company was required to disclose the Viva Consideration, and it is also likely that the Company would not be able to enter into similar future transactions with Viva Air Group. Any such disclosure would therefore not be in the interests of the Company and the Shareholders as a whole. For the purpose of the Company's compliance with its disclosure obligations normally required under Chapter 14 of the Listing Rules, the Company has sought and obtained consent from Viva Air Group to disclose the terms of the Viva Sale and Purchase Agreement other than the Viva Consideration.

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

Payment and delivery terms

The Viva Consideration for each of the Aircraft will be paid upon completion of the purchase of such Aircraft, which is estimated to occur between 2018 and 2019.

Source of funding

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

Financial impact of the acquisition

As mentioned above, the Viva Consideration is, as currently contemplated, being funded through the Group's working capital and bank loans from commercial banks. The acquisition will therefore result in an increase in the Group's debt-to-equity ratio. The acquisition is not expected to have a substantial impact on the Group's financial position or its business operations. The acquisition is also not expected to result in a material impact on the earnings, assets and liabilities of the Group.

LETTER FROM THE BOARD

4 REASONS FOR ENTERING INTO THE TRANSACTIONS AND VIVA LEASE AGREEMENTS

The Company entered into the Transactions and the Viva Lease Agreements as part of an aircraft purchase and leasing arrangement.

The Directors are of the view that completion of the Transactions is in line with the Group's business expansion plan and globalisation strategy. The purchase and leasing arrangement enables the Group to expand its fleet while securing long-term leases, through which the Group provides flexible solutions to cater to airline customers' fleet plan. The Transactions and the Viva Lease Agreements not only enlarge the Group's fleet portfolio, they also allow the Group to extend its global footprints in the western South America.

The Directors confirm that the Airbus Purchase Agreement and the Viva Sale and Purchase Agreement have been negotiated and entered into by the Company on arm's length terms in the ordinary and usual course of business and that the Transactions will have no material adverse impact on the Company's operations and financial position. The Directors consider that the Airbus Purchase Agreement and the Viva Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

5 INFORMATION ABOUT THE GROUP, AIRBUS AND VIVA AIR GROUP

The Group is principally engaged in global aircraft leasing business and owns a fleet of 108 aircraft as at the Latest Practicable Date.

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

To the knowledge of the Directors, Viva Air Group is principally engaged in the business of civil aviation services.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Airbus and Viva Air Group and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

6 IMPLICATIONS OF THE LISTING RULES

Airbus Transaction

As the applicable percentage ratio under Rule 14.07 of the Listing Rules for the Airbus Purchase Agreement entered into pursuant to the Aircraft Purchase Mandate is above 25% but below 100%, the Airbus Transaction constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

The Airbus Transaction is made pursuant to and in accordance with the terms of the Aircraft Purchase Mandate. Accordingly, no circular containing details of the Airbus Purchase Agreement is required to be despatched to the Shareholders and separate Shareholders' approval for the Airbus Transaction is not required. The details of the Airbus Purchase Agreement which are contained in this circular have been included for completeness only.

Viva Transaction

As the applicable percentage ratio under Rule 14.07 of the Listing Rules for the Viva Sale and Purchase Agreement is above 25% but below 100%, the Viva Transaction constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

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

So far as the Directors are aware after making reasonable enquiry, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Viva Sale and Purchase Agreement. Written approval of the Viva Sale and Purchase Agreement has been obtained from the following Shareholders:

Name	Number of Shares held	Approximate percentage of shareholding <i>(Note)</i>
CE Aerospace	208,979,479	30.81%
FPAM	<u>182,554,589</u>	<u>26.92%</u>
Total:	<u><u>391,534,068</u></u>	<u><u>57.73%</u></u>

Note: Based on 678,179,360 Shares in issue as at the Latest Practicable Date.

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

- (1) CE Aerospace and FPAM became a strategic investor of the Group since June 2011 and May 2007 respectively;
- (2) as at the Latest Practicable Date, CE Aerospace has not disposed of any of its shares in the Company. The Directors consider that CE Aerospace's investment in the Company and the Group is of a long-term and strategic nature and that CE Aerospace and FPAM have established and will maintain a stable business relationship with each other; and

LETTER FROM THE BOARD

- (3) although they are not parties acting in concert within the meaning of the Code on Takeovers and Mergers, CE Aerospace and FPAM have voted unanimously on all Shareholders' resolutions since inception of the Group (other than routine resolutions at annual general meetings).

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

7 ADDITIONAL INFORMATION

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

Yours faithfully,
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 2014, 2015 AND 2016 AND THE SIX MONTHS ENDED 30 JUNE 2017

Financial information of the Group for each of the years ended 31 December 2014, 2015 and 2016 can be referred to the annual reports of the Company for the years ended 2014 (page 92 to page 167), 2015 (page 83 to page 162) and 2016 (page 104 to page 195), respectively; and the unaudited interim consolidated results for the six months ended 30 June 2017 can be referred to the interim report of the Company for the six months ended 30 June 2017 (page 34 to page 80).

The above-mentioned financial information has been published on both the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.calc.com.hk>).

2. STATEMENT OF INDEBTEDNESS

As of 31 October 2017, which is the latest practicable date for the purpose of determining the amount of indebtedness, the Company had outstanding interest-bearing borrowings of HK\$28,265.6 million, which comprised of:

- (i) secured bank borrowings and long-term borrowings of HK\$18,195.3 million. The secured bank borrowings and certain long-term borrowings are secured by (a) in addition to other legal charges, the related aircraft leased to airline companies by the Group 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 companies of the Group; (d) pledge of deposits amounting to HK\$91.6 million; and (e) certain rights and benefits in respect of acquisition of aircraft;
- (ii) unsecured bank borrowings and long-term borrowings of HK\$608.9 million, which were guaranteed by certain companies of the Group;
- (iii) unsecured medium term notes of HK\$781.1 million;
- (iv) unsecured convertible bonds of HK\$155.4 million; and
- (v) unsecured bonds of HK\$8,524.9 million. The bonds are guaranteed by the Company.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as of 31 October 2017, 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 of the Aircraft will be paid according to the respective delivery schedule. The Viva Consideration will be financed by the long-term aircraft borrowings when the relevant Aircraft is about to be delivered. The Company expects that the Viva Consideration, together with other capital commitments in relation to acquisition of aircraft totalling HK\$83,259.7 million (of which HK\$6,996.9 million is payable within the next twelve months from the Latest Practicable Date), as well as working capital requirements of the Group will be funded through new commercial bank loans, Pre-delivery Payment financing, bonds, US\$3,000,000,000 guaranteed medium term note programme of CALC Bonds Limited (a wholly-owned subsidiary of the Company) (the “**Guaranteed Medium Term Note Programme**”), debt and equity financing and the Company’s internal resources. The new commercial bank loans will be confirmed before delivery of the relevant aircraft and based on the industry practice and prior experience, long-term aircraft borrowings would be granted by the banks if the aircraft can be leased out to airline companies. Lease agreements or letters of intent have already been signed for the aircraft scheduled for delivery in the next twelve months from the date of this circular and thus the Company believes that long-term aircraft borrowings can be obtained.

The Directors are of the opinion that after taking into account the Group’s internal resources, the Guaranteed Medium Term Note Programme, new commercial bank loans, Pre-delivery Payment financing, debt and equity financing and available banking facilities the Group has sufficient working capital for at least the next twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS

Financial Status

During the six months ended 30 June 2017, the Group took delivery of nine aircraft, which increased its fleet size to 90. Revenue and other income was HK\$1,258.0 million, which represented an increase of HK\$231.4 million or 22.5% from the corresponding period last year. Profit for the six months ended 30 June 2017 amounted to HK\$248.7 million, which represented an increase of HK\$8.7 million or 3.6% compared with the corresponding period last year. This was mainly due to increased lease income resulting from continued expansion of the scale of the Group’s aircraft leasing business and gains from disposal of finance lease receivables generated during the period.

Total assets value was HK\$34,028.7 million as at 30 June 2017, compared with HK\$30,900.2 million as at 31 December 2016, which represented an increase of HK\$3,128.5 million or 10.1%. The increase in assets was mainly due to the increase in fleet size and a stronger cash position following the issuance of bonds and disposal of finance lease receivables during 2017. Total liabilities amounted to HK\$30,974.2 million as at 30 June 2017, which represented an increment of HK\$3,117.4 million or 11.2% compared with HK\$27,856.8 million as at 31 December 2016.

The equity attributable to owners of the Company was HK\$3,054.5 million as at 30 June 2017 compared with HK\$3,043.3 million as at 31 December 2016, which represented an increase of HK\$11.2 million or 0.4%.

Prospects***Aircraft Leasing***

During the first half of 2017, the Group took delivery of nine aircraft, of which seven were new, growing its fleet size to 90 aircraft as at 30 June 2017. The Company expects to expand its fleet size as the year progresses through various means including portfolio trading, and purchase and leaseback agreements.

The Company has one of the youngest fleet with the longest average remaining lease term among its peers. Its fleet has an average age of 3.8 years and average remaining lease term of approximately nine years.

In line with its globalisation initiative, the Company continued to expand and diversify its customer portfolio in the first half of 2017, during which the Company fostered new relationships with airlines, including leading carriers in markets in which it operates, and widened its client base. All nine of the aircraft delivered in the first half of 2017 were leased to new customers, of which six were leased to overseas clients. As a result, the Company's client base increased from 16 airlines as at 31 December 2016 to 20 airlines in eight countries and regions as at 30 June 2017.

In April 2017, the Company signed agreements with Airbus for the pop-up orders of three A320 aircraft to be delivered in 2017. In addition, the Company entered into its first purchase order in June 2017 with Boeing for 50 new 737 MAX series aircraft, scheduled for delivery in stages up to 2023. This order includes 15 of the 737 MAX 10 model, making the Company among the inaugural customers of this latest version of Boeing's 737 jetliner. These arrangements not only mark a major step towards expanding and diversifying the Company's fleet, but also underscore Airbus and Boeing's vote of confidence in the Company's strong marketing and efficient placing capabilities.

With 90 aircraft in its fleet and 138 very popular narrow-body aircraft on order as at 30 June 2017, together with portfolio trading and purchase and leasebacks, among other arrangements, the Company is looking to expand its fleet size to no fewer than 232 aircraft by the end of 2023. This aircraft portfolio will enable the Company to provide a wider range of solutions to meet airline customers' varying demands in this dynamic market.

Financing

In March 2017, the Group took advantage of the low interest rate environment and issued its third US dollar senior unsecured bond, comprising US\$300 million five-year and US\$200 million seven-year bonds with coupon rates of 4.7% and 5.5% respectively. These bonds, with a longer maturity date and a reduced interest rate as compared with those previously issued, were over-subscribed among a wide range and diverse pool of investors. The issuance placed the Company in a healthier debt profile while boosting its working capital to support its fleet expansion strategy.

The Group continued to bolster its balance sheet. In May 2017, the Company repurchased convertible bonds in an aggregate principal amount of HK\$155.2 million from China Everbright Financial Investments Limited.

During the first half of 2017, the Company completed the disposal of finance lease receivables for 10 aircraft. Since its foray in 2013, the Company has made disposal of finance lease receivables a regular transaction, thus increasing the efficiency with which it utilises equity and debt.

In the context of forecast US dollar interest rate hikes, the Company took an early step to arrange interest rate swaps for those aircraft loans with floating interest rates to mitigate the risk of interest rate fluctuations. As at 30 June 2017, only one out of 90 aircraft in the Company's fleet was subject to mismatch between fixed US dollar rental and US dollar long-term floating interest rate loan, excluding the five aircraft being identified for disposal of finance lease receivables arrangements in the short term.

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 2016, being the date to which the latest published audited accounts of the Company have been made up.

1. RESPONSIBILITY STATEMENT

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

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

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

Name of Directors	Capacity	Nature of interests	Number of Shares held (L) ⁽¹⁾		Approximate percentage of Shares in issue ⁽²⁾
			Number of Shares held	Total interests	
CHEN Shuang	Beneficial owner	Personal interest	400,000		
	Beneficial owner	Derivatives interest	10,000,000 ⁽³⁾	10,400,000	1.53%
POON Ho Man	Interest of controlled corporations	Corporate interest	197,554,589 ⁽⁴⁾		
	Interest of spouse	Family interest	3,800,000 ⁽⁵⁾	201,354,589	29.69%
LIU Wanting	Interest of controlled corporation	Corporate interest	10,000,000 ⁽⁶⁾		
	Beneficial owner	Derivatives interest	3,000,000 ⁽³⁾	13,000,000	1.92%
TANG Chi Chun	Beneficial owner	Personal interest	200,000	200,000	0.03%
CHEN Chia-Ling	Beneficial owner	Derivatives interest	200,000 ⁽³⁾	200,000	0.03%
FAN Yan Hok, Philip	Beneficial owner	Personal interest	200,000	200,000	0.03%
NIEN Van Jin, Robert	Beneficial owner	Personal interest	234,000	234,000	0.03%
CHEOK Albert Saychuan	Beneficial owner	Personal interest	5,000		
	Beneficial owner	Derivatives interest	200,000 ⁽³⁾	205,000	0.03%
CHOW Kwong Fai, Edward	Beneficial owner	Derivatives interest	200,000 ⁽³⁾	200,000	0.03%

Notes:

- (1) The letter "L" denotes the entity/person's long position in the securities.
- (2) Based on 678,179,360 Shares in issue as at the Latest Practicable Date.

- (3) These interests represented the interests in the underlying Shares in respect of the share options granted by the Company to Directors pursuant to the Post-IPO Share Option Scheme.
- (4) Mr. POON Ho Man was deemed to be interested in 197,554,589 Shares in the following manner:
 - (a) 182,554,589 Shares held by FPAM, which is owned as to 0.000001% by Ms. Christina NG, the spouse of Mr. POON, and 99.999999% by Capella Capital Limited which is in turn owned as to 10% by Ms. NG and 90% by Mr. POON; and
 - (b) 15,000,000 Shares held by Equal Honour Holdings Limited, a company wholly-owned by Mr. POON.
- (5) These interests represented the interests in the underlying Shares in respect of the share options granted by the Company to Ms. Christina NG pursuant to the Post-IPO Share Option Scheme.
- (6) These Shares were held by Smart Aviation Investment Limited, a company wholly-owned by Ms. LIU Wanting.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any other interests or short positions in any 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 Shares and/or 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. DIRECTORS' 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 (excluding agreements expiring or determinable by the Group within one 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. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2016, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

6. LITIGATION

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

7. MATERIAL CONTRACTS

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

- (a) the investment agreement dated 6 April 2016 (the "**Investment Agreement**") entered into between the Company, Aircraft Recycling International Limited, Aircraft Recycling International Holdings Limited ("**ARI Holdings**"), Sky Cheer International Limited ("**Sky Cheer**"), China Aero Investments Limited ("**China Aero**") and Neo Modern Limited ("**Neo Modern**") (ARI Holdings, Sky Cheer, China Aero and Neo Modern collectively known as the "**ARI Shareholders**") in relation to the subscription of 9,999,999 ordinary shares of ARI (the "**ARI Shares**") at the total subscription price of US\$9,999,999 and the transfer from the Group to China Aircraft Disassembly Centre Limited ("**CADC**") a project which principally involved the establishment of an aircraft recycling centre in the PRC for carrying out the aircraft recycling business at the disposal consideration not exceeding HK\$350 million;
- (b) the option agreement dated 6 April 2016 entered into between ARI and ARI Holdings in relation to the grant of option at the consideration of HK\$10 to require ARI to allot and issue to ARI Holdings 612,245 ARI Shares at the total option price of US\$612,245;
- (c) the shareholders' agreement dated 6 April 2016 entered into between ARI and each of the ARI Shareholders to regulate the relationship of ARI and the ARI Shareholders;
- (d) the shareholders' loan and guarantee agreement dated 6 April 2016 (the "**Shareholders' Loan and Guarantee Agreement**") entered into between ARI and each of the ARI Shareholders in relation to the provision of shareholders' loan from the ARI Shareholders and to provide guarantee for loans from banks, financial or other institutions;
- (e) the share mortgage dated 6 April 2016 entered into between ARI and ARI Holdings, by which ARI is to charge the entire issued share capital in CADC;

- (f) the convertible bonds repurchase agreement dated 6 July 2016 entered into between the Company and China Everbright Financial Investments Limited (“**CE Financial**”) in respect of the repurchase of convertible bonds in the principal amount of HK\$77,580,000;
- (g) the convertible bonds repurchase agreement dated 6 July 2016 entered into between the Company and China Huarong International Holdings Limited in respect of the repurchase of convertible bonds in the principal amount of HK\$387,900,000;
- (h) the convertible bonds repurchase agreement dated 6 July 2016 entered into between the Company and Great Wall Pan Asia International Investment Co., Limited in respect of the repurchase of convertible bonds in the principal amount of HK\$116,370,000;
- (i) the supplemental investment agreement dated 8 July 2016 entered into between the Company, ARI and each of the ARI Shareholders to extend the completion of the subscription of ARI Shares pursuant to the Investment Agreement;
- (j) certain subscription agreements dated 26 August 2016 entered into between the Company and certain subscribers in respect of the allotment and issuance of a total of 40,000,000 shares of the Company;
- (k) the supplemental shareholders’ loan and guarantee agreement dated 14 November 2016 entered into between ARI and each of the ARI Shareholders to amend the repayment terms under the Shareholders’ Loan and Guarantee Agreement; and
- (l) the convertible bonds repurchase agreement dated 8 May 2017 entered into between the Company and CE Financial in respect of the repurchase of convertible bonds in the principal amount of HK\$155,160,000.

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

8. MISCELLANEOUS

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

9. DOCUMENTS FOR INSPECTION

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

- (1) the Company's articles of association;
- (2) a copy of each contract set out in the paragraph headed "Material Contracts" in this Appendix;
- (3) the annual reports of the Group for the years ended 31 December 2014 to 2016;
- (4) the circular in relation to the very substantial disposal and proposal for the aircraft disposal mandate in relation to disposal of aircraft dated 29 December 2017; and
- (5) this circular.

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