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

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

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

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This circular appears for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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**CHINA AIRCRAFT LEASING GROUP HOLDINGS LIMITED**

**中國飛機租賃集團控股有限公司**

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

**(Stock code: 1848)**

**(1) CONNECTED TRANSACTION**  
**SUBSCRIPTION AGREEMENT IN RELATION TO PROPOSED ISSUE OF**  
**CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**  
**AND**  
**(2) RE-ELECTION OF DIRECTOR**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Board is set out on pages 6 to 18 of this circular.

A notice convening the EGM to be held at Cliftons Hong Kong, 508-520 Hutchison House, 10 Harcourt Road, Central, Hong Kong at 10:30 a.m. on Tuesday, 19 May 2015 is set out on pages 47 to 48 of this circular. A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

30 April 2015

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## DEFINITIONS

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

“Announcements”	the announcements dated 26 March 2015 and 16 April 2015 respectively made by the Company in relation to, among others, the CE Subscription Agreement
“Board”	the board of Directors
“Bondholder(s)”	the holder(s) of the CE Convertible Bonds
“CE Convertible Bonds”	3.00% Convertible Bonds in the aggregate principal amount not exceeding HK\$387,900,000 convertible into Shares due on the Maturity Date
“CE Subscription Agreement”	a conditional subscription agreement dated 26 March 2015 entered into between the Company and China Everbright in relation to the Subscription of the CE Convertible Bonds in the principal amount of not exceeding HK\$387,900,000
“CEL”	China Everbright Limited (中國光大控股有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“CEL Group”	CEL and its subsidiaries
“China Everbright”	China Everbright Financial Investments Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of CEL
“China Everbright Aerospace”	China Everbright Aerospace Holdings Limited, a company incorporated in the Cayman Islands and a wholly-owned subsidiary of CEL and one of the Controlling Shareholders
“close associates”	shall have the meaning as defined in the Listing Rules
“Closing”	closing of the CE Subscription Agreement
“Closing Date”	the closing date of the CE Subscription Agreement, being 26 May 2015, or such later date as the parties to the CE Subscription Agreement may agree
“Closing Price”	the closing price published in the daily quotation sheet published by the Stock Exchange for such day

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## DEFINITIONS

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“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 same meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	has the same meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Capella Capital Limited, FPAM, Mr. Poon Ho Man, Ms. Christina Ng, China Everbright Aerospace and CEL
“Conversion Price”	conversion price of the CE Convertible Bonds being HK\$11.28 (subject to adjustments) per Share
“Conversion Rights”	the rights attached to the CE Convertible Bonds to convert the principal amount of the CE Convertible Bonds or part thereof into New Shares
“Convertible Bonds”	3.00% convertible bonds in the aggregate principal amount not exceeding HK\$892,170,000 convertible into Shares due on three years from the date(s) of issue
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at 10:30 a.m. on Tuesday, 19 May 2015 at Cliftons Hong Kong, 508-520 Hutchison House, 10 Harcourt Road, Central, Hong Kong, the notice of which is set out on pages 47 to 49 of this circular, and any adjournment thereof for the purpose of considering, and if thought fit, approving the CE Subscription Agreement and the transaction contemplated thereunder and the proposed re-election of Director
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“FPAM”	Friedmann Pacific Asset Management Limited, a company incorporated in the British Virgin Islands and one of the Controlling Shareholders
“GM Convertible Bonds”	the Convertible Bonds issued to Huarong International and Great Wall under the Huarong Subscription Agreement and the Great Wall Subscription Agreement

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## DEFINITIONS

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“Great Wall”	Great Wall Pan Asia International Investment Co., Limited, a company incorporated in Hong Kong with limited liability
“Great Wall Subscription Agreement”	a conditional Subscription Agreement dated 26 March 2015 entered into between the Company and Great Wall in relation to the Subscription of the GM Convertible Bonds in the principal amount of not exceeding HK\$116,370,000
“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 China
“Huarong International”	Huarong (HK) International Holdings Limited, a company incorporated in Hong Kong with limited liability
“Huarong Subscription Agreement”	a conditional Subscription Agreement dated 26 March 2015 entered into between the Company and Huarong International in relation to the Subscription of the GM Convertible Bonds in the principal amount of not exceeding HK\$387,900,000
“Independent Board Committee”	the independent Board committee, comprising all disinterested non-executive Directors, namely Mr. Guo Zibin, Mr. Fan Yan Hok, Philip, Mr. Ng Ming Wah, Charles, Mr. Zhang Chongqing and Mr. Nien Van Jin, Robert, which will be formed to advise the Independent Shareholders in respect of the CE Subscription Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Investec”	Investec Capital Asia Limited, a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, and is an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the CE Subscription Agreement and the transaction contemplated thereunder
“Independent Shareholders”	any Shareholder that is not required to abstain from voting at a general meeting, if necessary, to approve a connected transaction
“Last Trading Day”	26 March 2015
“Latest Practicable Date”	24 April 2015, being the latest practicable date for the purposes of ascertaining certain information contained in this circular

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Majority Bondholders”	Bondholders holding the CE Convertible Bonds representing more than 50% of the aggregate principal amount of all CE Convertible Bonds then outstanding
“Maturity Date”	three years from the date of issue of the CE Convertible Bonds
“New Shares”	the Shares to be allotted and issued upon the exercise of the Conversion Rights
“Outstanding Options”	the options granted by the Company to subscribe for an aggregate of 63,207,900 Shares pursuant to the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, which are outstanding 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 of 11 July 2014
“PRC”	People’s Republic of China
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by China Aircraft Leasing Holdings Limited (an exempted company incorporated with limited liability under the laws of the Cayman Islands on 31 December 2010) on 4 August 2011 and taken over by the Company under the corporate reorganization 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
“SFC”	the Securities and Futures Commission of Hong Kong
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the CE Convertible Bonds by China Everbright pursuant to the CE Subscription Agreement

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## DEFINITIONS

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“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Trading Day”	a day when the Stock Exchange is open for dealing business, provided that if no Closing Price is reported for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and must be deemed not have existed when ascertaining any period of dealing days
“Whitewash Waiver”	the waiver by the Executive under Note 1 to the Notes on Dispensations from Rule 26 of the Takeovers Code of the obligation on the part of China Everbright to make a general offer to the Shareholders for all issued shares and other securities of the Company not already owned or agreed to be acquired by China Everbright and parties acting in concert with it as a result of the allotment and issue of the New Shares to China Everbright
“%”	per cent.

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LETTER FROM THE BOARD

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**CALC**

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

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

**(Stock code: 1848)**

*Executive Directors:*

Mr. 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:*

Maples Corporate Services Limited  
PO Box 309, Uglund House  
Grand Cayman, KY1-1104  
Cayman Islands

*Principal Place of business in China:*

Room 6026-14, 6/F  
Joint Inspection Service Centre of Closed Area  
1 American Road  
Dongjiang Free Trade Port Zone  
Tianjin, China

*Principal place of business in Hong Kong:*

28th Floor, Far East Finance Centre  
16 Harcourt Road, Hong Kong

30 April 2015

**(1) CONNECTED TRANSACTION**  
**SUBSCRIPTION AGREEMENT IN RELATION TO PROPOSED ISSUE OF**  
**CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**  
**AND**  
**(2) RE-ELECTION OF DIRECTOR**

*To the Shareholders*

Dear Sir or Madam,

**I. INTRODUCTION**

Reference is made to the Announcements issued by the Company dated 26 March 2015 and 16 April 2015 respectively in relation to, among other things, the CE Subscription Agreement pursuant to which China Everbright has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the CE Convertible Bonds in the aggregate principal amount not exceeding HK\$387,900,000, which may be converted into 34,388,297 New Shares based on the initial Conversion Price upon full conversion.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you, among other things, (i) further details of the Subscription; (ii) a letter of recommendation from the Independent Board Committee in relation to the Subscription and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser in relation to the Subscription and the transactions contemplated thereunder; (iv) the re-election of an independent non-executive Director of the Company and (v) a notice convening the EGM.

### II. THE CE SUBSCRIPTION AGREEMENT

On 26 March 2015, after trading hours, the Company entered into the CE Subscription Agreement with China Everbright. Details of the CE Subscription Agreement and the principal terms of the CE Convertible Bonds are set out below.

#### Parties

- (1) the Company (as the issuer)
- (2) China Everbright (as the Investor)

China Everbright is the wholly-owned subsidiary of CEL, which is a Controlling Shareholder of the Company.

#### Subscription

Pursuant to the CE Subscription Agreement, the Company conditionally agreed to issue and China Everbright conditionally agreed to subscribe for the CE Convertible Bonds in the aggregate principal amount not exceeding HK\$387,900,000, which may be converted into 34,388,297 New Shares based on the initial Conversion Price upon full conversion.

#### Conditions Precedent

Completion of the CE Subscription Agreement is conditional upon the fulfilment, or appropriate waiver from the China Everbright (except for the condition referred to in paragraphs (ii) and (vi) below, which shall not be capable of being waived), of the following conditions precedent:

- (i) the Executive having granted the Whitewash Waiver;
- (ii) the Independent Shareholders having approved the Whitewash Waiver (unless the condition referred to in paragraph (i) above is waived by China Everbright), the entering into, execution and performance by the Company of the CE Subscription Agreement and the CE Convertible Bonds and all the transactions contemplated thereunder at the EGM;
- (iii) the representations and warranties of the Company in the CE Subscription Agreement being true, accurate and correct at, and as if made on, the Closing Date;

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## LETTER FROM THE BOARD

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- (iv) the Company having performed all of its obligations under the CE Subscription Agreement to be performed on or before the Closing Date;
- (v) China Everbright having received a certificate on the Closing Date in the form prescribed in the CE Subscription Agreement;
- (vi) the Stock Exchange having approved the listing of and dealing in the New Shares; and
- (vii) the Company having delivered to China Everbright copies of all consents and approvals or, as the case may be, any relevant waiver required (if any) on the part of the Company in relation to entering into of the CE Subscription Agreement, the issue of the CE Convertible Bonds and the performance of its obligations under the CE Convertible Bonds and all the transactions contemplated under the CE Subscription Agreement on or prior to the Closing Date.

China Everbright may, at its sole discretion and upon such terms as it thinks fit, waive compliance with the whole or any part of conditions precedent (except for the conditions referred to in paragraphs (ii) and (vi) above, which shall not be capable of being waived) by written notice to the Company. If the abovementioned conditions cannot be fulfilled or waived by China Everbright may agree, the CE Subscription Agreement shall terminate and be of no further effect and no party shall be under any liability to any other in respect of the CE Subscription Agreement.

As at the Latest Practicable Date, as announced by the Company on 16 April 2015, the condition referred to in paragraph (i) above has been waived by China Everbright and none of the others has been fulfilled. China Everbright has no present intention to waive any of the other conditions.

### **Completion**

Completion of the CE Subscription Agreement shall take place on the Closing Date. It is expected that closing of the CE Subscription Agreement will take place on 26 May 2015.

### **Commitment Arrangement Fee**

Pursuant to the CE Subscription Agreement, the Company shall pay to China Everbright commitment arrangement fee on the outstanding principal amount of CE Convertible Bonds at the rate of 3.5% per annum payable semi-annually in arrears.

### **Right of first refusal**

Subject to consummation of Closing and China Everbright subscribing for the CE Convertible Bonds (or part thereof) in its own name at Closing, for a period of three years from the date of the CE Subscription Agreement or, if earlier, until China Everbright ceases to hold any CE Convertible Bonds, the Company shall not issue further bonds that are convertible into Shares with an initial conversion price that is less than the Conversion Price, without first offering such convertible bonds for subscription or purchase by China Everbright in the proportion which the original principal

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## LETTER FROM THE BOARD

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amount of the CE Convertible Bonds held by China Everbright bears to the aggregate of the original principal amount of the Convertible Bonds, provided that the grant by the Company of the above right of first refusal must be in full compliance with the requirements of the Listing Rules.

If China Everbright (who is a connected person of the Company) exercises the right of first refusal, the Company will comply with the relevant requirement under Chapter 14A of the Listing Rules for the issue of further bonds and/or new Shares to be allotted and issued upon conversion of the further bonds.

### III. TERMS AND CONDITIONS OF THE CE CONVERTIBLE BONDS

#### **Interest**

The CE Convertible Bonds shall carry coupon interest at the rate of 3% per annum payable semi-annually in arrears.

As stated in the paragraph headed “The CE Subscription Agreement – Commitment Arrangement Fee” above, the Company shall pay to China Everbright commitment arrangement fee on the outstanding principal amount of Bonds at the rate of 3.5% per annum, as such, China Everbright will therefore be entitled to the above commitment arrangement fee at the rate of 3.5% per annum, as well as interest at the rate of 3% per annum on the outstanding principal amount of Convertible Bonds for so long as it remains as a Bondholder.

#### **Maturity and redemption**

Under the terms and conditions of the CE Convertible Bonds, the Company may redeem the CE Convertible Bonds if it is required to gross up amount payable on the CE Convertible Bonds by reason of deduction or withholding for or on account of any present or future taxes and the Bondholders shall have the right to require the Company to redeem all of the CE Convertible Bonds prior to the Maturity Date when (a) the listing of the Shares on the Stock Exchange is cancelled or withdrawn; or (b) the Company is delisted by the Stock Exchange; or (c) approval from the Stock Exchange with respect to listing of and dealing in the Shares arising from the conversion of the CE Convertible Bonds is revoked or cancelled.

Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem each CE Convertible Bond at its principal amount together with accrued but unpaid interest to such date on the Maturity Date.

#### **Ranking of New Shares**

The CE Convertible Bonds will be convertible into New Shares, which when issued and delivered:

- (1) will be duly and validly issued, fully-paid and non-assessable;

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## LETTER FROM THE BOARD

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- (2) will rank pari passu with and carry the same rights and privileges in all respects as any other class of ordinary share capital of the Company and shall be entitled to all dividends and other distributions declared, paid or made thereon; and
- (3) subject to the terms and conditions of the CE Convertible Bonds, will be freely transferable, free and clear of all liens, charges, encumbrances, security interests or claims of third parties.

### **Conversion Period**

Conversion Rights may be exercised at any time (subject to any applicable fiscal or other laws or regulations and as hereinafter provided) on or after the 41st day from the Closing Date to the date falling ten days prior to the Maturity Date.

### **Conversion Price**

The price at which News Shares will be issued upon exercise of a Conversion Right will be HK\$11.28 per Share.

The Conversion Price represents:

- (1) a premium of approximately 16.09% to the average Closing Price of the Shares of approximately HK\$9.72 per Share for the last 30 consecutive Trading Days up to and including the Last Trading Day;
- (2) a premium of approximately 15.46% to the average Closing Price of the Shares of approximately HK\$9.77 per Share for the last 10 consecutive Trading Days up to and including the Last Trading Day;
- (3) a premium of approximately 10.89% to the average Closing Price of the Shares of approximately HK\$10.17 per Share for the last 5 consecutive Trading Days up to and including the Last Trading Day;
- (4) a premium of approximately 5.22% to the Closing Price of the Shares of HK\$10.72 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (5) a discount of approximately 18.85% to the Closing Price of the Shares of HK\$13.90 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Conversion Price was determined after arm's length negotiations between the Company and China Everbright having regard to the prevailing market price of the Shares prior to the date of the CE Subscription Agreement and the business performance of the Group under the prevailing market conditions.

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## LETTER FROM THE BOARD

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The Conversion Price is subject to adjustment in accordance with the terms and conditions of the CE Convertible Bonds, including, upon (i) the occurrence of an alteration to the nominal value of the Shares as a result of consolidation, subdivision or re-classification, (ii) capitalisation of profits or reserves, (iii) capital distributions, (iv) rights issues of Shares or options over Shares to all Shareholders or substantially all Shareholders as a class at less than 95% of the then current market price, (v) rights issues of securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all Shareholders or substantially all Shareholders as a class, (vi) issues of Shares or grant of rights to subscribe for, purchase or otherwise acquire Shares at less than 95% of the then current market price, (vii) other issues of securities carrying rights of conversion into, or exchange or subscription for Shares at less than 95% of the then current market price, (viii) modification of rights of conversion at less than 95% of the then current market price, (ix) other offers of securities to Shareholders generally, and (x) occurrence of other events which is determined by an independent investment bank engaged by the Company to be fair and reasonable to make an adjustment to the Conversion Price. The Company will publish an announcement upon any adjustment to the Conversion Price.

### **Voting rights**

Other than meetings of the Bondholders, the Bondholders will not have any right to attend or vote at any meeting of the Company by virtue of them being Bondholders, and until and unless they have converted all or part of their Convertible Bonds into Shares entitling holders to attend or vote at the meetings of the shareholders of the Company.

### **Events of default**

Pursuant to the CE Subscription Agreement, if, among others, any of the following events occurs and is continuing, the Majority Bondholders at their discretion may give notice to the Company that the CE Convertible Bonds are, and they shall immediately become due and repayable at their principal amount together with accrued but unpaid interest to the date of payment:

- (i) the Company fails to pay the principal, premium or any interest on any of the CE Convertible Bonds when due and the default continues for a period of 14 days; or
- (ii) any failure by the Company to deliver any New Shares as and when the New Shares are required to be delivered following conversion of CE Convertible Bonds; or
- (iii) the Company does not perform or comply with any one or more of its other obligations in the CE Convertible Bonds which default is incapable of remedy or, if capable of remedy, is not remedied within 45 days after written notice of such default shall have been given to the Company by the Bondholders; or
- (iv) it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under any of the CE Convertible Bonds; or

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## LETTER FROM THE BOARD

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- (v) the current listing of the Shares having been cancelled or withdrawn, or the Company is delisted by the Stock Exchange or the Stock Exchange approval with respect to the listing and dealing in of the New Shares arising from the conversion of the CE Convertible Bonds having been revoked or cancelled; or
- (vi) the Company ceases or threatens to cease to carry on its business or any substantial part thereof or changes or threatens to change the nature or scope of its business or the Company disposes of or threatens to dispose of all or substantial part of its business or assets.

### **Transfer**

The CE Convertible Bonds may be transferred in denominations of HK\$10,000. No Bondholder may require the transfer of a CE Convertible Bond to be registered (a) during the period of seven days ending on (and including) the dates for payment of any principal; (b) after a conversion notice has been delivered with respect to a CE Convertible Bond; or (c) during the period of seven days ending on (and including) any interest record date.

### **Form and denomination**

The CE Convertible Bonds will be issued in registered form in the denomination of HK\$10,000 each.

### **Number of New Shares issuable**

Based on the Conversion Price, a total of 34,388,297 New Shares will be issued upon full conversion of the CE Convertible Bonds and the aggregate nominal value of the New Shares to be issued shall be HK\$3,438,829.70.

Assuming full conversion of the CE Convertible Bonds at the Conversion Price, the CE Convertible Bonds will be converted into 34,388,297 New Shares, representing approximately 5.81% (or approximately 5.25% assuming all the Outstanding Options are exercised) of the existing issued share capital of the Company and approximately 5.49% (or approximately 4.99% assuming all the Outstanding Options are exercised) of the issued share capital of the Company as enlarged by the issue of the New Shares.

### **Listing**

No application will be made for the listing of, and permission to deal in, the CE Convertible Bonds on the Stock Exchange or any other stock or securities exchange. Application will be made for the listing of and permission to deal in the New Shares.

## LETTER FROM THE BOARD

### IV. SHAREHOLDING STRUCTURE OF THE COMPANY

To the best knowledge of the Directors and for illustration purpose only, the shareholding structure of the Company as at Latest Practicable Date and immediately after conversion in full of the Convertible Bonds (assuming that there is no other change in the issued share capital of the Company) is as follows:

	As at the Latest Practicable Date		Immediately upon full conversion of the Convertible Bonds (assuming no exercise of Outstanding Options)		Immediately upon full conversion of the Convertible Bonds (assuming full exercise of Outstanding Options)		Immediately upon full conversion of the CE Convertible Bonds (assuming full exercise of the Outstanding Options and no conversion of GM Convertible Bonds)		Immediately upon full conversion of the CE Convertible Bonds (assuming no exercise of the Outstanding Options and no conversion of GM Convertible Bonds)		Immediately upon full conversion of the CE Convertible Bonds held by Huarong International but no exercise of the Outstanding Options and no conversion of the Convertible Bonds held by Great wall)		Immediately upon full conversion of the CE Convertible Bonds held by Great Wall but no exercise of the Outstanding Options and no conversion of the Convertible Bonds held by Huarong International)	
	Approximate shareholding		Approximate shareholding		Approximate shareholding		Approximate shareholding		Approximate shareholding		Approximate shareholding		Approximate shareholding	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
CEL (Notes 1 and 2)	215,199,479	36.39	249,587,776	37.22	251,587,776	34.29	251,587,776	36.51	249,587,776	39.88	249,587,776	37.80	249,587,776	39.24
Poon Ho Man (Notes 3 and 4)	181,254,589	30.65	181,254,589	27.03	197,554,589	26.92	197,554,589	28.67	181,254,589	28.96	181,254,589	27.45	181,254,589	28.49
<b>Directors:</b>														
Chen Shuang	-	-	-	-	200,000	0.03	200,000	0.03	-	-	-	-	-	-
Tang Chi Chun	-	-	-	-	200,000	0.03	200,000	0.03	-	-	-	-	-	-
Guo Zibin	-	-	-	-	200,000	0.03	200,000	0.03	-	-	-	-	-	-
Fan Yan Hok, Philip	66,000	0.01	66,000	0.01	200,000	0.03	200,000	0.03	66,000	0.01	66,000	0.01	66,000	0.01
Ng Ming Wah, Charles	-	-	-	-	200,000	0.03	200,000	0.03	-	-	-	-	-	-
Zhang Chongqing	-	-	-	-	200,000	0.03	200,000	0.03	-	-	-	-	-	-
Nien Van Jin, Robert	-	-	-	-	200,000	0.03	200,000	0.03	-	-	-	-	-	-
Smart Vintage Investments Limited (Note 5)	2,000,000	0.34	2,000,000	0.30	10,000,000	1.36	10,000,000	1.45	2,000,000	0.32	2,000,000	0.30	2,000,000	0.31
<b>Public:</b>														
Huarong International	-	-	34,388,297	5.13	34,388,297	4.69	-	-	-	-	34,388,297	5.21	-	-
Great Wall	-	-	10,316,489	1.54	10,316,489	1.41	-	-	-	-	-	-	10,316,489	1.62
Other Shareholders	192,906,032	32.61	192,906,032	28.77	228,479,932	31.14	228,479,932	33.16	192,906,032	30.82	192,906,032	29.22	192,906,032	30.32
<b>Total</b>	<b>591,426,100</b>	<b>100</b>	<b>670,519,183</b>	<b>100</b>	<b>733,727,083</b>	<b>100</b>	<b>689,022,297</b>	<b>100</b>	<b>625,814,397</b>	<b>100</b>	<b>660,202,694</b>	<b>100</b>	<b>636,130,886</b>	<b>100</b>

*Notes:*

- Among these Shares, 206,979,479 of which were held by China Everbright Aerospace, a wholly-owned subsidiary of CEL and 8,220,000 of which were held by China Everbright, which is an indirect wholly-owned subsidiary of CEL, accordingly, CEL is deemed to be interested in all these Shares.
- Apart from the Shares mentioned in Note 1 above, China Everbright Aerospace and CEL are also interested in 2,000,000 underlying shares of the Company in respect of 2,000,000 share options granted by the Company to China Everbright Aerospace pursuant to the Pre-IPO Share Option Scheme.
- These Shares were held by FPAM, which is owned as to 0.000001% by Ms. Christina Ng and 99.999999% by Capella Capital Limited, which in turn is owned as to 10% by Ms. Christina Ng and 90% by Mr. Poon Ho Man. Accordingly, Mr. Poon Ho Man is deemed to be interested in all the Shares held by FPAM. Ms. Christina Ng is the spouse of Mr. Poon Ho Man.

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## LETTER FROM THE BOARD

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4. Apart from the Shares mentioned in Note 3 above, Mr. Poon Ho Man is also interested in 16,300,000 underlying shares of the Company in respect of (i) 1,300,000 share options granted by the Company to FPAM pursuant to the Pre-IPO Share Option Scheme; and (ii) 15,000,000 share options granted by the Company to Equal Honour Holdings Limited pursuant to the Pre-IPO Share Option Scheme. Equal Honour Holdings Limited is wholly-owned by Mr. Poon Ho Man.
5. Smart Vintage Investments Limited is wholly-owned by Ms. Liu Wanting.

### **V. SPECIFIC MANDATE TO ISSUE THE NEW SHARES**

The New Shares to be allotted and issued upon conversion of the CE Convertible Bonds will be issued under a specific mandate by an ordinary resolution to be proposed for passing by the Independent Shareholders at the EGM.

### **VI. USE OF PROCEEDS**

The estimated net proceeds of the issue of CE Convertible Bonds (after deducting fees and expenses) will be approximately HK\$380,630,000.

It is intended that the Company shall mainly use the net proceeds from the issue of the CE Convertible Bonds for aircraft acquisition, including part financing of the aircraft purchases contemplated under the two aircraft purchase agreements (as disclosed in the circular of the Company dated 10 December 2014) entered into by Airbus S.A.S. and China Aircraft Leasing Company Limited on 1 December 2014 regulating the purchase of 100 Airbus A320 series aircrafts.

Based on the net proceeds from the issue of the CE Convertible Bonds of HK\$380,630,000, the net subscription price per New Share is approximately HK\$11.07.

### **VII. REASONS FOR THE CE SUBSCRIPTION AGREEMENT**

The Directors consider that raising funds by issuing the CE Convertible Bonds is justifiable considering the recent debt and equity market conditions and the characteristics of convertible bonds.

The Company has considered other alternative financing methods such as debt financing and equity financing. The management advised that assets pledge and other securities may be required for additional bank borrowings and / or debt securities such as a bond whilst such security is not required for issue of the CE Convertible Bonds. As set out in the Annual Results announcement dated 26 March 2015, in addition to the existing debt financing, the Company has been seeking for more financing channels to facilitate growth.

Alternative type of equity financing such as rights issue was also considered by the Board. However, while the conversion price of the CE Convertible Bonds is at a premium to the then prevailing share price, a rights issue would normally be priced at a discount to the market in order to attract investors and / or underwriters. The Convertible Bonds (when converted) also enable the Company to add institutional investors to its existing capital base.

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## LETTER FROM THE BOARD

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The Directors also consider that it would be prudent to reduce its reliance on secured borrowings to finance its business expansion. It is relatively easier and lower costs for the Company to obtain funds by way of issuing the CE Convertible Bonds than financing in the debt market directly, given the relatively high gearing ratio of the Group. The conversion of the CE Convertible Bonds into New Shares will strengthen the Company's capital base and lower the gearing ratio. Further, if the Group obtains bank borrowings, assets pledge and other security may be required whilst such security is not required for issue of the CE Convertible Bonds.

The Directors also consider that the issue of the CE Convertible Bonds is an appropriate means of raising additional capital for the Group since it will not have an immediate dilutive effect on the shareholding of the existing Shareholders.

The Subscription by China Everbright demonstrates the confidence of the CEL Group in the Group's long-term prospects. With the cash acquired from the issue of CE Convertible Bonds, the Group will execute its fleet expansion plans to pursue its future growth.

### VIII. THE PRINCIPAL BUSINESS OF THE GROUP AND CHINA EVERBRIGHT

China Everbright is a limited company incorporated in Hong Kong which is principally engaged in investment holding.

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

### IX. FUND RAISING ON ISSUE OF EQUITY SECURITIES BY THE COMPANY IN THE LAST 12 MONTHS

Apart from the fund raising activities mentioned below, the Company has not carried out other fund raising activities during the 12 months immediately preceding the Latest Practicable Date:

<b>Date of initial announcement</b>	<b>Fund raising activity</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
30 June 2014 (date of prospectus)	Global offering of 131,800,000 Shares	90% of net proceeds of approximately HK\$591.1 million will be used for aircraft acquisition and the remainder as general working capital for the Group	90% of net proceeds of approximately HK\$591.1 million was fully utilized for aircraft acquisition and the remainder was fully utilized as general working capital for the Group

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## LETTER FROM THE BOARD

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### X. IMPLICATIONS OF THE LISTING RULES AND TAKEOVERS CODE

As at the Latest Practicable Date, China Everbright is an associate of CEL, the Controlling Shareholder of the Company, by virtue of it being a wholly-owned subsidiary of CEL and hence a connected person of the Company, as such, the entering into of the CE Subscription Agreement constituted a connected transaction for the Company, and is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As Mr. Chen Shuang and Mr. Tang Chi Chun, both non-executive Directors, are executive directors of CEL and directors of China Everbright, they are considered to have a material interest in the transactions contemplated under the CE Subscription Agreement and accordingly, they had abstained from voting on the board resolution approving the transactions contemplated under the CE Subscription Agreement.

Upon full conversion of the CE Convertible Bonds, the shareholding of China Everbright and any party acting in concert with it will increase from approximately 36.39% to approximately 39.88% (assuming no exercise of Outstanding Options and no conversion of the GM Convertible Bonds), or approximately 36.51% (assuming full exercise of Outstanding Option but no conversion of the GM Convertible Bonds), or approximately 37.80% (assuming full conversion of the Convertible Bonds held by Huarong International but no exercise of Outstanding Options and no conversion of the Convertible Bonds held by Great Wall), or approximately 39.24% (assuming full conversion of the Convertible Bonds held by Great Wall but no exercise of Outstanding Options and no conversion of the Convertible Bonds held by Huarong International), or approximately 37.22% (assuming full conversion of the GM Convertible Bonds but no exercise of Outstanding Options), or approximately 34.29% (assuming full conversion of the GM Convertible Bonds and full exercise of Outstanding Options) of the then issued share capital of the Company as enlarged by the allotment and issue of the New Shares (assuming that there is no other change in the issued share capital of the Company other than the issue of the New Shares to China Everbright and/or to Huarong International and/or to Great Wall and/or the exercise of the Outstanding Options as mentioned above), thereby may trigger a general offer obligation under Rule 26.1 of the Takeovers Code as such increase will have the effect of increasing the collective holding of voting rights in the Company held by China Everbright and any party acting in concert by more than 2% from their lowest collective percentage holding within the period of 12 months.

As announced by the Company on 16 April 2015, China Everbright will not, prior to Closing of the CE Subscription Agreement, apply to the Executive for the granting of the Whitewash Waiver. Accordingly at the EGM, no approval to the granting of the Whitewash Waiver will be sought from the Independent Shareholders. China Everbright may at a later stage, after Closing of the CE Subscription Agreement and as holder of the CE Convertible Bonds, seek the granting of a Whitewash Waiver from the Executive and approval for such grant from the Independent Shareholders.

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## LETTER FROM THE BOARD

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### XI. RE-ELECTION OF DIRECTOR

As announced by the Company on 29 April 2015, Mr. Cheok Albert Saychuan (“**Mr. Cheok**”) was appointed by the Board as an independent non-executive Director with effect from 8 May 2015 to fill a casual vacancy arising from the retirement of Mr. Zhang Chongqing on the same day.

Under the Corporate Governance Code set out in Appendix 14 to the Listing Rules, directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Accordingly, Mr. Cheok shall retire at the first general meeting after appointment, that is, at the EGM and being eligible, will offer himself for re-election.

At the EGM, an ordinary resolution will be proposed to re-elect Mr. Cheok as an independent non-executive Director.

The biographical details and other particulars relating to Mr. Cheok are set out in Appendix II to this circular as required under Rule 13.51(2) of the Listing Rules to enable the Shareholders to make an informed decision on the proposed re-election.

### XII. EGM

A notice convening the EGM to be held at Cliftons Hong Kong, 508-520 Hutchison House, 10 Harcourt Road, Central, Hong Kong at 10:30 a.m. on Tuesday, 19 May 2015 is set out on pages 47 to 48, of this circular. Ordinary resolutions will be proposed at the EGM to consider and, if thought fit, to approve, by way of poll, (i) the CE Subscription Agreement and the transactions contemplate thereunder; (ii) the specific mandate for the issue of New Shares upon conversion of the CE Convertible Bonds; and (iii) the re-election of Mr. Cheok as an independent non-executive Director of the Company, the result of which will be announced after the EGM.

China Everbright and its close associates, and any Shareholders who are materially interested in the CE Subscription Agreement, are required to abstain from voting ordinary resolution no. 1 proposed to be passed at the EGM approving the transactions contemplated under the CE Subscription Agreement. To the best knowledge of the Directors after making all reasonable enquiries, as at the Latest Practicable Date, China Everbright and its close associates held an aggregate of 215,199,479 Shares, representing approximately 36.39% of the entire issued share capital of the Company as at the Latest Practicable Date.

Mr. Poon Ho Man did not have any material interest in the transactions contemplated under the CE Subscription Agreement and the transaction contemplated thereunder. Mr. Poon Ho Man, in his capacity as an executive Director, has participated in the negotiation of the terms of the CE Subscription Agreement and has voted for the board resolutions approving the CE Subscription Agreement and the transaction contemplated thereunder. Other than the above, he has no other involvement in the CE Subscription Agreement. As a Shareholder, Mr. Poon’s interest in the CE Subscription Agreement is the same as other Independent Shareholders. Mr. Poon Ho Man and his associates were originally required to abstain from voting at the EGM due to his above involvement in the CE Subscription Agreement and the Whitewash Waiver pursuant to the Takeovers Code. Given that no approval to the granting of the Whitewash Waiver

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## LETTER FROM THE BOARD

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will be sought from the Independent Shareholders at the EGM, the relevant restriction under the Takeovers Code is no longer applicable and Mr. Poon Ho Man and his associates shall therefore be regarded as Independent Shareholders and be entitled to vote at the EGM.

### XIII. RECOMMENDATION

The Directors (including Independent Board Committee after considering the advice of the Independent Financial Adviser) consider that the CE Subscription Agreement and the transaction contemplated thereunder are not in the ordinary and usual course of business of the Group but are fair and reasonable and on normal commercial terms, and in the interests of the Group and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM in relation to the CE Subscription Agreement and the transaction contemplated thereunder.

The Directors consider that the re-election of Mr. Cheok as an independent non-executive Director is in the interests of the Group and the Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM in relation to his re-election.

Your attention is drawn to:

- (a) this letter from the Board;
- (b) a letter of recommendation from the Independent Board Committee is set out on pages 19 to 20 of this circular; and
- (c) a letter from Investec, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 38 of this circular.

### XIV. FURTHER 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*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the CE Subscription Agreement and the transactions contemplated thereunder:*

***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)**

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION**  
**SUBSCRIPTION AGREEMENT IN RELATION TO PROPOSED ISSUE OF**  
**CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

We refer to the circular dated 30 April 2015 (the “**Circular**”) to the shareholders of the Company of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders in respect of the CE Subscription Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” contained in the Circular. Investec Capital Asia Limited has been appointed to advise the Independent Shareholders and us in this regard.

Details of the advice and the principal factors and reasons Investec has taken into consideration in giving such advice, are set out in the “Letter from Investec Capital Asia Limited” in the Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information set out in the appendices thereto.

Having taken into account the terms of the CE Subscription Agreement and the transactions contemplated thereunder and the advice of Investec, we are of the opinion that the terms of the CE Subscription Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group but are fair and reasonable so far as the Shareholders (including the

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Independent Shareholders) are concerned, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. We, therefore, recommend that you vote in favour of the resolution to be proposed at the EGM to approve CE Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Fan Yan Hok, Philip**

**Ng Ming Wah, Charles**

**Nien Van Jin, Robert**

**Zhang Chongqing**

*Independent non-executive Directors*

**Guo Zibin**

*Non-executive Director*

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## LETTER FROM INVESTEC

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*The following is the text of the letter of advice from Investec Capital Asia Limited to the Independent Board Committee and the Independent Shareholders in relation to the CE Subscription Agreement and the transactions contemplated thereunder prepared for the purpose of incorporation in this circular.*



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

30 April 2015

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

Dear Sir or Madam,

### **CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ISSUE OF THE CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the CE Subscription Agreement and the transactions contemplated thereunder, details of which are set out in the circular of the Company dated 30 April 2015 (the “**Circular**”), of which this letter forms part. This letter contains our advice to the Independent Board Committee and the Independent Shareholders in respect of the CE Subscription Agreement and the transactions contemplated thereunder. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

On 26 March 2015, the Company as the issuer and China Everbright as an investor entered into the CE Subscription Agreement. Pursuant to the CE Subscription Agreement, the Company conditionally agreed to issue and China Everbright conditionally agreed to subscribe for the CE Convertible Bonds in the aggregate principal amount not exceeding HK\$387,900,000, which may be converted into 34,388,297 New Shares based on the initial Conversion Price upon full conversion, with the Maturity Date falling on the expiry of three years from the date of the issue.

The CE Subscription Agreement was entered on the same date as the Great Wall Subscription Agreement and the Huarong Subscription Agreement which are on substantially the same terms, save for the provisions relating to the conditions precedent and the specific mandate to be sought in relation to the CE Subscription Agreement as set out in the letter from the Board (the “**Letter from the Board**”). The management of the Company advised that the completion of the Great Wall Subscription Agreement and the Huarong Subscription Agreement took place on 8 April 2015, respectively.

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## LETTER FROM INVESTEC

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The New Shares to be allotted and issued upon the conversion of the CE Convertible Bonds will be issued under a specific mandate by an ordinary resolution to be proposed for passing by the Independent Shareholders at the EGM, whereas the New Shares to be allotted and issued upon the conversion of the GM Convertible Bonds will be issued under the general mandate.

By virtue of it being a wholly-owned subsidiary of CEL, the controlling shareholder of the Company, China Everbright is a connected person of the Company. On this basis, the entering into of the CE Subscription Agreement constitutes a connected transaction for the Company, and is subject to the announcement, reporting and shareholders' approval requirements under Chapter 14A of the Listing Rules.

China Everbright and its close associates, and any Shareholders who are materially interested in the CE Subscription Agreement, are required to abstain from voting on the resolutions proposed to be passed at the EGM. To the best knowledge of the Directors, after making all reasonable enquiries, as at the Latest Practicable Date, China Everbright and its close associates held an aggregate of 215,199,479 Shares, representing approximately 36.39% of the entire issued share capital of the Company as at the Latest Practicable Date.

For information purposes only, as set out in the Letter from the Board, Mr. Poon Ho Man (“**Mr. Poon**”), the Chief Executive Officer of the Company, did not have any material interest in the transactions contemplated under the CE Subscription Agreement and the transaction contemplated thereunder. As a Shareholder, Mr. Poon's interest in the CE Subscription Agreement is the same as other Independent Shareholders. On this basis, Mr. Poon and his associates shall therefore be regarded as Independent Shareholders and be entitled to vote at the EGM.

As the aggregate shareholding interest of China Everbright and parties acting in concert with it was more than 30% but less than 50% of the issued share capital of the Company as at the Latest Practicable Date, they will continue to be subject to 2% creeper provision as set out in the Takeovers Code (the “**2% Creeper Provision**”), which sets out that a person, or group of persons acting in concert, holding 30% or more of the voting rights of a company is free to acquire and dispose of further voting rights within a band of 2% above the greater of 30% or its lowest percentage holding of voting rights in the previous 12 month period without incurring an obligation to make a general offer. Within this band dispositions of voting rights may be netted off against acquisitions thereof.

Upon the full conversion of the CE Convertible Bonds, the shareholding of China Everbright and any party acting in concert with it may increase by in excess of 2% from their lowest collective percentage holding within the period of 12 months, thereby triggering a general offer obligation under Rule 26.1 of the Takeovers Code in absence of the Whitewash Waiver.

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the disinterested non-executive Directors, namely, Mr. Guo Zibin, Mr. Fan Yan Hok, Philip, Mr. Ng Ming Wah, Charles, Mr. Zhang Chongqing and Mr. Nien Van Jin, Robert, has been established to advise the Independent Shareholders in respect of the CE Subscription Agreement and the transactions contemplated thereunder. As the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms

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## LETTER FROM INVESTEC

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of the CE Subscription Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote for the relevant resolutions to be proposed at the EGM to in respect of the CE Subscription Agreement and the transactions contemplated thereunder at the EGM.

As at the Latest Practicable Date, we were independent from and not connected with the Group, CEL or China Everbright and any party acting in concert pursuant to Rule 13.84 of the Listing Rules, and accordingly, qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the CE Subscription Agreement and the transactions contemplated thereunder. Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

### **BASIS OF OUR OPINION**

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Group and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Group and/or the Directors and/or its senior management staff (the “**Management**”) and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations made or provided by the Directors and/or the Management contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Directors and/or the Management that no material facts have been omitted from the information provided and referred to in the Circular.

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

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## LETTER FROM INVESTEC

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### PRINCIPAL FACTORS CONSIDERED

In formulating our opinion regarding the CE Subscription Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors:

#### 1. Background information

##### *i. Information on the Group*

The shares of the Company were first listed on the main board of the Stock Exchange on 11 July 2014. The Group is principally engaged in aircraft leasing business in the PRC. As stated in the Company's annual result announcement for the year ended 31 December 2014 dated 26 March 2015 (the "2014 Results Announcement"), the business model of the Company primarily involves long-term direct aircraft purchase and lease transactions, and long-term aircraft sale and leaseback transactions with airline operators in the PRC. The leasing business is focused on generating long-term and constant cash inflows of lease income to match the cash outflows for the repayment instalments of the Group's long-term bank borrowings for aircraft acquisition. A key feature of the business model is the realisation of finance lease receivable.

Set out below is a summary of the Group's consolidated statements of income and consolidated balance sheets as extracted from the 2014 Results Announcement for the two years ended 31 December 2014:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2013</b>	<b>2014</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
	<i>(approximately)</i>	<i>(approximately)</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Revenues	686.9	1,145.0
Finance lease income	478.0	714.7
Operating lease income	145.4	182.1
Other income	63.6	248.2
Operating profit	212.4	353.2
Profit for the year	172.5	302.7
attributable to owners of the Company	172.5	302.8
attributable to non-controlling interests	–	(0.1)

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## LETTER FROM INVESTEC

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	<b>As at 31 December</b>	
	<b>2013</b>	<b>2014</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
	<i>(approximately)</i>	<i>(approximately)</i>
	(Audited)	(Audited)
Total assets	12,832.9	18,313.0
Finance lease receivables – net	7,678.9	11,443.5
Prepayments and other receivables	2,183.5	3,503.4
Total liabilities	11,874.8	16,532.3
Bank borrowings	11,436.4	15,342.6
Long-term borrowings	155.2	642.1
Total equity attributable to owners of the Company	938.6	1,761.3

For the year ended 31 December 2014, the Group recorded revenues of approximately HK\$1,145.0 million compared to approximately HK\$686.9 million for the year ended 31 December 2013. The Group recorded finance lease income of approximately HK\$714.7 million which represented approximately 62% of total revenues and operating lease income of approximately HK\$182.1 million which represented approximately 16% of total revenues for the year ended 31 December 2014. For the year ended 31 December 2014, the Group generated profit for the period attributable to owners of the Company of approximately HK\$302.8 million, representing an increase of 76% from such for the year ended 31 December 2013.

A significant portion of the Group's total liabilities was long-term borrowings and bank borrowings that were primarily applied towards aircraft acquisition, which are secured by various assets, rights and benefits, guarantees or pledges according to the 2014 Results Announcement. The gearing ratio of the Company (the "**Gearing Ratio**"), calculated as total borrowings (bank borrowings and long-term borrowings) of approximately HK\$15,984.7 million divided by total assets of approximately HK\$18,313.0 million, was approximately 87% as at 31 December 2014, representing a slight decrease from approximately 90% as at 31 December 2013.

As set out in the listing prospectus of the Company dated 30 June 2014, the strategy of the Company includes, among others, to continue acquiring young and modern fleet of aircraft and diversifying the financing source. According to the 2014 Results Announcement, in order to cope with the increasing demand for air traffic in the PRC, together with fleet expansion and increasing use of aircraft lease financing amongst airline operators in the PRC, the Company entered into agreements to purchase 100 aircraft with Airbus S.A.S. in December 2014 (the "**Aircraft Purchase Agreements**"). Based on the committed purchase orders and the scheduled delivery dates, the Group's fleet will increase to 75 aircraft by the end of 2016 and 168 aircraft by 2022.

### *ii. Information on China Everbright*

China Everbright is a limited company incorporated in Hong Kong which is principally engaged in investment holding and a wholly-owned subsidiary of CEL.

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## LETTER FROM INVESTEC

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### 2. Reasons for and benefits of CE Subscription Agreement

#### *Reasons for issuing Convertible Bonds*

The issue of the Convertible Bonds is considered by the Directors to be an appropriate means of raising additional capital for the Group since it will not have an immediate dilutive effect on the shareholding of the existing Shareholders. In addition, any conversion of the Convertible Bonds into new Shares would strengthen the Company's capital base and lower the gearing ratio.

The market expectation that the United States Federal Reserve may increase the U.S. benchmark interest rate at least once during 2015, if transpired, would signal the beginning of the reversal of the low interest rate environment in the financial markets. Such may have an effect on costs of borrowings for the Group.

The Directors also consider that it would be prudent to reduce its reliance on secured borrowings to finance its business expansion. We understand from the Management that assets pledge and other securities may be required if the Group obtains additional bank borrowings whilst such security is not required for the issuance of the Convertible Bonds.

The Directors also consider that the Subscription by the investors, including China Everbright, demonstrates the confidence of the CEL Group and the institutional investors in the Group's long-term prospects.

#### *Use of proceeds*

As set out in 2014 Results Announcement, (i) the Company had cash and cash equivalents of approximately HK\$1,425.6 million and restricted cash of approximately HK\$219.0 million for various pledges as at 31 December 2014; and (ii) the contracted capital commitment for the purchase of aircraft as at 31 December 2014 was approximately HK\$45.9 billion, which was primarily related to the consideration under the Aircraft Purchase Agreements to be settled over the coming years, subject to the delivery dates of the aircraft.

As set out in the circular of the Company dated 10 December 2014 in relation to the Aircraft Purchase Agreements, the consideration for the Aircraft Purchase Agreements is expected to be funded through, subject to the availability, PDP financing, commercial bank loans, debt and equity financing and the Company's working capital from time to time.

As set out in the Letter from the Board, the estimated net proceeds from the issue of the CE Convertible Bonds (after deducting fees and expenses) will be approximately HK\$380,630,000. The Company intends to apply the net proceeds from the issue of CE Convertible Bonds for aircraft acquisition, including part financing of the aircraft purchases contemplated under the Aircraft Purchase Agreements.

Having considered (a) the principal business of the Group (i.e. aircraft leasing in the PRC); (b) the stated strategy of the Group (i.e. expansion of its fleet of aircraft); (c) the reasons for raising funds via the issue of convertible bonds over other means of financing as set out above; (d) the net

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## LETTER FROM INVESTEC

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proceeds from the CE Convertible Bonds being primarily intended for aircraft acquisition; and (e) the terms of the CE Subscription Agreement being substantially the same as the those under the Great Wall Subscription Agreement and the Huarong Subscription Agreement which were entered into with independent third parties and arrived at after arm's length negotiations between the Company and the investors, we consider that the Subscription is not in the ordinary and usual course of business of the Group and concur with the Directors' view that the CE Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

### 3. Principal terms of the CE Subscription Agreement and the CE Convertible Bonds

The principal terms of the CE Subscription Agreement are summarised below:

#### *i. Subscription*

On the same date of entering into (i) the Huarong International Subscription Agreement with Huarong International and (ii) the Great Wall Subscription Agreement with Great Wall (who are independent parties to the Company and its connected persons), the Company, as the issuer, also entered into the CE Subscription Agreement with China Everbright, as the investor.

The subscription agreements are on substantially the same terms, save for the provisions relating to the conditions precedent and the specific mandate to be sought in relation to the CE Subscription Agreement as mentioned below.

Pursuant to the CE Subscription Agreement, the Company conditionally agreed to issue and China Everbright conditionally agreed to subscribe for the CE Convertible Bonds in the aggregate principal amount not exceeding HK\$387,900,000, which may be converted into 34,388,297 New Shares based on the initial Conversion Price upon full conversion.

The New Shares to be allotted and issued upon conversion of the CE Convertible Bonds will be issued under a specific mandate by an ordinary resolution to be proposed for passing by the Independent Shareholders at the EGM.

#### *ii. Conditions Precedent*

Completion of the CE Subscription Agreement is conditional upon the fulfilment, or appropriate waiver from the China Everbright, of the conditions precedent which are set out in the Letter from the Board.

As announced by the Company on 16 April 2015, the condition precedent in respect of the Executive having granted the Whitewash Waiver has been waived by China Everbright. As set out in the Letter from the Board, China Everbright has no intention to waive any of the other conditions as at the Latest Practicable Date.

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## LETTER FROM INVESTEC

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### *iii. Completion*

Completion of the CE Subscription Agreement is not inter-conditional with other subscription agreements and shall take place on the Closing Date.

### *iv. Commitment Arrangement Fee*

Pursuant to the CE Subscription Agreement, the Company shall pay to China Everbright commitment arrangement fee on the outstanding principal amount of CE Convertible Bonds at the rate of 3.5% per annum, payable semi-annually in arrears.

Further details of the principal terms of the CE Subscription Agreement are set out under the section headed “II. The CE Subscription Agreement” in the Letter from the Board.

The principal terms of the CE Convertible Bonds are summarised below:

#### *i. Interest*

The CE Convertible Bonds shall carry interest at the rate of 3% per annum, payable semi-annually in arrears, which is in addition to the commitment arrangement fee of 3.5% per annum that China Everbright is entitled to.

#### *ii. Maturity and redemption*

Pursuant to the CE Subscription Agreement, China Everbright shall have the right to require the Company to redeem all of the CE Convertible Bonds prior to the Maturity Date under certain events, namely the withdrawal or delisting of the Shares on the Stock Exchange. Further details of which were set out under the paragraph headed “Maturity and redemption” in the Letter from the Board. Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem each CE Convertible Bond at its principal amount together with accrued but unpaid interest to such date on the Maturity Date.

#### *iii. Conversion Price*

The price at which News Shares will be issued upon exercise of a Conversion Right will be HK\$11.28 per Share. The Conversion Price represents:

- a premium of approximately 16.09% to the average Closing Price of the Shares of approximately HK\$9.72 per Share for the last 30 consecutive Trading Days up to and including the Last Trading Day;
- a premium of approximately 15.46% to the average Closing Price of the Shares of approximately HK\$9.77 per Share for the last 10 consecutive Trading Days up to and including the Last Trading Day;

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## LETTER FROM INVESTEC

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- a premium of approximately 10.89% to the average Closing Price of the Shares of approximately HK\$10.17 per Share for the last 5 consecutive Trading Days up to and including the Last Trading Day;
- a premium of approximately 5.22% to the Closing Price of the Shares of HK\$10.72 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- a discount of approximately 18.85% to the Closing Price of the Shares of HK\$13.90 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- a premium of approximately 278.52% to the net asset value (of approximately HK\$1,761.3 million, excluding non-controlling interests based on the 2014 Results Announcement) per Share (based on 591,426,100 Shares as at the Latest Practicable Date) of approximately HK\$2.98 per Share.

As set out in the Letter from the Board, the Conversion Price was determined after arm's length negotiations between the Company and the investors having regard to the prevailing market price of the Shares prior to the date of the subscription agreements and the business performance of the Group under the prevailing market conditions, and is subject to adjustment in accordance with the terms and conditions of the Convertible Bonds, including, amongst other things, upon the occurrence of an alteration to the nominal value of the Shares as a result of consolidation, subdivision or re-classification, capitalisation of profits or reserves, capital distributions and rights issues of Shares or options over Shares at less than 95% of the then current market price. The Conversion Price is also subject to other adjustments, details of which are set out in the Letter from the Board.

Further details of the principal terms of the CE Convertible Bonds are set out under the section headed "III. Terms and conditions of the CE Convertible Bonds" in the Letter from the Board.

#### **4. Our analysis on the terms and conditions of the CE Subscription Agreement and CE Convertible Bonds**

In order to assess the fairness and reasonableness of the terms and conditions of the CE Convertible Bonds under the CE Subscription Agreement and whether they are on normal commercial terms, we have considered the factors and performed the analysis as follows:

##### *i. The Subscription Agreements are on substantially same terms*

As set out in the Letter from the Board, the CE Subscription Agreements are on substantially the same terms as the Huarong International Subscription Agreement and Great Wall Subscription Agreement entered into between the Company and (a) Huarong International; and (b) Great Wall, respectively. The Management advised that each of Huarong International and Great Wall is an independent party to the Company and its connected persons, respectively.

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## LETTER FROM INVESTEC

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In this respect, we have reviewed and compared the principal terms of the subscription agreements, including the commitment arrangement fee, coupon, maturity, conversion period, conversion price and voting rights of the Convertible Bonds, and note that the subscription agreements are on substantially the same terms.

We have also discussed with the Company and understand that the respective aggregate principal amounts and the terms of the subscription agreements were arrived at after arm's length negotiations between the Company and the Investors. As such, we concur to the Directors' view that the CE Subscription Agreement entered into with China Everbright are on normal commercial terms that are no less favorable than those of offered to independent parties to the Company and its connected persons (i.e. Huarong International and Great Wall).

*ii. Comparison with comparables*

In addition to the above, to the best of our knowledge, we have identified an exhausted list of 14 recent transactions involving issuance of convertible bonds/notes of the companies listed on the main board of the Stock Exchange as announced within three months prior to the date of the initial announcement in respect of the subscription agreements (i.e. 26 March 2015) (the "**Comparables**") and to compare, among others, the interest rate, conversion price and maturity date of the CE Convertible Bonds. Independent Shareholders should note that the businesses, operations and prospects of the Group are not the same as those of the Comparables, therefore, the Comparables are only used to provide a general reference. Details of the terms of the Comparables are set out below:

## LETTER FROM INVESTEC

**Table: Recent comparable transactions involving issuance of convertible bonds/notes**  
(Note 1 and 2)

Announcement Date	Company name (stock code)	Market Capitalisation as at the date of the announcement (i.e. 26 March 2015)	Principal amount	Maturity	Interest per annum (Note 3)	Other fees (including placing commission, arrangement fee)	Redemption price (as % of principal value)	Approximate premium/ (discount) of conversion price over/to the average closing price for the last five trading days up to and including to the Last Trading Day (Note 4)	Connected Transaction or not		
								(approx. HK\$ million)		(approx. HK\$ million)	(years)
1	17/3/2015	Beautiful China Holdings Company Limited (706)	1,255	164 (Note 5)	1.0	5.0	1.0% on the amount placed	100.0%	(9.09)	(10.63)	No
2	13/3/2015	Chun Wo Development Holdings Limited (711)	1,886	95	3.0	0.0	Not disclosed	Not disclosed	12.88	15.37	No
3	13/3/2015	Petro-king Oilfield Services Limited (2178)	1,395	157	3.0	5.0	2.0% on the amount placed	100.0%	19.80	18.20	No
4	11/3/2015	Madex International (Holdings) Limited (231)	2,965	100 (Note 6)	5.0	0.0	Not disclosed	100.0%	(9.91)	(9.50)	No
5	9/3/2015	South East Group Limited (726)	1,502	200	3.0	0.0	Not disclosed	100.0%	(42.86)	(35.06)	No
6	4/3/2015	United Photovoltaics Group Limited (686)	4,172	233	3.0	7.5	Not disclosed	120.0%	7.29	7.52	No
7	17/2/2015	China Ocean Shipbuilding Industry Group Limited (651)	1,407	60	3.0	7.5	Not disclosed	100.0%	0.00	3.00	No
8	13/02/2015	Huajun Holdings Limited (377)	1,471	500	5.0	2.5	Not disclosed	100.0%	42.86	41.99	Yes
9	10/2/2015	China Fortune Financial Group Limited (290)	455	40	1.0	12.0	Not disclosed	100.0%	5.80	7.14	No
10	9/2/2015	Green International Holdings Limited (2700)	593	84	3.0	3.0	3.0% on the amount placed	100.0%	(7.04)	(7.82)	No
11	2/2/2015	Hua Han Bio-pharmaceutical Holdings Limited (587)	8,453	620	3.0	4.5	Not disclosed	110.5%	16.41	20.80	No
12	25/1/2015	United Photovoltaics Group Limited (686)	4,172	529	3.0	7.5	Not disclosed	120.0%	1.98	2.79	Yes
13	9/1/2015	Hydoo International Holding Limited (1396)	5,822	930	5.0	7.0	Not disclosed	137.5%	4.60	2.73	No
14	31/12/2014	Digital Domain Holdings Limited (547)	2,901	313 (Note 6)	1.5	0.0	Not disclosed	100.0%	(3.61)	7.82	No
	26/3/2015	The Company (1848)	6,280	387.9	3.0	3.0	3.5% per annum	100.0%	5.22	10.89	
	The Comparables				5.0	12.0			42.86	41.99	
					1.0	0.0			(42.86)	(35.06)	
					3.0	4.4			2.79	4.60	

Source: the relevant announcement(s) of respective companies published on the Stock Exchange's website.

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## LETTER FROM INVESTEC

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*Notes:*

1. The Comparables exclude (i) the amendment of terms of convertible bonds; and (ii) perpetual subordinated contingent convertible securities.
2. Asia Energy Logistics Group Limited (stock code: 351) is excluded in the list above as the respective initial conversion price is, at the option of the subscriber of the relevant convertible notes, either a fixed conversion price or a floating conversion price. As we are not aware of further publicly available information on which price is opted by the respective subscriber, we are not able to derive the approximate premium/(discount) of conversion price over the relevant (average) closing price as at the last trading day prior to the release of the announcement.  
  
United Photovoltaics Group Limited (stock code: 686) (“**United Photovoltaics**”) announced on 7 January 2015 that it entered into a framework agreement with a potential subscriber in respect of the intention of United Photovoltaics to issue a convertible bond, subject to a definitive subscription agreement. Such convertible bond is excluded from the Comparables as it is subject to a definitive subscription agreement which was not entered into prior to the date of the announcement (i.e. 26 March 2015).
3. For avoidance of doubt, the interest rate quoted is strictly referred to the interest rate of the respective convertible bonds/notes as announced and excludes any form of fee, commissions or reward tangible or contingent to convertible bonds/notes the other than the interest rate.
4. Calculations are based on the respective initial conversion price of the convertible bonds/notes.
5. This is a best effort placing issue, the principal amount is subject to the actual amount placed.
6. Issued for the settlement of the consideration for an acquisition.

*Conversion price*

According to the above table, we note that the Conversion Price represents (a) a premium of approximately 5.22% over the closing price of the Shares of HK\$10.72 per Share as at the Last Trading Day, which is higher than the corresponding average of the Comparables, being a premium of approximately 2.79% and within the range of Comparables, being a premium of approximately 42.86% and a discount of approximately 42.86%; and (b) a premium of approximately 10.89% over the average closing price of the Shares for the last five trading days up to and including the Last Trading Day of approximately HK\$10.17 per Share, which is higher than the corresponding average of the Comparables, being a premium of approximately 4.60% and within the range of the Comparables, being a premium of approximately 41.99% and a discount of approximately 35.06%.

Having considered the principal amount of the CE Convertible Bonds, being HK\$387.9 million, three convertible bonds out of the Comparables were similar in size (i.e. with principal amount ranging from HK\$240 million to HK\$540 million) and nature (i.e. does not form part of the settlement of consideration for acquisition), namely the convertible bond announced by (a) United Photovoltaics Group Limited in January 2015 (the “**United Photovoltaics January CB**”) and in March 2015 (the “**United Photovoltaics March CB**”); and (b) Huajun Holdings

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## LETTER FROM INVESTEC

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Limited in February 2015 (the “**Huajun CB**”). As set out in the respective announcement, we note that each of the United Photovoltaics January CB and the Huajun CB is a connected transaction (together the “**Connected CBs**”).

We have compared the Conversion Price of the CE Convertible Bonds with that of the United Photovoltaics January CB, the United Photovoltaics March CB and the Huajun CB (together the “**Selected Comparables**”) and note that the Conversion Price represents (a) a premium of approximately 5.22% over the closing price of the Shares as at the Last Trading Day, which is higher than the corresponding premium of the United Photovoltaics January CB and within the range of the Selected Comparables; and (b) a premium of approximately 10.89% to the average closing price of the Shares for the last five trading days up to and including the Last Trading Day, which is higher than the corresponding premium of each of the United Photovoltaics January CB and United Photovoltaics March CB, and within the range of the Selected Comparables. If we exclude the Connected CBs from the Selected Comparables, the Conversion Price of the CE Convertible Bonds which represents (a) a premium of approximately 5.22% over the closing price of the Shares as at the Last Trading Day, which is slightly lower than the premium of the United Photovoltaics March CB of approximately 7.29%; and (b) a premium of approximately 10.89% over the average closing price of the Shares for the last five trading days up to and including the Last Trading Day is higher than the premium of the United Photovoltaics March CB of approximately 7.52%.

### *Maturity*

We note that the term to maturity of the CE Convertible Bonds is equal to the average term to maturity of the Comparable which has a range of term to maturity from one to five years.

Furthermore, we have also compared the term to maturity of CE Convertible Bonds to the Selected Comparables, namely, the United Photovoltaics January CB, the United Photovoltaics March CB and the Huajun CB, which were three years, three years and five years, respectively. On this basis, the term to maturity of the CE Convertible Bonds is the same as the term to maturity of two of the Selected Comparables (one of which being a non-Connected CB) and within range of term to maturity from three to five years of the Selected Comparables.

### *Interest rate and other fees*

The interest rate of the CE Convertible Bonds is 3.0% per annum. In addition, the Company shall pay to China Everbright a commitment arrangement fee on the outstanding principal amount of CE Convertible Bonds at the rate of 3.5% per annum. On this basis, the annual cost of servicing the CE Convertible Bonds is 6.5% per annum (the “**Annual CB Servicing Costs**”). While the interest rate is below the average interest rate of approximately 4.4%, the Annual CB Servicing Costs of 6.5% is above the average interest rate of the Comparables. Nonetheless, both the interest rate of the CE Convertible Bonds and the Annual CB Servicing Costs are within the range from nil to 12.0% per annum of the Comparables.

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## LETTER FROM INVESTEC

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In addition, we have reviewed the annual cost of servicing the Selected Comparables (i.e. interest rate plus any disclosed commission/fees in connection with the issuance) and note that the annual cost of servicing the Selected Comparable was 7.5%, 7.5% and 2.5% per annum. The Annual CB Servicing Costs is therefore lower than two of the Selected Comparables (one of which being a non-Connected CB) and within the range from 2.5% to 7.5% per annum from the Selected Comparables.

In view of the above, we are of the view that the term to maturity, conversion price and the Annual CB Servicing Costs of 6.5% (being the aggregate of interest rate of 3.0% per annum and the commitment arrangement fee of 3.5% per annum) are fair and reasonable.

### *Redemption price*

We have reviewed the redemption price of the Comparables and the Selected Comparables and note that the redemption price of the CE Comparable Bonds is within range of within the range of redemption price from the Comparables and the Selected Comparables (one of which being a non-Connected CB).

### *Our analysis*

Based on our analysis as set out above including (a) the subscription agreements are on substantially same terms; and (b) the comparison of the principal terms of the CE Convertible Bonds against those of the Comparables and the Selected Comparables, we consider the terms of the CE Convertible Bonds to be fair and reasonable.

### **iii. Other alternative methods of financing**

#### *Debt financing*

The Management advised that assets pledge and other securities may be required for additional bank borrowings and/or debt securities such as a bond whilst such security is not required for issue of the CE Convertible Bonds. As set out in the 2014 Results Announcement, we note that, in addition to the existing debt financing, the Group has been seeking for additional financing channels to facilitate growth.

#### *Equity financing*

Alternative type of equity financing such as rights issue was also considered by the Board. However, while the conversion price of the CE Convertible Bonds is at a premium over the then prevailing share price, a rights issue would normally be priced at a discount to the market in order to attract investors and/or underwriters. The Convertible Bonds (when converted) also enable the Company to add institutional investors to its existing capital base.

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## LETTER FROM INVESTEC

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In view of the above, the Directors are of the view that the issue of the CE Convertible Bonds is a more practicable and appropriate means for fund raising, which can strengthen the financial position and capability of the Group (upon the conversion of the CE Convertible Bonds into new Shares) and raise additional financing for the aircraft acquisition.

### 5. Possible dilution effect on the shareholding interests of the Independent Shareholders

For illustration purposes, as extracted from the Letter from the Board, the shareholding structure of the Company as at the Latest Practicable Date and immediately after the conversion in full of the CE Convertible Bonds (assuming that there is no other change in the issued share capital of the Company) are as follows:

	As at the Latest Practicable Date		Immediately upon full conversion of the CE Convertible Bonds (assuming no exercise of the Outstanding Options and no conversion of GM Convertible Bonds)	
	<i>No. of Shares</i>	<i>Approximate shareholding %</i>	<i>No. of Shares</i>	<i>Approximate shareholding %</i>
China Everbright and parties acting in concert with it (including CEL)	215,199,479	36.39	249,587,776	39.88
Poon Ho Man	181,254,589	30.65	181,254,589	28.97
Other Directors	2,066,000	0.35	2,066,000	0.33
<b>Public:</b>				
Public Shareholders	<u>192,906,032</u>	<u>32.61</u>	<u>192,906,032</u>	<u>30.82</u>
 Total	 <u><u>591,426,100</u></u>	 <u><u>100.00</u></u>	 <u><u>625,814,397</u></u>	 <u><u>100.00</u></u>

We note that immediately upon full conversion of the CE Convertible Bonds (assuming that there is no other change in the issued share capital of the Company), 34,388,297 New Shares, based on the Conversion Price of HK\$11.28, shall be allotted and issued. On this basis and as set out in the table above, (a) the shareholding of the existing public Shareholders would decrease from approximately 32.61% of the share capital of the Company as at the Latest Practicable Date to approximately 30.82% of the enlarged issued share capital of the Company, such dilution of approximately 1.8% in absolute terms represent approximately 5.5% of dilution to the respective shareholding of the existing public Shareholders; and (b) the shareholding China Everbright and parties acting in concert with it (including CEL) would increase from approximately 36.39% of the share capital of the Company as at the Latest Practicable Date to approximately 39.88% of the enlarged issued share capital of the Company.

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## LETTER FROM INVESTEC

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Shareholders' attention is drawn to the fact that as CEL (and parties acting in concert with CEL) has not applied for a whitewash waiver under the Takeovers Code, they will be subject to the requirements of the Takeovers Code to make a mandatory general offer should CEL (and parties acting in concert with CEL) increase their shareholding by more than 2% from their lowest collective percentage holding within a period of 12 months.

The shareholding structures of the Company under other scenarios, including the full conversion of the Convertible Bonds subscribed by Huarong International and Great Wall, are set out in the Letter from the Board under the section headed "IV. Shareholding structure of the Company".

Taking into account (a) the reasons for issuing Convertible Bonds and the use of proceeds as set out under the section headed "2. Reasons for and benefits of CE Subscription Agreement" in this letter; and (b) our analysis as set out under the section headed "4. Our analysis on the terms and conditions of the CE Subscription Agreement and CE Convertible Bonds" in this letter, we concur with the Directors' view that the dilution attributable to the full conversion of the CE Convertible Bonds (assuming that there is no other change in the issued share capital of the Company) to the existing public Shareholders of approximately 1.8% (in absolute terms) and approximately 5.5% (in relatively terms) is acceptable.

### **6. Possible financial effects of the issuance of the CE Convertible Bonds**

#### *i. Effects on net asset value*

As set out in the 2014 Results Announcement, the net asset value of the Group as at 31 December 2014 was approximately HK\$1,780.7 million. As advised by the Directors, immediately upon the issue of the CE Convertible Bonds, the cash and cash equivalents of the Group would increase by the net proceeds raised. The CE Convertible Bonds will be accounted for at fair value on the consolidated balance sheets of the Group upon completion of the CE Subscription Agreement. The fair value of the CE Convertible Bonds will depend on certain market conditions, and that the equity portion and the liability portion of the CE Convertible Bonds recognised will subject to assessment and valuation by a professional valuer.

As set out in the 2014 Results Announcement, the net asset value of the Group (excluding non-controlling interests) was approximately HK\$1,761.3 million as at 31 December 2014. Based on the issued share capital of the Company of 591,426,100 Shares as at the Latest Practicable Date, the net asset value per Share is approximately HK\$2.98. On this basis, upon conversion of the CE Convertible Bonds at the Conversion Price of HK\$11.28 per Share, which represents a notable premium of approximately 278.52% to the net asset value per Share, the net asset value per Share will be enhanced.

#### *ii. Effects on gearing*

As set out in the 2014 Results Announcement, the Gearing Ratio of the Company was approximately 87% as at 31 December 2014. On the assumption that (a) immediately upon full conversion of the CE Convertible Bonds, the Company's net asset value will increase while its total liabilities will decrease; and (b) all other things will remain the same, the Company's Gearing Ratio would be improved upon full conversion of the CE Convertible Bonds.

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## LETTER FROM INVESTEC

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*iii. Effects on liquidity and working capital*

The Company will raise net proceeds of approximately HK\$380,630,000 from the issuance of the CE Convertible Bonds and the liability portion of the CE Convertible Bonds will be treated partly as a long-term liability and partly as equity of the Group. Accordingly, the liquidity and working capital position of the Group will be improved upon the completion of the issuance of the CE Convertible Bonds.

*iv. Effects on earnings*

As advised by the Management, the liability portion of the CE Convertible Bonds will be carried at amortised cost using the effective interest method and the effective interest expenses of the CE Convertible Bonds will be recorded on the consolidated statements of comprehensive income until the conversion and/or redemption of the CE Convertible Bonds in full.

The Management advised that the full conversion will likely to have an overall positive effect on the Group's financial position, namely, (a) improvement in the net asset value of the Group; (b) improvement in the Group's Gearing Ratio; and (c) preservation of cash resources for the Group's business operations and development.

### RECOMMENDATION

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

- (i) the CE Subscription Agreement, the Great Wall Subscription Agreement and the Huarong Subscription Agreement are on substantially the same terms, save for the provisions relating to the conditions precedent and the specific mandate to be sought in relation to the CE Subscription Agreement;
- (ii) the intended application of the net proceeds raised from the CE Convertible Bonds is primarily for aircraft acquisition;
- (iii) our analysis on the comparison of the principal terms of the CE Convertible Bonds with the Comparables;
- (iv) the potential dilution to the existing Shareholders attributable to the full conversion of the CE Convertible Bonds;
- (v) the possible financial effects of the CE Convertible Bonds upon issuance and full conversion; and
- (vi) as the aggregate shareholding interest of China Everbright and parties acting in concert with it is more than 30% but less than 50% of the issued share capital of the Company as at the Latest Practicable Date, they will continue to be subject to 2% Creeper Provision as set out in the Takeovers Code,

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## LETTER FROM INVESTEC

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we are of the opinion that the CE Subscription Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group but are fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned, and the terms of the CE Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

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

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

## 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 enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DIRECTORS' INTERESTS

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

Name	Capacity/Nature of interest	Number of ordinary shares held (L) <sup>(1)</sup>	Number of underlying shares held (L)	Approximately percentage of interest
Mr. Poon Ho Man	interest of controlled corporation	181,254,589 <sup>(2)</sup>	–	30.65%
	interest of controlled corporation		1,300,000 <sup>(3)</sup>	0.22%
	interest of controlled corporation		15,000,000 <sup>(4)</sup>	2.54%
Ms. Liu Wanting	interest of controlled corporation	2,000,000		0.34%
	interest of controlled corporation		8,000,000 <sup>(5)</sup>	1.35%
Mr. Chen Shuang	beneficial owner		200,000 <sup>(6)</sup>	0.03%
Mr. Tang Chi Chun	beneficial owner		200,000 <sup>(6)</sup>	0.03%
Mr. Guo Zibin	beneficial owner		200,000 <sup>(6)</sup>	0.03%
Mr. Fan Yan Hok, Philip	beneficial owner	66,000		0.01%
	beneficial owner		134,000 <sup>(6)</sup>	0.02%
Mr. Ng Ming Wah, Charles	beneficial owner		200,000 <sup>(6)</sup>	0.03%
Mr. Zhang Chongqing	beneficial owner		200,000 <sup>(6)</sup>	0.03%
Mr. Nien Van Jin, Robert	beneficial owner		200,000 <sup>(6)</sup>	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 0.000001% by Ms. Christina Ng and 99.999999% by Capella Capital Limited, which is in turn owned as to 10% by Ms. Ng and 90% by Mr. Poon Ho Man, spouse of Ms. 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 Holdings Limited, a company wholly-owned by Mr. Poon Ho Man, pursuant to the Pre-IPO Share Option Scheme.
- (5) These interests represented the interests in underlying shares in respect of the share options granted by the Company to Smart Vintage Investments Limited, a company wholly-owned by Ms. Liu Wanting, pursuant to the Pre-IPO Share Option Scheme.
- (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 pursuant to the Post-IPO Share Option Scheme.

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

### 3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Name of shareholders	Capacity/nature of interest	Number of ordinary Shares held (L) <sup>(1)</sup>	Number of underlying shares held (L)	Approximately percentage of interest
China Everbright Aerospace <sup>(2)</sup>	Beneficial Owner	206,979,479		35.00%
China Everbright <sup>(3)</sup>	Beneficial Owner	8,220,000		1.39%
	Beneficial Owner		34,388,297	5.81%

Name of shareholders	Capacity/nature of interest	Number of ordinary Shares held (L) <sup>(1)</sup>	Number of underlying shares held (L)	Approximately percentage of interest
CEL <sup>(2)</sup> and <sup>(3)</sup>	Interest of controlled Corporation	215,199,479		36.39%
	Interest of controlled corporation		34,388,297	5.81%
China Everbright Holdings Company Limited (“CE Holdings”) <sup>(4)</sup>	Interest of controlled Corporation	215,199,479		36.39%
	Interest of controlled corporation		34,388,297	5.81%
China Everbright Group Ltd (“CE Group”) <sup>(5)</sup>	Interest of controlled Corporation	215,199,479		36.39%
	Interest of controlled corporation		34,388,297	5.81%
Central Huijin Investment Limited (“Central Huijin”) <sup>(5)</sup>	Interest of controlled Corporation	215,199,479		36.39%
	Interest of controlled corporation		34,388,297	5.81%
FPAM <sup>(6)</sup>	Beneficial Owner	181,254,589		30.65%
Capella Capital Limited (“Capella”) <sup>(7)</sup>	Interest of controlled corporation	181,254,589		30.65%
POON Ho Man <sup>(7)</sup>	Interest of controlled corporation	181,254,589		30.65%
Christina NG <sup>(8)</sup>	Interest of a spouse	181,254,589		30.65%
Huarong International <sup>(9)</sup>	Beneficial owner		34,388,297	5.81%
China Huarong Asset Management Co., Ltd. (“China Huarong”) <sup>(10)</sup>	Interest of controlled corporation		34,388,297	5.81%

*Notes:*

- (1) The letter “L” denotes the entity/person’s long position in the securities.
- (2) The entire issued share capital of China Everbright Aerospace is wholly-owned by CEL. Accordingly, CEL is deemed to be interested in all the shares held by China Everbright Aerospace.
- (3) These interests represented the interests in underlying shares in respect of the convertible bonds to be issued by the Company to China Everbright pursuant to the CE Subscription Agreement. The entire issued share capital of China Everbright is indirectly wholly-owned by CEL. Accordingly, CEL is deemed to be interested in all the shares held by China Everbright.
- (4) CE Holdings indirectly holds more than one-third of the voting power at general meetings of CEL. Accordingly, CE Holdings is deemed to be interested in all the shares mentioned in notes (2) and (3) above.

- (5) According to the Company's announcements in respect of the proposed restructuring dated 10 November 2014, 25 November 2014 and 8 December 2014, CE Group and Central Huijin are deemed to be interested in all the shares mentioned in notes (2) to (4) above.
- (6) The issued share capital of FPAM is owned as to 0.000001% by Ms. Christina NG and 99.999999% by Capella. Accordingly, Capella is deemed to be interested in all the shares held by FPAM.
- (7) The issued share capital of Capella is owned as to 10% by Ms. Christina Ng and 90% by Mr. Poon Ho Man. Accordingly, Mr. Poon Ho Man is deemed to be interested in all the shares mentioned in note (6) above.
- (8) Ms. Christina Ng is the spouse of Mr. Poon Ho Man.
- (9) These interests represented the interests in underlying shares in respect of the convertible bonds issued by the Company to Huarong International pursuant to the Huarong Subscription Agreement.
- (10) The entire issued share capital of Huarong International is indirectly wholly-owned by China Huarong. Accordingly, China Huarong is deemed to be interested in all the shares held by Huarong International.

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 China Everbright Aerospace. Both FPAM and China Everbright Aerospace are companies having an interest in the Company's shares and underlying shares required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Company was not notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

#### **4. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company, or any of its subsidiaries or associated companies which was not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

#### **5. MATERIAL CHANGE**

There were no material change in the financial or trading position or outlook of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

#### **6. COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors nor their respective close associates had any interests in other business, which competes or may compete, either directly or indirectly, with the business of the Group.

## 7. 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 of the Company had any direct or indirect interest in any assets which have been, since 31 December 2014 (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 of the Company was materially interested in any contract or arrangement, subsisting at the Latest Practicable Date, which is significant in relation to the business of the Group.

## 8. EXPERT

- (a) The following sets out the qualifications of the expert who has given its opinions or advice as contained in this circular:

Name	Qualification
Investec Capital Asia Limited	A corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO

- (b) As at the Latest Practicable Date, Investec had no shareholding in the Company or any other member of the Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.
- (c) As at the Latest Practicable Date, Investec had no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Group since 31 December 2014 (the date to which the latest published audited consolidated financial statements of the Group were made up) or proposed to be so acquired, disposed of or leased.
- (d) Investec had given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice, letters, reports and/or summary of its opinions (as the case may be) and references to its name and logo in the form and context in which they respectively appear.

## 9. MISCELLANEOUS

- (a) 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.

- (b) The company secretary of the Company is Ms. Tai Bik Yin, who is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators of the United Kingdom.
- (c) 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.
- (d) The English text of this circular shall prevail over its Chinese text.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the CE Subscription Agreement will be available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. on any business days from the date of this circular up to and including the date of the EGM.

Set out below are the biographical and other details of the Director who will offer himself for re-election at the EGM in accordance with paragraph A.4.2 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules.

**MR. CHEOK ALBERT SAYCHUAN – INDEPENDENT NON-EXECUTIVE DIRECTOR**

Mr. Cheok, aged 64, was appointed as an independent non-executive Director of the Company with effect from 8 May 2015 after the conclusion of the annual general meeting of the Company. Mr. Cheok graduated from the University of Adelaide, Australia with First Class Honours in Economics. Mr. Cheok was awarded a PhD scholarship to study at Cambridge University. Mr. Cheok is a Fellow of CPA Australia. He is a banker with over 30 years experience in banking and business consultancy in the Asia-Pacific region. Mr. Cheok is also the Vice President of the Board of Governors of the Malaysian Institute of Corporate Governance.

Between May 1979 and February 1982, Mr. Cheok was an Advisor to the Australian Government Inquiry into the Australian Financial System which introduced comprehensive reforms to the Australian banking system. He was the Chief Manager at the Reserve Bank of Australia from October 1988 to September 1989 before becoming the Deputy Commissioner of Banking of Hong Kong for about three and a half years. He was subsequently appointed as the Executive Director in charge of Banking Supervision at the Hong Kong Monetary Authority from April 1993 to May 1995. Mr. Cheok was the Chairman of Bangkok Bank Berhad in Malaysia, a wholly-owned subsidiary of Bangkok Bank of Thailand, from September 1995 to November 2005.

Mr. Cheok was formerly the vice chairman of Export and Industry Bank, Inc., which is listed on The Philippine Stock Exchange, from February 2006 to April 2012.

Mr. Cheok is the independent non-executive Chairman of Auric Pacific Group Limited of Singapore, a food group listed in Singapore. He is the independent non-executive Chairman of Bowsprit Capital Corporation Limited, the Manager of First Real Estate Investment Trust (“REIT”), a listed healthcare REIT in Singapore and the independent non-executive Chairman of Lippo Malls Indonesia Retail Trust (“LMIRT”) Management Limited, the Manager of LMIRT, a listed shopping mall REIT in Singapore. He is also the independent non-executive Chairman of Amplefield Limited, listed in Singapore. Mr. Cheok is the independent non-executive Chairman and an independent non-executive director of AcrossAsia Limited and International Standard Resources Holdings Limited, both public listed companies in Hong Kong. He is also an independent non-executive director of Hongkong Chinese Limited in Hong Kong and Adavale Resources Limited in Australia.

Mr. Cheok is an independent non-executive director of Metal Reclamation Berhad, a public listed company in Malaysia. Outside his various board capacities, Mr. Cheok is a well accomplished personal investment banker and financial adviser to select clients in Hong Kong, China and South East Asia. In this capacity he has been involved in several high profile mergers and acquisitions, asset acquisitions, corporate re-structuring, corporate strategies, brand image and building and private fund management. He has also been an adviser to Governments in various capacities.

Mr. Cheok has entered into a service contract with the Company for an initial term from 8 May 2015 up to the date of the first general meeting of the Company. Upon re-election as an independent non-executive Director of the Company at the EGM, the Company will enter into a service contract with Mr. Cheok for a term of three years subject to the arrangements of retirement and re-election at the general meeting of the Company in accordance with the articles of association of the Company and the Listing Rules, as amended from time to time. The maximum term of any service contract between the Company and Mr. Cheok will not exceed three years. Mr. Cheok is entitled to a director's fee of HK\$300,000 per annum and a meeting allowance of HK\$5,000 for each board meeting, Audit Committee meeting, Nomination Committee meeting and Remuneration Committee meeting. The director's fee was determined by the Board after considering the recommendation of the Remuneration Committee of the Company, which was made taking into account Mr. Cheok's qualification and experience.

Save as disclosed above, Mr. Cheok does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company. Save as disclosed above, Mr. Cheok did not hold directorships in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas, in the last three years nor did he hold any other major appointments.

As at the Latest Practicable Date, Mr. Cheok has an interest of 5,000 shares of the Company (representing approximately 0.001% of the issued share capital of the Company). Save as disclosed above, Mr. Cheok does not have any other interest in shares or underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, there are no other matters concerning Mr. Cheok that need to be brought to the attention of the Shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

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## NOTICE OF EGM

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## **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 (“**EGM**”) 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 at 10:30 a.m. on Tuesday, 19 May 2015 for the purposes of considering and, if thought fit, passing with or without modifications, the following resolutions which will be proposed as ordinary resolutions of the Company:

#### **ORDINARY RESOLUTIONS**

1. **“THAT**

- (a) the conditional subscription agreement (“**CE Subscription Agreement**”) dated 26 March 2015 and entered into between the Company as issuer and China Everbright Financial Investments Limited as investor (the “**Investor**”) in relation to the subscription of the three-year convertible bonds in the principal amount of not exceeding HK\$387,900,000 (the “**CE Convertible Bonds**”), which entitles the holder(s) thereof to convert the same into shares (the “**Shares**”) of HK\$0.10 each in the share capital of the Company in accordance with the terms of the CE Convertible Bonds at the initial conversion price of HK\$11.28 (subject to adjustment) per Share (a copy of which is produced to the Meeting marked “A” and signed by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the issue of the CE Convertible Bonds in accordance with the terms and conditions of the CE Subscription Agreement and the transactions contemplated thereunder be and is hereby approved;
- (c) conditional upon, among others, the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the new Shares (the “**Conversion Shares**”) among others, the conversion rights attaching to the CE Convertible Bonds, the allotment and issue of the Conversion Shares to the relevant holder(s) of the CE Convertible Bond(s) be and are hereby approved and the board of directors (the “**Directors**”) be and hereby granted with a specific mandate to allot and issue the Conversion Shares to the relevant holder(s) of the CE Convertible Bond(s) in accordance with the terms of the CE Convertible Bonds; and
- (d) any one Director of the Company be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the CE Subscription

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## NOTICE OF EGM

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Agreement and the transactions contemplated thereunder, including but not limited to the execution all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the issue of the CE Convertible Bonds, and the allotment and issue of Conversion Share(s) of which may fall to be issued upon exercise of the conversion rights attaching to the CE Convertible Bonds and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

2. “Mr. CHEOK Albert Saychuan be re-elected as an independent non-executive Director of the Company.”

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

Hong Kong, 30 April 2015

*Notes:*

1. A member of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or if he/she is the holder of two or more shares, more than one proxy to attend and, subject to the provisions of the memorandum of association and articles of association of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the EGM or any adjournment thereof, should he/she so wish.
3. Completion and return of an instrument appointing a proxy will not preclude a member of the Company from attending and voting in person at the meeting and/or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolutions will be decided by way of poll.
5. In case the EGM is anticipated to be affected by black rainstorms or tropical cyclone with warning signal no. 8 or above, please refer to the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> and the Company’s website at <http://www.calc.com.hk> for announcement on bad weather arrangement for the EGM.
6. The form of proxy for use at the EGM is enclosed herewith.

*As at the date of this notice, (i) the executive Directors are Mr. Poon Ho Man and Ms. Liu Wanting; (ii) the non-executive Directors are Mr. Chen Shuang, Mr. Tang Chi Chun and Mr. Guo Zibin; and (iii) the independent non-executive Directors are Mr. Fan Yan Hok, Philip, Mr. Ng Ming Wah, Charles, Mr. Zhang Chongqing and Mr. Nien Van Jin, Robert.*