THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

CALC

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

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

(Stock code: 1848)

VERY SUBSTANTIAL DISPOSAL
AND PROPOSAL FOR
THE AIRCRAFT DISPOSAL MANDATE
IN RELATION TO DISPOSAL OF AIRCRAFT

A letter from the Board is set out on pages 4 to 13 of this circular.

A notice convening the EGM to be held at Cliftons Hong Kong, 508-520 Hutchison House, 10 Harcourt Road, Central, Hong Kong on Thursday, 18 January 2018 at 9:30 a.m. is set out on pages 33 to 35 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 the accompanying form of proxy in accordance with the instructions printed thereon and return the same 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 but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

29 December 2017

TABLE OF CONTENT

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

"Additional Aircraft"	any additional aircraft to be disposed of by the Company to the Vehicle during the Funding Period, as agreed by the Company and the Vehicle from time to time
"Airbus"	Airbus S.A.S., a company created and existing under the laws of France
"Aircraft Disposal Mandate"	the specific mandate granted to the Directors by the Shareholders in the EGM for the disposal of the Additional Aircraft during the Mandate Period
"Announcement"	the announcement of the Company dated 28 December 2017 relating to the Transaction and the Aircraft Disposal Mandate
"Board"	the board of Directors
"Boeing"	The Boeing Company, a company incorporated in the State of Delaware of the United States of America
"CE Aerospace"	China Everbright Aerospace Holdings Limited, a company incorporated in the Cayman Islands on 13 January 2009, a wholly-owned subsidiary of China Everbright Limited and one of the substantial shareholders of the Company
"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
"Completion"	completion of the Transaction, which is currently expected to be at or before the end of 2018
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the actual consideration payable by the Vehicle to the Company for purchase of the Initial Aircraft Portfolio and the Additional Aircraft, as the case may be
"Directors"	the directors of the Company

"EGM"	the extraordinary general meeting of the Company to be held at Cliftons Hong Kong, 508-520 Hutchison House, 10 Harcourt Road, Central, Hong Kong on Thursday, 18 January 2018 at 9:30 a.m., convened for the purpose of considering, and if thought fit, approving, among other things, the Transaction and the Aircraft Disposal Mandate
"FPAM"	Friedmann Pacific Asset Management Limited, a company incorporated in the British Virgin Islands and one of the substantial shareholders of the Company
"Funding Period"	the period commencing from the execution date of debt financing documentation and ending on the second anniversary of the such execution date, such period subject to extension as may be agreed between the Company and the Vehicle from time to time
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Initial Aircraft Portfolio"	the portfolio of aircraft proposed to be disposed of by the Company to the Vehicle at its establishment
"Latest Practicable Date"	27 December 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mandate Period"	the period commencing from the date on which the Aircraft Disposal Mandate is approved by the Shareholders and ending on the date on which the Funding Period expires
"Market Appraised Value"	the average of the half-life book value valuations of the aircraft obtained from three independent appraisers on a half-life basis and adjusted for maintenance by the maintenance support analysis service provider
"Mezzanine Financiers"	the mezzanine tranche financiers of the Vehicle, being third parties independent of the Company and its connected persons
"PRC"	the People's Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this circular

"Qualifying Aircraft Acquisition Criteria"	the qualifying aircraft acquisition criteria relating to the acquisition of aircraft (other than the Initial Aircraft Portfolio) by the Vehicle
"Remaining Group"	the Group (excluding the Initial Aircraft Portfolio) immediately after the Transaction
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	Share(s) with par value of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Transaction"	the disposal of the Initial Aircraft Portfolio
"US$"	United States dollars, the lawful currency of the United States of America
"Vehicle"	the aircraft investment vehicle to be incorporated in Bermuda by the Company and the Mezzanine Financiers
"%"	per cent.

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

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

(Incorporated under the laws of the Cayman Islands with limited liability)
(Stock code: 1848)

Executive Directors:
Mr. CHEN Shuang *JP (Chairman)*
Mr. POON Ho Man *(Chief Executive Officer)*
Ms. LIU Wanting *(Deputy Chief Executive Officer)*

Non-executive Directors:
Mr. TANG Chi Chun
Mr. GUO Zibin
Ms. CHEN Chia-Ling

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

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

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

29 December 2017

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND PROPOSAL FOR THE AIRCRAFT DISPOSAL MANDATE IN RELATION TO DISPOSAL OF AIRCRAFT

1 INTRODUCTION

Reference is made to the Announcement in relation to the Transaction and the proposed Aircraft Disposal Mandate.

The purpose of this circular is to provide the Shareholders with further details in relation to (i) the Transaction and the Aircraft Disposal Mandate in accordance with the Listing Rules; and (ii) the notice of the EGM.

2 THE TRANSACTION – DISPOSAL OF THE INITIAL AIRCRAFT PORTFOLIO TO THE VEHICLE

Background

Since listing on the Stock Exchange in 2014, the Company has expanded rapidly with the principal businesses including acquisition of aircraft, leasing of aircraft to airlines and trading of aircraft. To support the continuing expansion of its business operations, the Company proposes to establish a Vehicle with the Mezzanine Financiers, using the fund injected through the mezzanine financing from the Mezzanine Financiers and the shareholder's loan from the Company at a ratio of 80% to 20%, together with a shareholding between the Mezzanine Financiers and the Company at the same ratio, subject to the final terms and conditions, for investing in a portfolio of lease-attached aircraft, as such the Vehicle will probably not be consolidated into the financial statements of the Company. The Company will dispose of the Initial Aircraft Portfolio to the Vehicle with a view to facilitate the establishment and to initiate the operations of the Vehicle.

The Initial Aircraft Portfolio is expected to comprise aircraft assets with the Market Appraised Value of approximately US$826 million (equivalent to approximately HK$6.44 billion) to be acquired by the Vehicle from the Company. Subject to the Qualifying Aircraft Acquisitions Criteria, the Vehicle may acquire Additional Aircraft from the Company or any aircraft from other aircraft vendors during the Funding Period, but no more than 25 aircraft. The target asset size of the aircraft held by the Vehicle may grow to approximately US$1.4 billion (equivalent to approximately HK$10.92 billion) by the end of the Funding Period. Other than the funding provided by the Mezzanine Financiers and the Company, the Vehicle will also seek additional debt financing from financial institutions.

The term of the Vehicle is initially expected to be six years but may be extended for subsequent periods of one year each, subject to agreement between the Company and the board of directors of the Vehicle. Both the duration of the Funding Period and the Consideration of the aircraft held by the Vehicle at the end of the Funding Period, including any Additional Aircraft which may be acquired by the Vehicle from the Company, are subject to agreement upon further negotiations between the Company and the Mezzanine Financiers.

Parties

(1) The Company, as vendor; and

(2) The Vehicle, as purchaser.

Aircraft to be disposed

The Initial Aircraft Portfolio consists of 18 aircraft as follows:

(i) 12 Airbus A320-200 series aircraft;

(ii) four Airbus A321-200 series aircraft; and

(iii) two Boeing B737-900 series aircraft.

These 18 aircraft are lease-attached with 10 different commercial airlines with an average remaining lease term of approximately 9.6 years. The average age of the aircraft is approximately 1.2 years as at the Latest Practicable Date.

The Company will dispose of the Initial Aircraft Portfolio either by way of a transfer of share of the special purpose vehicles which own direct interests in lease-attached aircraft, or by assignment of the aircraft ownership together with the rights and obligations of the underlying leases.

Consideration of the Initial Aircraft Portfolio

The Consideration is above the net book value of the Initial Aircraft Portfolio. As an alternative to disclosing the Consideration for the Initial Aircraft Portfolio, the Company will disclose the Market Appraised Value of the Initial Aircraft Portfolio.

The Market Appraised Value of the Initial Aircraft Portfolio (obtained from three independent appraisers and maintenance support analysis service provider) is approximately US$826 million (equivalent to approximately HK$6.44 billion). The valuation reports of the Initial Aircraft Portfolio are set out in Appendix II of this circular.

The expected average annual return on assets in respect of the Initial Aircraft Portfolio based on the Market Appraised Value of the Initial Aircraft Portfolio is 2.1%.

The Board considers that the Consideration for the Initial Aircraft Portfolio was determined on an arm's length basis upon negotiation in accordance with the Group's customary business practices, taking into account the Market Appraised Value of the relevant aircraft and the terms and conditions of the Transaction as a whole and with reference to market conditions.

The aggregate net book value, the aggregate gain or loss on the disposal of the Initial Aircraft Portfolio and the excess or deficit of the Consideration over or under the aggregate net book value are commercial sensitive information as are the aggregate net profits (before and after tax) attributable to the Initial Aircraft Portfolio and the effect of the Transaction on the earning and assets and liabilities of the Company.

The gain or loss expected to accrue to the Company from the disposal of the Initial Aircraft Portfolio will be disclosed on an aggregated basis together with any other aircraft disposed of by the Company in the Company's following annual financial statements upon completion of the relevant transactions.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) Rules 14.58(4) and 14.58(7) of the Listing Rules requiring disclosure of the aggregate value of the consideration and net profits attributable to the assets; (ii) Rule 14.58(6) of the Listing Rules requiring disclosure of the net book value of the Aircraft; (iii) Rule 14.60(3)(a), Rule 14.70(2) and Rule 14.66(5) of the Listing Rules requiring disclosure of details of the gain or loss expected to accrue to the Company from the Transaction and the basis for calculating such gain or loss, and disclosure in the circular of the excess or deficit of the consideration over or under the aggregate net book value of the assets and the effect of the Transaction on the earnings and assets and liabilities of the Company; (iv) Rule 14.68(2)(b) of the Listing Rules requiring inclusion in the circular of a profit and loss statement of the assets and a pro forma profit and loss statement and net assets statement on the Remaining Group; and (v) Rule 14.68(3) of the Listing Rules requiring inclusion in the circular of the management discussion and analysis of the Group.

Payment and delivery terms

It is expected that the Initial Aircraft Portfolio will be delivered to the Vehicle at or before the end of 2018 subject to final terms and conditions or as agreed upon by the Vehicle and the Company.

3 DISPOSAL OF THE ADDITIONAL AIRCRAFT TO THE VEHICLE

In accordance with the proposed terms and conditions for the establishment of the Vehicle, the Company shall have the exclusive right to originate any aircraft acquisition opportunities for the Vehicle, including any disposal of aircraft to the Vehicle by the Company or any acquisition of aircraft by the Vehicle from third party vendors, subject to the Company (or one of its affiliates) acting as the Vehicle's servicer. Any disposal of the Additional Aircraft will be subject to agreement upon further negotiations between the Company and the Vehicle.

4 THE AIRCRAFT DISPOSAL MANDATE

Parties

(1) The Company, as vendor; and

(2) The Vehicle, as purchaser.

Terms and Conditions of the Aircraft Disposal Mandate

The following are the terms and conditions of the Aircraft Disposal Mandate to be proposed at the EGM:

1. The Aircraft Disposal Mandate shall remain in effect during the Mandate Period.

2. The Consideration of the Initial Aircraft Portfolio and the Additional Aircraft shall not exceed US$1.75 billion (equivalent to approximately HK$13.65 billion), such amount being the target asset size of US$1.4 billion (equivalent to approximately HK$10.92 billion) of the Vehicle plus an additional 25%, being US$350 million (equivalent to approximately HK$2.73 billion), to take into account re-composition of aircraft portfolio by the Vehicle through acquisition of other Additional Aircraft from the Company following a sale of aircraft by the Vehicle.

3. The Additional Aircraft to be purchased by the Vehicle shall satisfy all of the Qualifying Aircraft Acquisition Criteria set out in paragraph 6 below at the time of each disposal by the Company and shall not be more than 25 aircraft.

4. The Consideration for an aircraft disposed of by the Company to the Vehicle under the Aircraft Disposal Mandate shall not be lower than 95% of the Market Appraised Value.

5. The terms of each disposal shall be negotiated and entered into by the Company on arm's length basis in accordance with the Group's customary business practices, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. The Qualifying Aircraft Acquisitions Criteria for the Additional Aircraft are:

   (i) eligible aircraft comprising the following:

      a. Airbus: A320-CEO Family, A320-NEO Family, A330-300, A350-900, A350-1000; and

      b. Boeing: B737-NG Family, B737-MAX Family, B777-300ER, B777-X, B787-8, 787-9, 787-10;

   (ii) at the time of acquisition by the Vehicle, the aircraft must not be greater than seven years of age and the acquisition must not result in the weighted-average age of the aircraft fleet of the aircraft portfolio held by the Vehicle to exceed five years;

   (iii) at the time of acquisition by the Vehicle, the aircraft must be subject to a lease, the remaining lease term of which must be no less than five years and the acquisition must not result in the weighted average remaining lease term of the aircraft fleet of the aircraft portfolio held by the Vehicle to become less than six years; and

   (iv) the Consideration for such aircraft does not exceed 115% of the Market Appraisal Value.

7. Where an agreement has been entered into to dispose of the Additional Aircraft pursuant to the Aircraft Disposal Mandate, the Company shall make an announcement stating the following:

   (i) the date of the relevant disposal agreement;

   (ii) the number and the type of the relevant aircraft to be disposed;

   (iii) the maximum aggregate amount of the consideration for the disposal;

   (iv) the Market Appraised Value of the relevant aircraft provided by the independent appraisers and the maintenance support analysis service provider;

   (v) the payment and delivery terms of the relevant aircraft;

   (vi) the cumulative number of aircraft disposed of under the Aircraft Disposal Mandate; and

(vii) a confirmation from the Directors that the terms of each disposal are negotiated and entered into by the Company on arm's length basis in accordance with the Group's customary business practices, and the terms of each disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

8. The Company will include in its annual and interim reports the information set out in paragraph 7(vi) above.

5 REASONS FOR ENTERING INTO THE TRANSACTION

The Group is an aircraft full value-chain solutions provider. It offers services covering an aircraft's full life cycle to meet airlines' fleet management requirements, including services for new aircraft, used aircraft and aircraft coming to the end of their life. The Group owns a fleet of 106 aircraft as at the Latest Practicable Date.

Currently most of its fleet comes from direct purchase from manufacturers and that will remain its major source of new aircraft and it plans to continue to strengthen its orderbook. As at the Latest Practicable Date, the Group is in discussions with Airbus regarding the possible purchase of 50 Airbus aircraft. Following this new order, the Group has a further 179 aircraft on backlog. In parallel, the Group continues to seek other opportunities, including purchase and leaseback and aircraft trading, to enlarge its fleet and to optimize its aircraft portfolio in order to advance its value-added one-stop solutions to meet airlines' fleet management requirements.

The Group has expanded its fleet to over 100 aircraft while deepening its global presence in 2017. It considers appropriate to make use of its developed aircraft and client portfolios, its established asset management capability, its expertise in the global aviation value chain and its network of worldwide aviation partners to grow its aircraft trading business further, while launching the Vehicle as an additional financing platform to support its continued expansion. The Vehicle will also enable the Group to progressively adopt an asset-light business model, to scale up the aircraft asset under the Group's management and optimize its aircraft portfolio with risk diversified. In addition, the Vehicle will allow better flexibility and easier access of capital for the Group for better capture aircraft acquisition opportunities.

The disposal plan is intended to facilitate the establishment of the Vehicle and to initiate its operations.

The Group also offers a wide range of investment products spanning diverse requirements throughout its aircraft full value-chain. Through the Vehicle, the Mezzanine Financiers and Shareholders can tap into the stable aviation assets with long term cash flow, while the Group will receive services fees as new revenue stream by providing management and administration services. The Group will keep a minority equity interest in the Vehicle to receive economic benefit.

Benefit to the Mezzanine Financiers for establishing the Vehicle

Set out below are the benefits to the Mezzanine Financiers for establishing the Vehicle:

1. Large supply of liquidity in the market – the market has ample supply of liquidity that is looking opportunities in a low interest rate environment;

2. Stable industry – aviation is an industry which is highly stable, and highly resistant to financial crises. Supply of aircraft is limited with two manufacturers dominating the market, and demand has been steady increasing with developing countries driving the passenger growth;

3. Highly commoditized – aircraft is a commodity that has proven track record of trading activity in the market; and

4. Direct access to manufacturer – the Company has one of the largest orderbooks with the manufacturers, and secures a steady supply of aircraft in a high demand environment.

Business rationale for establishing the Vehicle

Set out below is the business rationale of the Company for establishing the Vehicle:

1. Lease portfolio management – the Group can allot the geographical risk of its aircraft lease portfolio;

2. Asset value management – the Group can create value to its Shareholders as well as to the Mezzanine Financiers for building a new platform to participate in the asset with stable long term cash flow;

3. Aircraft portfolio adjustment – the Group can undergo fleet management by allocating the right aircraft type, age and mix (e.g. the combination of single-aisle aircraft and twin-aisle aircraft) of its aircraft portfolio as well as the Vehicle;

4. Gaining market share through aircraft trading – the Group can increase its bargaining power for better pricing on OEM purchasing and aircraft leasing against airline customers/aircraft manufacturers and promoting the Group's reputation in the market. Meanwhile, the Vehicle will benefit as well from buying the portfolio from the Group;

5. Diversifying aviation risk while meeting rapid aviation growth demand from airline customers – the Group can reduce gearing/debt ratio and equity/capital requirement while it increases its profits when disposing its aircraft to the Vehicle;

6. Supporting continued expansion – disposal of aircraft by the Group to the Vehicle allows the Group to (a) gain resources for its continuing expansion through acquisition of aircraft from OEM or airline customers (through sale-and-lease back transactions) or secondary market trading; and (b) increase the fleet size managed by the Group to meet strong market demand in the aviation industry;

7. Continuing servicing and administration arrangements – the Group will provide management and administration services to the Vehicle, ensuring that the aircraft assets owned by the co-investment platforms are properly serviced. The Group will receive new source of the recurring income with respect to the servicing fees for providing such services; and

8. Gaining flexibility and access to capital – as the Group holds minor equity interest in the Vehicle, the financial position of the Vehicle will probably not be consolidated into the Company's accounts. This means that the lending/credit records of the co-investment platforms will be separate from that of the Group, allowing better flexibility and easier access of capital for the Group when it seeks lending from financial institutions.

While the Group is establishing the Vehicle as one of the financing models which has been developed recently, the core business and the business model of the Group, being aircraft leasing and trading, will remain the key focus of the Group going forward.

Use of proceeds

The Company intends to use the net proceeds received from the disposal of the Initial Aircraft Portfolio and the Additional Aircraft for aircraft acquisitions, business expansion in aircraft and related business and general corporate purposes.

6 INFORMATION ABOUT THE GROUP, THE VEHICLE AND THE MEZZANINE FINANCIERS

The Group is a one-stop aircraft full-life cycle solutions provider for global airlines. The scope of business of the Group includes regular operations such as aircraft operating leases through OEM orders or aircraft sale and leaseback transactions, structured financing, and other value-added services such as fleet planning, fleet replacement package deals, aircraft disassembling and component sales.

The Vehicle will principally engage in investment of aircraft assets. The Vehicle will be held as to 80% by the Mezzanine Financiers and 20% by the Group primarily by using the form of mezzanine financing and shareholder's loan, subject to final terms and conditions.

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

7 IMPLICATIONS OF THE LISTING RULES

As the applicable percentage ratio under Rule 14.07 of the Listing Rules for the Transaction is over 75%, such Transaction constitutes a very substantial disposal of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements in Chapter 14 of the Listing Rules.

So far as the Directors are aware after making reasonable enquiry, no Shareholder is required to abstain from voting at the EGM for approving the Aircraft Disposal Mandate.

8 EGM

A notice of the EGM to be held at Cliftons Hong Kong, 508-520 Hutchison House, 10 Harcourt Road, Central, Hong Kong on Thursday, 18 January 2018 at 9:30 a.m. is set out on pages 33 and 35 of this circular. A form of proxy for the EGM is enclosed. At the EGM, resolutions will be proposed to approve the Transaction and the Aircraft Disposal Mandate.

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

In order to determine the list of Shareholders who are entitled to attend and vote at the EGM, the register of the Shareholders will be closed from Wednesday, 17 January 2018 to Thursday, 18 January 2018 (both days inclusive), during which period no transfer of Shares will be registered. The Shareholders whose names appear on the register of the Shareholders as on Thursday, 18 January 2018 will be entitled to attend and vote at the EGM.

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

9 RECOMMENDATION

The Company proposes to seek approval from the Shareholders for the Transaction and the Aircraft Disposal Mandate based on the following reasons:

(1) The structure of the Vehicle is well-established and commonly adopted by aircraft leasing companies in the international aircraft leasing market for the trading of aircraft based on market recognized valuation methodology for comparable aircraft. If the Company were required to enter into definitive documents which are conditional on Shareholders' approval, this would in effect impose uncertainty on the potential co-investors and debt financing providers, and the Company's competitiveness could be seriously impaired as its competitors do not operate under the same restraints, in particular:

(i) The Company has approached a number of potential co-investors, some of them have indicated to the Company that they would expect to have substantially completed due diligence before signing any agreement to commit to its investment. Once they have completed their due diligence, they will expect the definitive agreements relating to the Vehicle to be signed relatively quickly given the established documentation standard. They will also expect the Transaction to be completed shortly after signing of the definitive agreements; and

(ii) The Company has approached a number of financial institutions for debt financing for its acquisitions and they do not expect the acquisitions to be conditional on Shareholders' approval (similar to comparable structures adopted by other international aircraft leasing companies); and

(2) Uncertainty due to the change of interest rates environment in the coming future. If the Company were not able to seek approval from the Shareholders for the Transaction and the Aircraft Disposal Mandate, considerable time would be required to obtain such Shareholders' approval after the Vehicle has been established, and the interest rates (and hence the cost of the debt financing mentioned in paragraph (1)(ii) immediately above) at the time may be higher.

On the basis that:

(i) the terms of the disposal shall be negotiated and entered into by the Company on arm's length basis in accordance with the Group's customary business practices;

(ii) to the best of the Director's knowledge, information and belief and having made all reasonable enquiry, the Mezzanine Financiers and their ultimate beneficial owners are third parties independent of the Company and its connected persons;

(iii) the Consideration is above the net book value of the Initial Aircraft Portfolio;

(iv) the Consideration for an aircraft disposed of by the Company to the Vehicle under the Aircraft Disposal Mandate shall not be lower than 95% of the Market Appraised Value; and

(v) the Company will include in its annual and interim reports the information set out in paragraph 7(vi) under the paragraph headed "4. The Aircraft Disposal Mandate" above,

the Directors confirm that the Transaction is negotiated and will be entered into by the Company on arm's length basis in accordance with the Group's customary business practices and the terms of the Transaction are fair and reasonable and in the interests of the Shareholders as a whole. The Directors confirm that the Transaction is being entered into in the ordinary and usual course of business and have no material adverse impact on the Company's operations and financial position.

The Directors consider that the terms of the Transaction and the Aircraft Disposal Mandate are fair and reasonable and in the interest of the Shareholders as a whole.

Accordingly, the Directors recommend that all Shareholders should vote in favour of the relevant resolutions to be proposed at the EGM to approve the Transaction and the Aircraft Disposal Mandate.

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

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

1 FINANCIAL INFORMATION OF THE GROUP FOR THE YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016 AND THE SIX MONTHS ENDED 30 JUNE 2017

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

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

2 STATEMENT OF INDEBTEDNESS

As of 31 October 2017, which is the latest practicable date for the purpose of determining the amount of indebtedness, the Company had outstanding interest-bearing balance of bank borrowings and long-term borrowings, medium-term notes, convertible bonds and bonds in the total amount of HK$18,804.2 million, HK$781.1 million, HK$155.4 million and HK$8,524.9 million, respectively.

As of 31 October 2017, the bank borrowings and certain long-term borrowings are secured by (a) in addition to other legal charges, the related aircraft leased to airline companies by the Group under either finance leases or operating leases; (b) pledge of the shares in the special established vehicles of the Company owning the related aircraft; (c) guarantees from certain companies of the Group; (d) pledge of deposits amounting to HK$91.6 million; and (e) certain rights and benefits in respect of acquisition of aircraft.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as of 31 October 2017, being the latest practicable date for determining indebtedness, the Company did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or other similar indebtedness or finance lease commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments or guarantees or other material contingent liabilities.

3 WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseeable circumstances, and after taking into account the financial resources available to the Group including the internal resources, the available banking facilities, and the proceeds from the Transaction, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

4 FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

The Group had a fleet of 106 aircraft as at the Latest Practicable Date. The Initial Aircraft Portfolio of 18 aircraft amounts to less of 20% of the Group's total fleet size. Upon Completion, the Remaining Group will maintain its presence in aircraft leasing business in the PRC and other countries or regions in Europe and Asia. It will remain focused on enhancing its reputation as an aircraft full value chain solutions provider that offers a combination of innovative and value-added solutions to clients. The Remaining Group will capitalise on its momentum to move beyond the status quo. Looking ahead to 2018, the growth in the aircraft leasing industry is expected to be extended, driven by an emerging middle class that favours air travel.

5 MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited accounts of the Company have been made up.

The following is the text of four reports prepared for the purpose of incorporation in this circular received from three independent appraisers and an independent maintenance support analysis service provider in connection with its valuation of the Market Appraised Value of the aircraft.

AVITAS®

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29 December 2017

The Board of Directors
China Aircraft Leasing Group Holdings Limited
28/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

Dear Sirs,

1 INTRODUCTION

AVITAS, Inc. has been retained by China Aircraft Leasing Group Holdings Limited (the "**Client**") to provide its opinion as to the Base Value, Current Market Value, Future Base Value, Current Market Rental Rate and Future Base Lease Rate for eighteen (18) various Airbus and Boeing commercial jet aircraft.

In determining the values, AVITAS has not had the opportunity to recently inspect the subject aircraft nor review their related technical documentation. Consequently, unless otherwise stated, we use the following assumptions in our valuation of each of the subject aircraft:

(i) the aircraft is in average physical condition

(ii) it is in half-life, half-time condition with regard to the airframe, engines, landing gear and other critical components, unless new or almost new

(iii) it is in standard airline configuration

(iv) it is operated under the air transport regulations of a major airworthiness authority

(v) the historical maintenance documentation has been properly controlled under internationally recognized standards

(vi) it is in compliance with all Airworthiness Directives and Service Bulletins

(vii) its specifications and modification status are comparable to other aircraft of its type and age

(viii) its utilization rate is similar to that of other aircraft of its type and age

(ix) there is no history of accident or incident damage

The values presented in this report do not take into consideration fleet sales, attached leases, tax considerations or other factors that might be considered in structuring the terms and conditions of a specific transaction. These factors do not directly affect the value of the aircraft itself but can affect the economics of the transaction. Therefore, the negotiated striking price in an aircraft transaction may take into consideration factors such as the present value of the future lease stream, the terms and conditions of the specific lease agreement and the impact of tax considerations.

2 DEFINITIONS

AVITAS's value definitions conform to those of the International Society of Transport Aircraft Trading ("**ISTAT**") adopted in January 1994, and are summarized as follows:

Base Value is the appraiser's opinion of the underlying economic value of an aircraft in an open, unrestricted, stable market environment with a reasonable balance of supply and demand, and assumes full consideration of its "highest and best use." An aircraft's Base Value is founded in the historical trend of values and in the projection of value trends and presumes an arm's-length, single-unit, cash transaction between willing and knowledgeable parties, acting prudently, with an absence of duress and with a reasonable period of time for marketing. Base Value typically assumes that an aircraft's physical condition is average for an aircraft of its type and age, and its maintenance time status is at mid-life, mid-time (or benefiting from an above-average maintenance status if it is new or nearly new).

Market Value (or **Current Market Value** if the value pertains to the time of the analysis) is the appraiser's opinion of the most likely trading price that may be generated for an aircraft under the market conditions that are perceived to exist at the time in question. Market Value assumes that the aircraft is valued for its highest, best use, that the parties to the hypothetical transaction are willing, able, prudent and knowledgeable, and under no unusual pressure for a prompt sale, and that the transaction would be negotiated in an open and unrestricted market on an arm's-length basis, for a single-unit, for cash or equivalent consideration, and given an adequate amount of time for effective exposure to prospective buyers. Market Value assumes that an aircraft's physical condition is average for an aircraft of its type and age, and its maintenance time status is at mid-life, mid-time (or benefiting from an above-average maintenance status if it is new or nearly new). Market Value is synonymous with Fair Market Value in that both reflect the state of supply and demand in the market that exists at the time.

Future Base Value is the appraiser's forecast of future aircraft value(s) setting forth Base Value(s) as defined above.

Market Lease Rate (not an ISTAT defined term) is the appraiser's opinion of the most likely monthly operating lease rate that may be generated under market conditions that are perceived to exist at the time in question. It assumes a term with duration typical for the aircraft type with the aircraft returned in half-time condition. Actual rental rates can vary dramatically depending on the duration of the lease, the lessee's credit, tax considerations, return provisions and residual value assumptions.

Future Base Lease Rate (not an ISTAT defined term) is the appraiser's forecast of future aircraft lease rates setting forth Base Lease Rate(s) as defined above.

Yours faithfully,
For and on behalf of
AVITAS, Inc.

Martin P. O'Hanrahan
Senior Consultant
ISTAT Certified Appraiser

Adam Patterson
Aircraft Analyst

IBA Group Limited
IBA House, 7 The Crescent
Leatherhead
Surrey KT22 8DY
United Kingdom

29 December 2017

The Board of Directors
China Aircraft Leasing Group Holdings Limited
28/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

Dear Sirs,

IBA is pleased to provide this appraisal letter, at the request of China Aircraft Leasing Company (CALC), for the purpose of determining the half-life market and base values, as of August 2017 of an 18 aircraft portfolio.

1 METHODOLOGY

In determining the values of the aircraft that compose the subject portfolio, IBA has taken into account the data supplied by specification for each type as provided by the client. Additionally, values are taken from IBA's own aircraft value database. Information on transactions for various aircraft types is routinely gathered and stored in the database as part of IBA's daily business. The information is then sorted and analysed for emerging trends in aircraft values and combined with our views on aircraft markets to produce a depreciation profile.

Whilst the techniques used and the judgments made do not isolate every single influence and reduce it to a numerical value that impacts on the overall model, it is our view that the complexity of a purely mathematical approach would produce values that were overly sensitive to minor changes in the parameters feeding it. Consequently, IBA feels that, when making an assessment of aircraft value, there is still no substitute, for the blend of market research and intelligence, mathematics, and judgment based on the experience of the appraiser in this highly dynamic market.

2 VALUE DEFINITIONS

As an established industry source for aviation related valuations to a wide variety of clients, IBA is concerned that the valuations it provides are clearly understood within the context of the necessary vocabulary of aircraft appraisers. For this reason it falls to IBA to clearly define the nature of the values which are contained within this work. The following definitions are consistent with the fundamental concepts of aircraft valuation promoted by the International Society of Transport Aircraft Trading (ISTAT) of which IBA has corporate membership.

Market Value is the Appraiser's opinion of the most likely trading price that may be generated for an aircraft under the market circumstances that are perceived to exist at the time in question. It assumes that an aircraft is valued for its "highest, best use", that the parties to the hypothetical sale transaction are willing, able, prudent and knowledgeable, and under no unusual pressure for a prompt sale, and that the transaction would be negotiated in an open and unrestricted market on an arm's-length, single-sale basis, for cash or equivalent consideration, and given an adequate amount of time for effective exposure to prospective buyers. For the purpose of this appraisal, Current Market Value assumes average physical condition for age and type and its maintenance status is at mid-life, mid-time (or benefiting from an above-average maintenance status if new or nearly new).

Base Value is the Appraiser's opinion of the underlying economic value of an aircraft in an open, unrestricted, stable market environment with a reasonable balance of supply and demand, and assumes full consideration of its "highest and best use". An aircraft's Base Value is founded in the historical trend of values and in the projection of value trends and presumes an arm's-length, cash transaction between willing, able and knowledgeable parties, acting prudently, with an absence of duress and with a reasonable period of time available for marketing.

3 ASSUMPTIONS

Value assumptions

(i) Aircraft economic useful life of 25 years.

(ii) Aircraft will remain in service in their current roles.

(iii) Aircraft assumed to be in a standard maintenance condition for its vintage or in half-life maintenance condition if age and utilisation permit.

(iv) Aircraft to be maintained under a manufacturer approved program.

(v) Aircraft has the full complement of records with back-to-birth traceability, maintained in the English language.

(vi) All applicable mandatory maintenance requirements will be complied with and terminated where possible.

(vii) Corrosion Prevention and Control Programs and Ageing Aircraft Programs will be complied with.

(viii) Aircraft in average physical condition.

(ix) Unless otherwise stated, aircraft is equipped to an average level of specification.

Assumptions – Transaction Participants

(i) Purchasing party is willing, able, prudent and knowledgeable.

(ii) Selling party is willing, able, prudent and knowledgeable.

(iii) There is no 'unusual pressure' on either buyer or seller that necessitates either a discount or premium to the 'most likely trading price'.

Assumptions – Transaction

(i) Negotiated in an open and unrestricted market.

(ii) Adequate time for effective exposure to prospective buyers.

NB: The time required to re-market the aircraft is likely to be directly related to the condition of the market. In a balanced market, up to six months is usually required for effective exposure to prospective buyers. Softer markets dictate that more time is required for this activity, perhaps up to twelve months. If the aircraft has not sold during this period, the primary reason is unlikely to be insufficient exposure to the market.

Assumptions – Market

(i) Stable global regulatory and legislative environments, precluding the possibility of the aircraft's premature withdrawal from operational use (e.g. noise, emissions, applicable airworthiness directives, etc.).

(ii) Market conditions are conducive to supporting an arm's-length transaction with adequate time for remarketing without unusual pressure to dispose of the aircraft.

(iii) Balanced market: future market conditions will be reasonably stable and the demand for aircraft will be reasonably equal to the supply of aircraft – i.e. reasonably balanced.

(iv) No market "events" that affect the basic demand/supply of commercial aircraft.

(v) World GDP levels averaging 3.2% growth per annum.

Yours faithfully,
For and on behalf of
IBA Group Limited

Mike Yeomans	**Elvis Kongolo**	**Lewis Leslie**
Head Analyst – Commercial Aircraft & Leasing ISTAT Certified Appraiser	*Aviation Analyst*	*Aviation Analyst*

mba | morten beyer & agnew

62/F & 66/F, The Center
99 Queens Road, Central
Hong Kong

29 December 2017

The Board of Directors
China Aircraft Leasing Group Holdings Limited
28/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

Dear Sirs,

1 INTRODUCTION

Morten Beyer & Agnew ("**mba**") has been retained by China Aircraft Leasing Group Holdings Limited (the "**Client**" or "**CALC**") to provide a Desktop Appraisal to determine the Half-Time Current Base and Market Values of eighteen (18) various aircraft ("**Subject Aircraft**"), as of August 2017.

In performing this Appraisal, mba relied on industry knowledge and intelligence, confidentially obtained data points, its market expertise and current analysis of market trends and conditions, along with value information from its semiannual publication redbook – July 2017.

2 DEFINITIONS

Desktop Appraisal

A Desktop Appraisal is one which does not include any inspection of the aircraft or review of its maintenance records. It is based upon assumed aircraft condition and maintenance status or information provided to the appraiser or from the appraiser's own database. A Desktop Appraisal would normally provide a value for a mid-time, mid-life aircraft (ISTAT Handbook).

Base Value

ISTAT defines Base Value as the Appraiser's opinion of the underlying economic value of an aircraft, engine, or inventory of aircraft parts/equipment (hereinafter referred to as "**the asset**"), in an open, unrestricted, stable market environment with a reasonable balance of supply and demand. Full consideration is assumed of its "highest and best use". An asset's Base Value is founded in the historical trend of values and in the projection of value trends and presumes an arm's-length, cash transaction between willing, able, and knowledgeable parties, acting prudently, with an absence of duress and with a reasonable period of time available for marketing. In most cases, the Base Value of an asset assumes the physical condition is average for an asset of its type and age. It further assumes the maintenance time/life status is at mid-time, mid-life (or benefiting from an above-average maintenance status if it is new or nearly new, as the case may be). Since Base Value pertains to a somewhat idealized asset and market combination it may not necessarily reflect the actual current value of the asset in question, but is a nominal starting value to which adjustments may be applied to determine an actual value. Because it is related to long-term market trends, the Base Value definition is commonly applied to analyses of historical values and projections of residual values.

Market Value

ISTAT defines Market Value (or Current Market Value if the value pertains to the time of the analysis) as the appraiser's opinion of the most likely trading price that may be generated for an asset under market circumstances that are perceived to exist at the time in question. Current Market Value assumes that the asset is valued for its highest, best use, and the parties to the hypothetical sale transaction are willing, able, prudent and knowledgeable and under no unusual pressure for a prompt transaction. It also assumes that the transaction would be negotiated in an open and unrestricted market on an arm's-length basis, for cash or equivalent consideration, and given an adequate amount of time for effective exposure to prospective buyers.

Market Value of a specific asset will tend to be consistent with its Base Value in a stable market environment. In situations where a reasonable equilibrium between supply and demand does not exist, trading prices, and therefore Market Values, are likely to be at variance with the Base Value of the asset. Market Value may be based upon either the actual (or specified) physical condition or maintenance time or condition status of the asset, or alternatively upon an assumed average physical condition and mid-life, mid-time maintenance status.

3 VALUATION

In developing the values of the Subject Aircraft, mba did not inspect the Subject Aircraft or the records and documentation associated with the Subject Aircraft, but relied on partial information supplied by the Client. This information was not independently verified by mba. Therefore, mba used certain assumptions that are generally accepted industry practice to calculate the value of aircraft when more detailed information is not available.

The principal assumptions for the Subject Aircraft are as follows:

(i) The aircraft is in good overall condition.

(ii) The overhaul status of the airframe, engines, landing gear and other major components are the equivalent of mid-time/mid-life, or new, unless otherwise stated.

(iii) The historical maintenance documentation has been maintained to acceptable international standards.

(iv) The specifications of the aircraft are those most common for an aircraft of its type and vintage.

(v) The aircraft is in a standard airline configuration.

(vi) The aircraft is current as to all Airworthiness Directives and Service Bulletins.

(vii) Its modification status is comparable to that most common for an aircraft of its type and vintage.

(viii) Its utilization is comparable to industry averages.

(ix) There is no history of accident or incident damage.

(x) In the case of the Base and Market Value, no accounting is made for lease revenues, obligations or terms of ownership unless otherwise specified.

(xi) Aircraft less than five (5) years old have inherent maintenance removed to bring the aircraft to a theoretical half time value.

4 COVENANTS

This Report has been prepared for the exclusive use of China Aircraft Leasing Group Holdings Limited and shall not be provided to other parties by mba without the express consent of China Aircraft Leasing Group Holdings Limited. Mba certifies that this Report has been independently prepared and that it fully and accurately reflects mba's and the signatory's opinion of the values of the Subject Aircraft as requested. mba further certifies that it does not have, and does not expect to have, any financial or other interest in the Subject Aircraft or similar aircraft and engines. Neither mba nor the signatory has provided the OEMs of the airframe or engines with pro bono or paid consulting or advice in the design or development of the assets valued herein.

This Report represents the opinion of mba of the values of the Subject Aircraft as requested and is intended to be advisory only, in nature. Therefore, mba assumes no responsibility or legal liability for any actions taken, or not taken, by China Aircraft Leasing Group Holdings Limited or any other party with regard to the Subject Aircraft and engines. By accepting this Report, all parties agree that mba shall bear no such responsibility or legal liability.

Yours faithfully,
For and on behalf of
Morten Beyer & Agnew

Kim Seward
Manager – Asset Valuations
ISTAT Certified Appraiser

Lindsey Webster
Director – Asset Valuations
ISTAT Certified Appraiser

ICF
630 Third Avenue
New York, USA

20 December 2017

The Board of Directors
China Aircraft Leasing Group Holdings Limited
28/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

Dear Sirs,

1. INTRODUCTION

1.1 Overview

ICF has been retained by CALC to undertake a forecast of the future maintenance-related cash flows and exposure of an aircraft portfolio over a thirty (30) year period.

The portfolio currently comprises eighteen (18) narrowbody jet transport aircraft, all of which are manufactured by Airbus or Boeing. All aircraft in the portfolio are or will shortly be under operating leases with expiry dates ranging from August 2025 to February 2030. Across the portfolio, the simple average expiry date is July 2027.

ICF's Maintenance Cash Flow Model (the "**Model**") forecasts the future utilization and condition of the aircraft pursuant to existing contractual lease terms, together with the associated maintenance-related cash flows. More specifically, the Model predicts the timing, revenues, and expenses associated with airframe, engine, and component maintenance requirements for a given portfolio of leased assets. The forecast events include heavy airframe checks, engine performance restorations, engine LLP replacements, and landing gear, APU, and thrust reverser overhauls. The Model does not forecast include cash flows related to remarketing, lease transitions, repossession, etc.

While the Model has the capability to forecast under multiple scenarios, this report outlines the methodology used in the forecast of future condition and cash flows under a Management Case scenario. This Management Case scenario assumes that all aircraft remain subject to existing lease agreements through the lease expiration date provided by CALC. Each aircraft is then assumed to be re-leased to consecutive new lessees until each aircraft reaches its assumed retirement age. Among other assumptions, the Management Case assumes that all payments are made in a timely manner and that there are no events of default.

This maintenance cash flow analysis is based on data provided by CALC, generally as of July 2017.

This report is a summary of the full report dated November 27, 2017. The full report includes additional details on lessor maintenance-related cash flows and an overview of ICF's proprietary model.

1.2 Disclaimer

Review or use of this report by any party constitutes acceptance of the following terms which constitute a binding agreement between you and ICF. By your review or use of the report, you hereby agree to the following terms. Any use of this report other than as a whole and in conjunction with this disclaimer is forbidden. This report and information and statements herein are based in whole or in part on information obtained from various sources. ICF makes no assurances as to the accuracy of any such information or any conclusions based thereon. The report is provided as is. No warranty, whether express or implied, including the implied warranties of merchantability and fitness for a particular purpose, is given or made by ICF in connection with this report.

1.3 Limitations

ICF used its own internal data, together with data provided by CALC, airline operators, original equipment manufacturers, repair and overhaul agencies and other private and public available sources to develop the maintenance exposure model.

ICF's opinions are based partly upon historical relationships and expectations that it believes are reasonable. Some of the underlying assumptions, including those described herein, or detailed explicitly or implicitly elsewhere in this report, may not materialize because of unanticipated events and circumstances. ICF's opinions could change, and would, vary materially, should any of the above assumptions prove to be inaccurate.

The opinions expressed herein are not given for, or as an inducement or endorsement for, any financial transaction. They are prepared for the exclusive use of the addressee. The report is not to be furnished to any third party. ICF accepts no responsibility for damages, if any, that result from decisions made or actions taken based on this report.

1.4 Important Notes and Assumptions

It should be noted that in developing its Maintenance Cash Flow Forecast, ICF utilizes its estimates of average intervals between engine shop visits.

In reality, there is variance around the engine shop visit costs and intervals, due to a multitude of factors. For example, engine shop visit costs are driven by the workscope of the prior engine shop visit, the number of hours and cycles the engine has operated since the prior engine shop visit, the environment within which the engine has been operated, the labor rate for the engine shop performing the maintenance, and the extent to which repaired or new parts are utilized. Engine shop visit intervals are driven by a number of factors as well, including prior engine shop visit workscope, thrust rating, hour to cycle ratio, and the environment within which the engine has been operated.

Because of the variance that can occur, in performing this Maintenance Cash Flow Forecast, CALC has provided ICF with a forecast which specifies expected maintenance events on certain aircraft in its portfolio. Where appropriate, ICF has incorporated into its forecast additional information provided by CALC based on representations from CALC's technical team:

- MSN 7213: Based upon its estimates of the average engine shop visit interval, ICF would project engine shop visits in March 2028 for these engines. Given CALC's experience of technical engine performances in the environment in which lessee operate, these engines are expected in shop two months earlier. Based upon these representations, ICF has reduced the time on wing for this engine so that the next shop visit is projected to occur in January 2028.

- MSN 39837: Based upon its estimates of the average engine shop visit interval, ICF would project engine shop visits in June 2029 for these engines. Given CALC's experience of technical engine performances in the environment in which lessee operate, these engines are expected in shop six months earlier. Based upon these representations, ICF has reduced the time on wing for this engine so that the next shop visit is projected to occur in December 2028.

- MSN 39839: Based upon its estimates of the average engine shop visit interval, ICF would project engine shop visits in May 2029 for these engines. Given CALC's experience of technical engine performances in the environment in which lessee operate, these engines are expected in shop three months earlier. Based upon these representations, ICF has reduced the time on wing for this engine so that the next shop visit is projected to occur in February 2029.

ICF has assumed that the information provided by CALC to be accurate, and while ICF believes that the referenced adjustment from its baseline forecast is reasonable and within the range of likely outcomes, ICF has not independently verified such information.

Additionally, in preparing this Management Case, CALC has requested ICF to assume 2% yearly inflation for all maintenance costs (compared to the 2.5%/year standard ICF maintenance cost escalation assumption).

Yours faithfully,
For and on behalf of
ICF SH&E, Inc.

1 RESPONSIBILITY STATEMENT

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

2 DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

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

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

Notes:

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

(2) Based on 678,179,360 Shares in issue as at the Latest Practicable Date.

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

(4) Mr. POON Ho Man was deemed to be interested in 197,554,589 Shares in the following manner:

(a) 182,554,589 Shares held by FPAM, which is owned as to 0.000001% by Ms. Christina NG, the spouse of Mr. POON, and 99.999999% by Capella Capital Limited which is in turn owned as to 10% by Ms. NG and 90% by Mr. POON; and

(b) 15,000,000 Shares held by Equal Honour Holdings Limited, a company wholly-owned by Mr. POON.

(5) These interests represented the interests in the underlying Shares in respect of the share options granted by the Company to Ms. Christina NG pursuant to the Post-IPO Share Option Scheme.

(6) These Shares were held by Smart Aviation Investment Limited, a company wholly-owned by Ms. LIU Wanting.

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

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

3 DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding agreements expiring or determinable by the Group within one year without payment of any compensation other than statutory compensation).

4 COMPETING INTERESTS

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

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

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

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

6 LITIGATION

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

7 MATERIAL CONTRACTS

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

(a) the investment agreement dated 6 April 2016 (the "**Investment Agreement**") entered into between the Company, Aircraft Recycling International Limited, Aircraft Recycling International Holdings Limited ("**ARI Holdings**"), Sky Cheer International Limited ("**Sky Cheer**"), China Aero Investments Limited ("**China Aero**") and Neo Modern Limited ("**Neo Modern**") (ARI Holdings, Sky Cheer, China Aero and Neo Modern collectively known as the "**ARI Shareholders**") in relation to the subscription of ordinary shares of ARI (the "**ARI Shares**") and the transfer from the Group to China Aircraft Disassembly Centre Limited ("**CADC**") a project which principally involved the establishment of an aircraft recycling centre in the PRC for carrying out the aircraft recycling business;

(b) the option agreement dated 6 April 2016 entered into between ARI and ARI Holdings in relation to the grant of option to require ARI to allot and issue to ARI Holdings ARI Shares;

(c) the shareholders' agreement dated 6 April 2016 entered into between ARI and each of the ARI Shareholders to regulate the relationship of ARI and the ARI Shareholders;

(d) the shareholders' loan and guarantee agreement dated 6 April 2016 (the "**Shareholders' Loan and Guarantee Agreement**") entered into between ARI and each of the ARI Shareholders in relation to the provision of shareholders' loan from the ARI Shareholders and to provide guarantee for loans from banks, financial or other institutions;

(e) the share mortgage dated 6 April 2016 entered into between ARI and ARI Holdings, by which ARI is to charge the entire issued share capital in CADC;

(f) the convertible bonds repurchase agreement dated 6 July 2016 entered into between the Company and China Everbright Financial Investments Limited ("**CE Financial**") in respect of the repurchase of convertible bonds in the principal amount of HK$77,580,000;

(g) the convertible bonds repurchase agreement dated 6 July 2016 entered into between the Company and China Huarong International Holdings Limited in respect of the repurchase of convertible bonds in the principal amount of HK$387,900,000;

(h) the convertible bonds repurchase agreement dated 6 July 2016 entered into between the Company and Great Wall Pan Asia International Investment Co., Limited in respect of the repurchase of convertible bonds in the principal amount of HK$116,370,000;

(i) the supplemental investment agreement dated 8 July 2016 entered into between the Company, ARI and each of the ARI Shareholders to extend the completion of the subscription of ARI Shares pursuant to the Investment Agreement;

(j) certain subscription agreements dated 26 August 2016 entered into between the Company and certain subscribers in respect of the allotment and issuance of a total of 40,000,000 shares of the Company;

(k) the supplemental shareholders' loan and guarantee agreement dated 14 November 2016 entered into between ARI and each of the ARI Shareholders to amend the repayment terms under the Shareholders' Loan and Guarantee Agreement; and

(l) the convertible bonds repurchase agreement dated 8 May 2017 entered into between the Company and CE Financial in respect of the repurchase of convertible bonds in the principal amount of HK$155,160,000.

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

8 QUALIFICATION OF EXPERT

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

Name	Qualification
AVITAS, Inc.	Appraiser
IBA Group Limited	Appraiser
Morten Beyer & Agnew	Appraiser
ICF SH&E, Inc.	Maintenance support analysis service provider

(2) As at the Latest Practicable Date, the above experts did not have any shareholding directly or indirectly in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(3) As at the Latest Practicable Date, the above experts had no direct or indirect interest in any assets which had been, since 31 December 2016 (being the date to which the latest published audited financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

(4) The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

9 MISCELLANEOUS

(1) The registered office of the Company is at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business in Hong Kong is situated at 28th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(2) The company secretary of the Company is Ms. Tai Bik Yin, who is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators of the United Kingdom (currently known as ICSA: The Governance Institute).

(3) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(4) In any event of inconsistency, the English version of this circular shall prevail over the Chinese version to the extent of such inconsistency.

10 DOCUMENTS AVAILABLE FOR INSPECTION

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

(1) the Company's articles of association;

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

(3) the annual reports of the Group for the years ended 31 December 2014 to 2016;

(4) the Valuation Reports of the Initial Aircraft Portfolio, the text of which is set out in Appendix II of this circular; and

(5) this circular

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

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

(Stock code: 1848)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of China Aircraft Leasing Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") will be held at Cliftons Hong Kong, 508-520 Hutchison House, 10 Harcourt Road, Central, Hong Kong on Thursday, 18 January 2018, at 9:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments the following resolution as ordinary resolution of the Company.

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the disposal of 12 Airbus A320-200 series aircraft, four Airbus A321-200 series aircraft, and two Boeing B737-900 series aircraft (the "**Initial Aircraft Portfolio**") by the Company to the aircraft investment vehicle to be incorporated in Bermuda by the Company and the mezzanine tranche financiers of the aircraft investment vehicle (the "**Mezzanine Financiers**") held as to 80% by the Mezzanine Financiers and as to 20% by the Company (the "**Vehicle**"), be and is hereby approved;

(b) subject to paragraphs 1(c) below, the exercise by the directors of the Company (the "**Director**") during the Mandate Period (as hereinafter defined) of all the powers of the Company to dispose of the Additional Aircraft (as hereinafter defined) to the Vehicle, be and is hereby approved;

(c) the authorisation to the Company to dispose of the Additional Aircraft (as hereinafter defined) pursuant to the approval in paragraph 1(b) above shall be subject to the following, and the said approval shall be limited accordingly:

(i) The consideration for an aircraft disposed of by the Company to the Vehicle shall not be lower than 95% of the Market Appraisal Value;

(ii) the terms of each disposal shall be negotiated and entered into by the Company on arm's length basis in accordance with the Group's customary business practices, are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole;

(iii) the aircraft portfolio held by the Vehicle will comprise aircraft assets that meet the following conditions:

a. eligible aircraft comprising the following:

i. Airbus S.A.S.: A320-CEO Family, A320-NEO Family, A330-300, A350-900, A350-1000; and

ii. The Boeing Company: B737-NG Family, B737-MAX Family, B777-300ER, B777-X, B787-8, 787-9, 787-10;

b. at the time of acquisition by the Vehicle, the aircraft must not be greater than seven years of age and the acquisition must not result in the weighted-average age of the aircraft fleet of the aircraft portfolio held by the Vehicle to exceed five years;

c. at the time of acquisition by the Vehicle, the aircraft must be subject to a lease, the remaining lease term of which must be no less than five years and the acquisition must not result in the weighted average remaining lease term of the aircraft fleet of the aircraft portfolio held by the Vehicle to become less than six years; and

d. the consideration for such aircraft does not exceed 115% of the Market Appraisal Value;

(d) for the purpose of this resolution:

"**Additional Aircraft**" means any additional aircraft to be disposed of by the Company to the Vehicle during the Funding Period, as agreed by the Company and the Vehicle from time to time;

"**Funding Period**" means the period commencing from the execution date of debt financing documentation and ending on the second anniversary of the such execution date, such period subject to extension as may be agreed between the Company and the Vehicle from time to time;

"**Mandate Period**" means the period from the passing of this resolution to the date on which the Funding Period expires;

"**Market Appraised Value**" means the average of the half-life book value valuations of the aircraft obtained from three independent appraisers on a half-life basis and adjusted for maintenance by the maintenance support analysis service provider;

(e) 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, appropriate, expedient or desirable for the purpose of or in connection with the implementation of the disposal of the Initial Aircraft Portfolio and/or the Additional Aircraft, including but not limited to the execution of all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the disposal of the Initial Aircraft Portfolio and/or the Additional Aircraft, and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole."

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

Hong Kong, 29 December 2017

Notes:

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

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

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

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

5 The register of members of the Company will be closed from Wednesday, 17 January 2018 to Thursday, 18 January 2018, both days inclusive, during which no transfer of shares will be registered. Shareholders of the Company are reminded that, in order to qualify for attendance of the EGM, they must lodge properly completed transfer forms together with the certificates for the relevant shares with Tricor at the above mentioned address not later than 4:30 p.m. on Tuesday, 16 January 2018.

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

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

8 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.

As at the date of this notice, (i) the executive Directors are Mr. CHEN Shuang, JP, Mr. POON Ho Man and Ms. LIU Wanting; (ii) the non-executive Directors are Mr. TANG Chi Chun, Mr. GUO Zibin and Ms. CHEN Chia-Ling; and (iii) the independent non-executive Directors are Mr. FAN Yan Hok, Philip, Mr. NIEN Van Jin, Robert, Mr. CHEOK Albert Saychuan and Mr. CHOW Kwong Fai, Edward JP.