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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.

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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 AND LEASEBACK ARRANGEMENT OF SEVEN AIRCRAFT

24 July 2018

CONTENTS

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

"Aircraft"	seven new Boeing 737–800 aircraft
"Aircraft Agreements"	the seven aircraft purchase and leaseback agreements entered into between the Company (through seven of its wholly-owned special purpose vehicles, as purchaser) and CEA (as vendor) on 1 June 2018, pursuant to which the Company agreed to purchase the Aircraft from CEA and thereafter lease the Aircraft back to CEA
"Announcement"	the announcement of the Company dated 1 June 2018 in relation to the Aircraft Agreements
"Board"	the board of Directors
"Boeing"	The Boeing Company, a company incorporated in the State of Delaware of the United States of America
"CALC" or "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
"CE Aerospace"	China Everbright Aerospace Holdings Limited, a company incorporated in the Cayman Islands and one of the substantial shareholders of the Company
"CEA"	China Eastern Airlines Corporation Limited, a company established under the laws of the PRC
"connected person(s)"	has the same meaning ascribed thereto under the Listing Rules
"Consideration"	the actual consideration payable by the Company, through seven of its wholly-owned special purpose vehicles, to CEA for purchase of the Aircraft
"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"	18 July 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
"Original Purchase Contract"	the aircraft purchase contract in relation to the Aircraft originally entered into between CEA and Boeing prior to the Transaction
"PRC"	The People's Republic of China
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) with par value of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction"	the transaction contemplated under the Aircraft Agreements
"US$"	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. CHEN Shuang, JP *(Chairman)*
Mr. POON Ho Man *(Chief Executive Officer)*
Ms. LIU Wanting
(Deputy Chief Executive Officer)

Non-executive Director:
Mr. TANG Chi Chun

Independent Non-executive Directors:
Mr. FAN Yan Hok, Philip
Mr. NIEN Van Jin, Robert
Mr. CHEOK Albert Saychuan
Mr. CHOW Kwong Fai, Edward, JP

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

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

24 July 2018

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE PURCHASE AND LEASEBACK ARRANGEMENT OF SEVEN AIRCRAFT

1 INTRODUCTION

Reference is made to the Announcement in relation to the Aircraft Agreements. The purpose of this circular is to provide the Shareholders with further details in relation to the Aircraft Agreements in accordance with the Listing Rules.

2 AIRCRAFT AGREEMENTS

The Company, through seven of its wholly-owned special purpose vehicles, entered into the Aircraft Agreements with CEA respectively, pursuant to which the Company agreed to purchase seven Aircraft from CEA and CEA agreed, among others, to assign to the Company its right to take delivery of the Aircraft from Boeing pursuant to the Original Purchase Contract.

The Aircraft will be leased back to CEA subsequently. Such leases will be classified as operating leases according to the Company's accounting policy.

Subject to the further negotiations between the Company and CEA, the Company, through another three of its wholly-owned special purpose vehicles, may enter into three additional aircraft purchase and leaseback agreements with CEA respectively to purchase three additional new Boeing 737–800 aircraft. Should the purchase of such additional aircraft materialise, it shall be aggregated with the Transaction in accordance with Rule 14.22 of the Listing Rules. It is expected that the Transaction, after being aggregated with the purchase of such additional aircraft, would still constitute a major transaction on the part of the Company under the Listing Rules. The Company will comply with the applicable requirements under the Listing Rules in due course.

Date

1 June 2018

Parties

(1) the Company, through seven of its wholly-owned special purpose vehicles, as the purchaser; and

(2) CEA, as the vendor.

Aircraft to be acquired

The Aircraft

Consideration

The aggregate list price of the Aircraft (which comprises the airframe price, optional features price and engine price) is approximately US$0.714 billion (equivalent to approximately HK$5.6 billion).

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

Based on the Company's industry understanding, the difference between the 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.

The difference between the list price of the Aircraft and the Consideration is not materially different from the discount that the Company has obtained in previous purchases of new aircraft from Boeing. 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 had obtained in previous purchases of new aircraft) and the Consideration is not material. The Company believes that the price difference between the list price of the Aircraft (after the abovementioned discount) and the 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 Consideration for the Aircraft under the Aircraft Agreements. CEA would not have entered into the Aircraft Agreements with the Company if the Company was required to disclose the Consideration, and it is also likely that the Company would not be able to enter into similar future transactions with CEA. 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 CEA to disclose the terms of the Aircraft Agreements other than the Consideration.

In addition, CEA is subject to a strict confidentiality obligation with regard to the purchase price of the Aircraft under the Original Purchase Contract with Boeing, and the Company will become subject to the same confidentiality obligation of not disclosing the pricing information in relation to the Aircraft when it proceeds with the Transaction. Disclosure of the purchase price of the Aircraft under the Original Purchase Contract could result in the loss of the significant discount against the list price that may be granted by Boeing to CEA and the Company for future purchases and could therefore adversely affect the business operation of the Company.

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

Payment and delivery terms

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

Financial impact of the Transaction

As mentioned above, the Consideration will be funded partly through the Group's internal resources and partly by external financing. The Transaction will therefore result in an increase in the Group's debt-to-equity ratio. The Transaction is not expected to have a substantial impact on the Group's financial position or its business operations. The Transaction is not expected to result in a material impact on the earnings, assets and liabilities of the Group.

3 REASONS FOR ENTERING INTO THE TRANSACTION

The Company entered into the Transaction as part of an aircraft purchase and leasing arrangement.

The Directors are of the view that completion of the Transaction will accelerate expansion and diversification of the Group's fleet portfolio. The purchase-and-leaseback 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 Transaction will also strengthen the Group's long-term relationship with quality top-tier airlines in the PRC, a booming aviation market.

The Directors confirm that the Aircraft Agreements have been entered into by the Company in the ordinary and usual course of business and that the Transaction will have no material adverse impact on the Company's operations and financial position. The Directors consider that the Aircraft Agreements are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

4 INFORMATION ABOUT THE GROUP AND CEA

The Group is principally engaged in global aircraft leasing business with a fleet of 112 owned and 4 managed aircraft respectively as at the Latest Practicable Date.

To the knowledge of the Directors, CEA is principally engaged in the business of civil aviation services.

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

5 IMPLICATIONS OF THE LISTING RULES

As the applicable percentage ratio under Rule 14.07 of the Listing Rules for the Aircraft Agreements is above 25% but below 100%, the 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 Aircraft Agreements 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 Aircraft Agreements; 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 Aircraft Agreements.

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 Aircraft Agreements. Written approval of the Aircraft Agreements has been obtained from the following Shareholders:

Name	Number of Shares held	Approximate percentage of shareholding *(Note)*
CE Aerospace	208,979,479	30.86%
FPAM	182,554,589	26.95%
Total:	391,534,068	57.81%

Note: Based on 677,269,380 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

(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 approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

6 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 2015, 2016 AND 2017

Financial information of the Group for each of the years ended 31 December 2015, 2016 and 2017 can be referred to the annual reports of the Company for the years ended 2015 (page 83 to page 162), 2016 (page 104 to page 195) and 2017 (page 105 to page 187), respectively.

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 May 2018, which is the latest practicable date for the purpose of determining the amount of indebtedness, the Company had outstanding interest-bearing borrowings of HK$31,822.5 million, which comprised of:

(i) secured bank borrowings and long-term borrowings of HK$20,345.3 million. The secured bank borrowings and 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 Group owning the related aircraft; (c) guarantees from certain companies of the Group; (d) pledge of deposits amounting to HK$181.6 million; and (e) certain rights and benefits in respect of acquisition of aircraft;

(ii) unsecured bank borrowings and long-term borrowings of HK$2,079.8 million, which were guaranteed by certain companies of the Group;

(iii) unsecured medium term notes of HK$814.6 million; and

(iv) unsecured bonds of HK$8,582.8 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 May 2018, 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 Consideration will be partly settled from the Group's internal resources and partly by long-term aircraft borrowings when the relevant Aircraft is about to be delivered. The Company expects that the Consideration, together with other capital commitments in relation to aircraft purchase totaling HK$83,317.7 million (of which HK$11,474.6 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 the Group's internal resources and may need to raise additional funds through Pre-delivery Payment financing, new commercial aircraft bank loans, issuance of notes under the Group's US$3 billion medium-term note programme ("**MTN Programme**") set up in December 2017, and other debt and equity financing. 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 by the Group 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. Each issuance of the note from the MTN Programme will be subject to the board of directors' approval and other external factors.

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 the planned disposal of aircraft, Pre-delivery Payment Financing and new commercial bank loans, issuance of new notes under the MTN Programme and for the 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.

4. FINANCIAL AND TRADING PROSPECTS

Financial Status

During the financial year ended 31 December 2017, the Group took delivery of 26 aircraft, which increased its fleet size to 107. Revenue and other income was HK$2,891.6 million, which represented an increase of HK$443.5 million or 18.1% from the corresponding period last year. Profit for the financial year ended 31 December 2017 amounted to HK$734.7 million, which represented an increase of HK$96.3 million or 15.1% 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 increased gains from disposal of finance lease receivables.

Total assets value was HK$37,994.3 million as at 31 December 2017, compared with HK$30,900.2 million as at 31 December 2016, which represented an increase of HK$7,094.1 million or 23.0%. The increase in assets was mainly due to the increase in fleet size during 2017. Total liabilities amounted to HK$34,567.2 million as at 31 December 2017, which represented an increment of HK$6,710.4 million or 24.1% compared with HK$27,856.8 million as at 31 December 2016.

The equity attributable to shareholders of the Company was HK$3,427.2 million as at 31 December 2017 compared with HK$3,043.3 million as at 31 December 2016, which represented an increase of HK$383.9 million or 12.6%.

Prospects

Expanded fleet

In 2017, the Group augmented its fleet with a total of 26 aircraft, the largest annual recorded expansion in CALC's history. The move increased its fleet to 107 aircraft as of 31 December 2017. The expanded fleet is supported by myriad sourcing channels, including new aircraft order book, purchase and leaseback, and portfolio trading. Additionally, CALC continued to maintain one of the youngest and most modern fleets in the industry with an average age of 3.7 years and average remaining lease of 8.4 years as of 31 December 2017.

We are especially proud of having taken delivery of a record-high nine aircraft in the single month of December 2017, an eloquent testimony to CALC's strengths: efficiency, effectiveness and capacity. CALC celebrated its 100th aircraft delivery with the debut delivery of an Airbus A320neo passenger jet in December 2017, a milestone highlighting CALC's dedication to providing reliable and flexible services for its airline clients.

Stronger order book

The Group also significantly built up its order book in 2017, a key asset that supports CALC's future delivery pipeline. In June 2017, CALC made its first purchase order 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 CALC one of the launch customers of this latest edition of Boeing's 737 jetliner. CALC further augmented its future fleet by adding 50 in-demand A320neo jetliners from Airbus S.A.S ("Airbus") in December 2017. Together with a pop-up order for three A320 aircraft sealed in April 2017 and another five ordered in December 2017, CALC purchased a total of 108 aircraft during the year. The Group has subsequently added 15 Airbus A320neo to its order book in January 2018, incrementing its aircraft purchase total to 123 within a space of nine months.

As of 23 March 2018, CALC's current fleet totaled 111 aircraft, with the total backlog for new aircraft reaching 193 aircraft, comprising 143 from Airbus and 50 from Boeing, all due for delivery by 2023. The strong order book is testimony to the robust relationship CALC has built with the OEMs (Original Equipment Manufacturers) since its inception.

Further global reach

As an important part of its global business strategy, CALC continues to expand its presence actively around the world and diversify its clientele. In 2017, CALC made forays into new markets such as Japan, Thailand, Malaysia and Indonesia in the Asia Pacific region, Spain and Russia in Europe, the US in North America as well as Chile in Latin America — remarkable achievements that underscore CALC's globalisation initiative that commenced in 2015.

Out of the 26 deliveries in 2017, 15 (i.e. approximately 58%) were leased to non-mainland carriers, growing CALC's overseas client share to 28% as of 31 December 2017 from approximately 20% at the end of 2016. As of 31 December 2017, our client portfolio included 27 airlines widely spread across 13 countries and regions in Asia Pacific, the Middle East, Europe, North America and Latin America, laying a solid foundation for further strengthened global presence.

CALC also continues to partner with top-tier aviation players as it goes global. In 2017, it initiated partnerships with renowned airline management and investment groups, including IAG and Indigo Partners, further optimising its customer portfolio.

Strengthened financing capability

CALC has continued to put itself at the forefront of financing innovation in the aircraft leasing industry. In 2017, CALC raised a total of US$3,242 million through diversified financing channels, to boost its financing flexibility, fueling its transition into the next phase of development. In March 2017, CALC took advantage of the low interest rate environment — before US interest rate hikes — and issued senior unsecured bonds to the value of US$500 million, consisting of five-year US$300 million and seven-year US$200 million bonds bearing interest rates of 4.7% and 5.5% respectively. Despite the bonds' unsecured nature and longer maturity period, the Group managed to bring down interest costs by reaching out to a diversified investor base beyond the banking community. This issuance has permitted CALC greater freedom and flexibility to capture market opportunities. In October 2017, CALC closed its first unsecured syndicated loan with a 4.5 year maturity. The loans will be used to finance or refinance part of the Pre-delivery Payments to be made for aircraft acquisition. Launched at US$175 million, the loan closed at US$425 million after receiving an overwhelming market response, reflecting the market's growing knowledge and confidence in the aircraft leasing industry. Furthermore, CALC established a US$3 billion senior unsecured medium-term note programme, which will further simplify the Group's financing arrangements and lower its future financing costs.

Since introducing the disposal of finance lease receivables into China in 2013, CALC has advanced such products to meet investors' evolving demands. After the successful private placement of lease receivables for 40 aircraft since 2013, CALC struck a historic breakthrough in December 2017 when it launched China's first listed asset-backed security ("ABS") denominated and settled in foreign currency, and the first aircraft lease receivable ABS. This development will enable CALC to tap into investors' huge appetite for US dollar denominated aircraft finance products with long-term and stable returns. Providing an important investing and hedging tool for domestic investors, the ABS was listed on the Shanghai Stock Exchange in January 2018, setting a precedent in China's asset securitisation history. By way of both private placement and listed ABS agreements, CALC disposed finance lease receivables for a sum of 21 aircraft in 2017.

Continued extension of aviation value chain

Capitalising on CALC's well founded platform, Aircraft Recycling International Limited ("ARI") is on board to a trajectory of encouraging development with its business deployment now well in place. ARI's scope of business includes aircraft and engine trading, leasing, purchase and leaseback, aircraft marketing and asset management, aircraft recycling, disassembly and part out as well as aircraft maintenance.

To strengthen CALC's downstream aviation ecosystem on a global scale, ARI completed in March 2017 the full acquisition of Universal Asset Management, Inc. ("UAM"), a global leader in aviation asset management, hi-tech aircraft disassembly and commercial aviation aftermarket solutions. As a full-fledged operator, UAM is of strategic significance to ARI and CALC as both can leverage its professional expertise in asset management, strong track record in aircraft disassembly and extensive distribution network, so as to collectively create a global state-of-the-art life cycle aircraft solutions platform.

The performance of CALC, ARI and UAM's unified team has been inspiring, demonstrating consistent execution of the Group's strategic plan and making CALC the only company that can truly be a full life cycle solutions provider for the airline industry worldwide. We are very positive about the prospects of ARI and the synergy that it will bring to CALC.

Currently, ARI has four mid-life aircraft leased to Sichuan Airlines, one under a joint venture. Additionally, it carried out its first engine purchase and leaseback transaction, involving four brand new CFM56–7B26 engines. The first was delivered in December 2017 while the other three completed delivery successively in 2018. ARI also closed its first aircraft trading deal by selling six old B737–700 aircraft to a US investor, recording a disposal gain.

Meanwhile, UAM witnessed another year of healthy business growth in 2017 thanks to its consistent execution, an efficient go-to-market strategy and robust customer network. Moreover, its strong purchasing capabilities, combined with UAM's ongoing focus on improving efficiencies across the organisation, resulted in enhanced cash flow efficiency. Meanwhile, with financial assistance from ARI, UAM was able to purchase strong aviation assets to augment trading and component support opportunities for its customer base worldwide.

The first phase of construction of ARI's aircraft recycling facility in Harbin has been completed. Once this facility is fully functional, it will significantly enhance the Group's aircraft recycling capabilities to meet strong customer demand for quality aircraft components and services. Along with UAM's existing recycling base in US, the dual platforms will tap into market opportunities in mainland China and throughout America, Europe, Asia and the rest of the world.

Transition into an asset-light business model

Riding on its established prowess in the field of aircraft leasing and financing, CALC announced the establishment of an aircraft investment vehicle in late 2017 as part of its business transformation initiatives for an asset-light oriented business model. The newly set-up platform, which mainly manages the overseas fleet portfolio, complements the current arrangement of disposals of finance lease receivables which mainly involve leases attached to PRC airlines. To facilitate the set up and to initiate its operations, CALC plans to inject aircraft from its fleet within two years, including 18 aircraft initially in 2018. The Group is doing so by working with mezzanine financiers, holding interests at a ratio of 20% to 80%, to invest in the portfolio of lease-attached aircraft. The said portfolio's asset size will be up to US$1.4 billion and the Group is looking to set this vehicle in motion in the first half of 2018.

By providing aircraft and lease management services to the aforementioned platform, CALC will strengthen its focus as an aircraft asset manager. The asset-light strategy will increase the aircraft assets under the Group's management without inducing substantial financial burden, thereby enabling CALC to maximise returns on equity by efficient capital turnover.

Strategic outlook

Since its inception, CALC has continued to evolve ahead of the market. With our entrepreneurial DNA, CALC has refined its value proposition by extending its aviation value chain in anticipation of consolidation within the industry. Our next strategic goal is to create value for the airline industry worldwide through active asset management, using an innovative delivery platform. With an asset-light business model well in place, CALC will continue to press ahead with its vision: to provide value-added aircraft solutions, maximise value in every part of the aircraft value chain for business partners, and reap satisfactory returns for investors and shareholders.

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 2017, 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:

		Number of Shares held (L)[1]			
Name of Directors	**Capacity**	**Nature of interests**	**Number of Shares held**	**Total interests**	**Approximate percentage of Shares in issue[2]**
CHEN Shuang	Beneficial owner	Personal interest	400,000		
	Beneficial owner	Derivatives interest	10,000,000[3]	10,400,000	1.54%
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	29.73%
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%
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 677,269,380 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 2017, 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) 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;

(b) 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 dated 6 April 2016; and

(c) the convertible bonds repurchase agreement dated 8 May 2017 entered into between the Company and China Everbright Financial Investments Limited 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 2015 to 2017; 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 14.66(4) of the Listing Rules from the Stock Exchange, so that only the redacted version of the Aircraft Agreements will be available for inspection by the public. Information in relation to the actual Consideration will not be disclosed in the Aircraft Agreements.