

CALC

China Aircraft Leasing Group Holdings Limited

(Incorporated under the laws of the Cayman Islands with limited liability)
Stock code : 01848

Corporate Governance Report 2019



ANNUAL REPORT | 2019

CORPORATE GOVERNANCE REPORT

The board of directors (the “Directors”) of the Company (the “Board”) is pleased to present this corporate governance report in the annual report for the year ended 31 December 2019 of the Company and its subsidiaries (the “Group”).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining good corporate governance standards. The Group acknowledges the vital importance of good corporate governance to the Group’s success and sustainability.

The Board is also committed to achieving a high standard of corporate governance as an essential component of quality and has applied corporate governance practices appropriate to the conduct and growth of business of the Group.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to formulate its business strategies and policies, and to enhance its transparency, accountability and shareholder value.

The Company has adopted the principles as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) as its corporate governance practices.

The Company has complied with all Code Provisions as set out in the CG Code during the year ended 31 December 2019.

The Company will continue to enhance its corporate governance practices as appropriate to the conduct and growth of its business and to review and evaluate such practices from time to time to ensure that it complies with the CG Code and aligns with the latest developments.

THE BOARD

Composition of the Board

(as at the date of this annual report)



Executive Directors	Non-executive Directors	Independent Non-executive Directors
Mr. Zhao Wei (Chairman)		Mr. FAN Yan Hok, Philip
Mr. POON Ho Man (CEO)	Mr. TANG Chi Chun	Mr. NIEN Van Jin, Robert
Ms. LIU Wanting (Deputy CEO)		Mr. CHEOK Albert Saychuan
		Mr. CHOW Kwong Fai, Edward, JP

CORPORATE GOVERNANCE REPORT

Changes in Composition of the Board and Board Committees

During the year ended 31 December 2019, the changes in composition of the Board and Board Committees set up under the Listing Rules are listed below:

Director	Change	Effective Date
CHEN Shuang	– resigned as the Chairman of the Board and an executive Director	10 May 2019
ZHAO Wei	– appointed as the Chairman of the Board and an executive Director	10 May 2019
	– appointed as a member of the Remuneration Committee	27 August 2019
POON Ho Man	– appointed as a member of the Remuneration Committee	27 August 2019

Save as disclosed above, there were no other changes to the composition of the Board and Board Committees set up under the Listing Rules during the year ended 31 December 2019.

Throughout the year, the Board has four independent non-executive Directors (the “INEDs”) and has complied with the Listing Rules to have at least three INEDs and who represent one-third of the Board and with at least one of whom holds appropriate professional qualifications and accounting or related financial management expertise.

The Board received from each INED a written annual confirmation of their independence satisfied with guidelines set out in Rule 3.13 of the Listing Rules, and the Nomination Committee assessed the independence of each INED during the year. Each INED will inform the Company in writing as soon as practicable if there is any change of circumstances which may affect his independence.

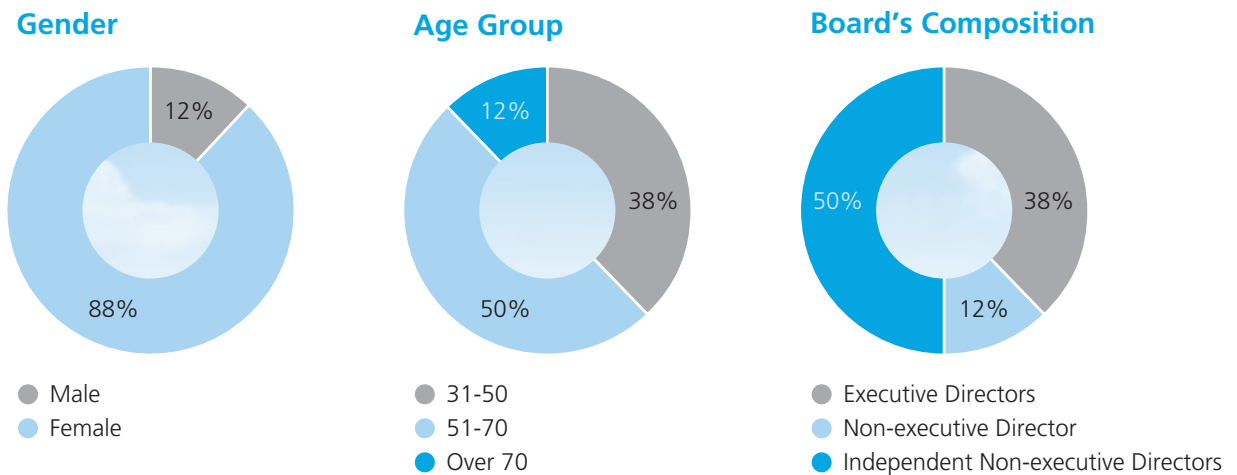
The Directors do not have financial, business, family or other material/relevant relationships with each other.

After annual assessment by the Nomination Committee during the year, the Board considers the current structure, size and composition of the Board is performing a balanced and independent monitoring function on management practices to complement the Company’s corporate strategy. The profile of Directors is set out in the “Profile of the Directors and Senior Management” on pages 56 to 61 of this annual report.

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

The Company has adopted a policy on diversity of the Board members. Under the policy, the Nomination Committee is delegated to review, assess and recommend any appointment, re-election or any succession plan of any directors to the Board from time to time after considering a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience, to allow for the Company's business model and specific needs.



Nomination Policy

The Company has adopted a policy on nomination of the potential candidates for the Board members, the Chief Executive Officer (the "CEO") and the Chief Risk Officer. Under the policy, the Nomination Committee is delegated to set out the procedure for the selection, appointment and reappointment of directors containing the selection criteria. This should include, but not limited to, considering the potential contributions a candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity. In addition, the Nomination Committee will review the structure, size and composition of the Board.

Roles of the Board

The executive Board is responsible for setting up the Company's corporate strategy, monitoring its implementation and reviewing operational and financial performance of the Group by making decisions in major aspects of the Company's matters, including but not limited to approving and monitoring key policies, material transactions, business plans, annual budgets, internal control and risk management systems, annual and interim results, major capital expenditure and appointment of Directors.

The non-executive Board (including more than half are INEDs) has diversified industry expertise and professional knowledge, and provides advisory, adequate check and balances for effective and constructive contribution to the executive Board to safeguard interests of the shareholders and the Company as a whole.

Implementation of the corporate strategies of the Group is delegated to the Strategy Committee while day-to-day operational management and administration functions of the Group are delegated to the management team of the Group (the "Management Team").

CORPORATE GOVERNANCE REPORT

Corporate Governance Functions

The Board is responsible for performing the functions set out in provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code by the Directors and the employees of the Company, and the Company's compliance with Appendix 14 of the Listing Rules and disclosure in this Corporate Governance Report.

Appointment, Re-election, Rotation and Removal of Directors

The Company has established formal, considered and transparent procedures for appointment, re-election, rotation and removal of Directors. The Nomination Committee is responsible for considering the suitability of individual to act as a Director and making recommendations to the Board on appointment or re-election of retiring Directors, succession planning of Directors and assessing the independence of the INEDs. The key matters addressed by the Nomination Committee during the year are as set out below under sub-section headed "Nomination Committee".

All non-executive Directors (including INEDs) entered into service contracts with the Company with specific term of office. However, their term of office each is the period up to his retirement by rotation or retirement, but eligible for re-election at annual general meetings of the Company in accordance with the Company's articles of association.

In accordance with the Company's articles of association, the Company may from time to time in general meeting elect any person to be a Director to fill a casual vacancy or as an addition to the Board. The Directors shall have power from time to time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting, and shall then be eligible for re-election at that general meeting.

At each annual general meeting of the Company, not less than one-third of the Directors (including those appointed for a specific term) shall retire from office by rotation provided that each Director shall be subject to retirement by rotation at least once every three years.

Accordingly, three directors shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. Details were set out in the section headed "Directors" in the Report of the Directors on page 25 of this annual report.

Board Meetings and General Meetings

An annual general meeting was held during the year. The attendances of each Director at the Board and general meetings during the year are set out below under section headed "Board, Board Committee and General Meetings Attendance".

CORPORATE GOVERNANCE REPORT

Annual schedule of Board meetings and draft agenda of each meeting are made available to the Directors sufficient time in advance to encourage the Directors' involvement. Notice of Board meetings at least 14 days has been given and Board papers are sent at least 3 days before the Board meetings. All Directors have full and timely access to the Management Team for any information to enable them to make informed decisions at the Board meetings, as well as the company secretary of the Company who ensures that the regulatory Board procedures are followed. Members of the Management Team are usually invited to attend the Board meetings to promote an effective communication within the Group. Each Director is authorised to hire external consultants or experts for independent professional advice at the Company's expenses to discharge the responsibilities of Directors and committee members, if applicable.

INEDs had attended a meeting independently held with the Chairman of the Board, who is also the Chairman of the Strategy Committee, on direction of the Group's strategy and policies during the year.

Directors' Liability Insurance

The Company has arranged appropriate liabilities insurance to indemnify the Directors and officers from any liabilities arising from the business of the Group.

Induction and Continuing Development of Directors

The newly-appointed Director was provided with a comprehensive, formal and tailored induction so as to ensure he/she was fully aware of his/her responsibilities as a listed company Director under the Listing Rules and any other regulatory requirements.

The Company encourages all Directors to participate in continuous professional development to further enhance and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company received from the Directors the following records of the training attended during the year, which is relevant to the Company's business or Directors' duties and responsibilities:

Directors	Nature of Trainings	
	Type 1	Type 2
Executive Directors		
ZHAO Wei	✓	✓
POON Ho Man	✓	✓
LIU Wanting	✓	✓
Non-executive Director		
TANG Chi Chun	✓	✓
Independent Non-executive Directors		
FAN Yan Hok, Philip	✓	✓
NIEN Van Jin, Robert	✓	✓
CHEOK Albert Saychuan	✓	✓
CHOW Kwong Fai, Edward	✓	✓

Type of trainings:

1. Reading materials.
2. Attending or giving speech at seminars or training sessions/press conference.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

During the year, the roles of the Chairman of the Board and the CEO are separately performed by different individuals. Ms. LIU Wanting (executive Director and Chief Commercial Officer) and Mr. MOK Chung Tat, Barry (Chief Financial Officer) hold the position of Deputy CEO of the Group.

The respective responsibilities of the Chairman and CEO are set out in the Company's delegation policy which has been approved by the Board.

The Chairman is focusing on determination of strategy, direction and goal of the Group by chairing the Strategy Committee. The Chairman is also responsible for leading the Board to effective management of the Company by, among others, ensuring good corporate governance practices and procedures, encouraging the Directors to make full and active contribution to the affairs of the Board, developing a culture of openness and debate among the Directors and so Board decisions fairly reflect consensus, drawing up and approving Board meetings agenda, chairing Board meetings.

The CEO, within the powers delegated by the Board from time to time, is responsible for day-to-day management of the Company and to implement strategies and major policies decided by the Board with support of another executive Directors and the Management Team.

REMUNERATION OF DIRECTORS

The remuneration paid to and/or entitled by each of the Directors for the year ended 31 December 2019 is set out in Note 31(a) to the financial statements.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its Directors. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Company established three Board committees under the Listing Rules in September 2013, namely Audit Committee, Remuneration Committee and Nomination Committee and all chaired by an INED to oversee their respective functions set out below, and to report to the Board on their decisions or recommendations by circulating the minutes of the committee meetings to all Board members. Each committee or committee member is authorised to hire outside consultants or experts for independent professional advice at the Company's expenses to discharge their responsibilities.

Nomination Committee	Audit Committee	Remuneration Committee
Mr. CHEOK Albert Saychuan (chairman)	Mr. CHOW Kwong Fai, Edward (chairman)	Mr. FAN Yan Hok, Philip (chairman)
Mr. FAN Yan Hok, Philip	Mr. FAN Yan Hok, Philip	Mr. ZHAO Wei
Mr. NIEN Van Jin, Robert	Mr. NIEN Van Jin, Robert	Mr. POON Ho Man
Mr. CHOW Kwong Fai, Edward	Mr. CHEOK Albert Saychuan	Mr. NIEN Van Jin, Robert
		Mr. CHEOK Albert Saychuan
		Mr. CHOW Kwong Fai, Edward

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee was established by the Board in September 2013 with written terms of reference which aligned with Rule 3.21 of the Listing Rules and Code Provision C.3 of the CG Code, and have been posted on the websites of both Hong Kong Exchanges and Clearing Limited ("HKEX") and the Company. The primary duties of the Audit Committee include but not limited to reviewing and supervising the Group's financial reporting process, internal audit function, internal control and risk management systems, and providing advices and comments to the Board. As at the date of this report, the Audit Committee consisted of Mr. CHOW Kwong Fai, Edward (chairman), Mr. Fan Yan Hok, Philip, Mr. NIEN Van Jin, Robert and Mr. CHEOK Albert Saychuan, all of them are INEDs. Two members of the Audit Committee including its chairman hold appropriate professional qualifications or expertise in accounting or relevant financial management. Five Audit Committee meetings were held during the year. The attendances of each Audit Committee member during the year are set out below under section headed "Board, Board Committee and General Meetings Attendance".

During the year, the Audit Committee has reviewed with the Management Team and the external auditor of the Company, PricewaterhouseCoopers ("PwC"), the accounting principles and practices adopted by the Group and discussed matters regarding auditing, internal control, risk management and financial reporting including the following:

- the review of the unaudited consolidated financial statements of the Group for the six months ended 30 June 2019, which have been reviewed by PwC in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants; and the audited consolidated financial statements of the Group for the year ended 31 December 2018;
- the discussion with PwC on the nature and scope of the audit and reporting obligations before commencement of audit;
- the recommendation to the Board for the proposal for re-appointment of PwC and approval of the remuneration and terms of engagement of PwC; and
- the review of the Company's financial control, internal control and risk management systems, and the effectiveness of the internal audit function.

Remuneration Committee

The Remuneration Committee was established by the Board in September 2013 with written terms of reference which aligned with Rule 3.25 of the Listing Rules and Code Provision B.1 of the CG Code, and have been posted on the websites of both HKEX and the Company. The primary duties of the Remuneration Committee include but not limited to regular monitoring of the remuneration policy for all the Directors and senior management to ensure that levels of their remuneration and compensation are appropriate. As at the date of this report, the Remuneration Committee consisted of Mr. FAN Yan Hok, Philip (chairman), Mr. NIEN Van Jin, Robert, Mr. CHEOK Albert Saychuan and Mr. CHOW Kwong Fai, Edward, all of them are INEDs; and Mr. ZHAO Wei and Mr. POON Ho Man, both of them are executive Directors. Three Remuneration Committee meetings were held during the year. The attendances of each Remuneration Committee member during the year are set out below under section headed "Board, Board Committee and General Meetings Attendance".

CORPORATE GOVERNANCE REPORT

During the year, the Remuneration Committee has considered and recommended to the Board the following:

- the review of the remuneration system;
- the remuneration and other benefits paid by the Company to the Directors and senior management;
- the appointment of additional members of the Remuneration Committee; and
- the grant of share options to the Directors.

Nomination Committee

The Nomination Committee was established by the Board in September 2013 with written terms of reference which aligned with Code Provision A.5 of the CG Code and have been posted on the websites of both HKEX and the Company. The primary duties of the Nomination Committee include but not limited to selecting and recommending candidates for directorship, review of the structure, size and composition of the Board and assessment of the independence of INEDs.

As at the date of this report, the Nomination Committee consisted of Mr. CHEOK Albert Saychuan (chairman), Mr. FAN Yan Hok, Philip, Mr. NIEN Van Jin, Robert and Mr. CHOW Kwong Fai, Edward, all of them are INEDs. A Nomination Committee meeting was held during the year. The attendances of each Nomination Committee member during the year are set out below under section headed "Board, Board Committee and General Meetings Attendance".

During the year, the Nomination Committee has reviewed the Board diversity policy covering the structure, size and composition of the Board, assessed the independence of INEDs and made recommendation to the Board on the appointment and the re-election of Directors.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

PwC, the external auditor of the Company, had given to the Company a written confirmation of its independence and objectivity as required by the Hong Kong Institute of Certified Public Accountants before the conduct of the annual audit for the year ended 31 December 2019.

During the year, PwC provided both audit and non-audit services to the Company for a total remuneration of HK\$6,250,000. The relevant fee paid for audit services amounted to approximately HK\$4,476,000 and the balancing of the remuneration related to the non-audit services of approximately HK\$1,774,000.

The Board and the Audit Committee satisfied PwC of their findings, independence, objectivity and effectiveness in the annual audit and their audit fees. PwC is proposed for re-appointment as the Company's external auditor at the forthcoming annual general meeting of the Company.

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND AUDITOR'S RESPONSIBILITY OF FINANCIAL REPORTING

The Directors acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2019 to give true and fair presentation of the financial position of the Company in accordance with all applicable Hong Kong Financial Reporting Standards and for timely financial disclosures under the Listing Rules and any other regulatory requirements.

The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statements as to the auditor's responsibility of financial reporting is set out in the independent auditor's report on pages 62 to 68.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board, through efforts of the Audit Committee, oversees the Group's risk management and internal control systems on an ongoing basis and has conducted an annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2019 covering aspects of the Group's financial, operational, compliance controls and risk management functions. The Board has considered that the Group's risk management and internal control systems are effective and adequate.

Through the Audit Committee, the Board has annually reviewed the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions, and considered that the above are adequate.

Detailed control guidelines have been set and made available to all employees of the Group about the handling and dissemination of inside information under the Inside Information Provisions (as defined under the Listing Rules).

A comprehensive analysis of the risks affecting the businesses of the Company and the associated mitigation measures is set out in the "Risk Management Report" on pages 51 to 55 of the annual report.

COMPANY SECRETARY

Ms. TAI Bik Yin is the company secretary of the Company and has professional qualification and extensive experience in discharging her duties as the company secretary of the Company. Ms. TAI is an employee of the Company and direct reports to the Chairman of the Board. She also acts as the secretary to the three Board committees. She has day-to-day knowledge of the Company's affairs and advises the Board on compliance and corporate governance matters. The Board has access to the advice and services of Ms. TAI to ensure that board procedures, and all applicable laws, rules and regulations are followed. Ms. TAI has complied with the requirement to take no less than 15 hours of professional training during the year under review.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Shareholders of the Company holding not less than 10% of the paid up capital of the Company may deposit at the Company's principal place of business in Hong Kong a requisition which specifies the objects of the meeting and is signed by the requisitionists to require an extraordinary general meeting to be convened by the Board. Shareholders could use the same way of calling an extraordinary general meeting as above to put forward proposals in detail at shareholders' meetings.

Shareholders' specific enquiries to the Board could be sent in writing to the company secretary of the Company whose contact details are as follows:

China Aircraft Leasing Group Holdings Limited
28/F, Far East Finance Centre
16 Harcourt Road
Hong Kong
email: ir@calc.com.hk

The Company's Hong Kong branch share registrar and transfer office serves the shareholders with respect to all share registration matters.

Shareholders' rights are further preserved when separate resolutions are proposed at shareholders' meetings on each substantially separate issue, including but not limited to election or re-election of individual Director at annual general meeting. All resolutions proposed at shareholders' meetings are put to vote by poll.

SHAREHOLDERS' COMMUNICATION POLICY

The Company has adopted a shareholders' communication policy. Under the policy, the Company communicates with its shareholders and investors through various means. Timely publication of interim and annual results announcements on the latest development of the Company and press release on the websites of the Company and HKEX, if appropriate, could make shareholders of the Company appraise the Company's financial position. Shareholders are highly required to pay attention to these public information. Holding of an annual general meeting could provide an effective forum for the Company's shareholders to share their views with the Board. Shareholders are welcome to attend the forthcoming annual general meeting. The Directors and the external auditor of the Company would be available at the forthcoming annual general meeting to answer shareholders' questions about the annual results for the financial year ended 31 December 2019.

CONSTITUTIONAL DOCUMENTS

Since the adoption of amended and restated memorandum and articles of the Company took effect from the listing date of 11 July 2014, there are no changes in the memorandum and articles of association of the Company during the year.

CORPORATE GOVERNANCE REPORT

BOARD, BOARD COMMITTEE AND GENERAL MEETINGS ATTENDANCE

The attendances of each Director at all Board and Board committee meetings and general meeting during the year, demonstrating satisfactory attendance, are set out below:

Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
Executive Directors					
ZHAO Wei ^(Note 1, 3)	3/3	n/a	1/1	n/a	n/a
CHEN Shuang ^(Note 2)	1/1	n/a	n/a	n/a	0/1
POON Ho Man ^(Note 3)	4/4	n/a	1/1	n/a	1/1
LIU Wanting	4/4	n/a	n/a	n/a	0/1
Non-executive Director					
TANG Chi Chun	3/4	n/a	n/a	n/a	1/1
Independent Non-executive Directors					
FAN Yan Hok, Philip	3/4	5/5	3/3	1/1	1/1
NIEN Van Jin, Robert	4/4	5/5	3/3	1/1	1/1
CHEOK Albert Saychuan	4/4	5/5	3/3	1/1	1/1
CHOW Kwong Fai, Edward	3/4	5/5	3/3	1/1	1/1
Total number of meetings	4	5	3	1	1
Dates of Meetings	21/3/2019	15/3/2019	15/2/2019	11/12/2019	10/5/2019
	28/6/2019	24/4/2019	15/8/2019		
	27/8/2019	26/8/2019	6/12/2019		
	12/12/2019	28/10/2019			
		11/12/2019			

Notes:

- (1) Mr. ZHAO Wei was appointed as the Chairman of the Board and an executive Director with effect from 10 May 2019.
- (2) Mr. CHEN Shuang resigned as the Chairman of the Board and an executive Director with effect from the conclusion of the annual general meeting held on 10 May 2019.
- (3) Mr. ZHAO Wei and Mr. POON Ho Man were appointed as members of the Remuneration Committee of the Company with effect from 27 August 2019.

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