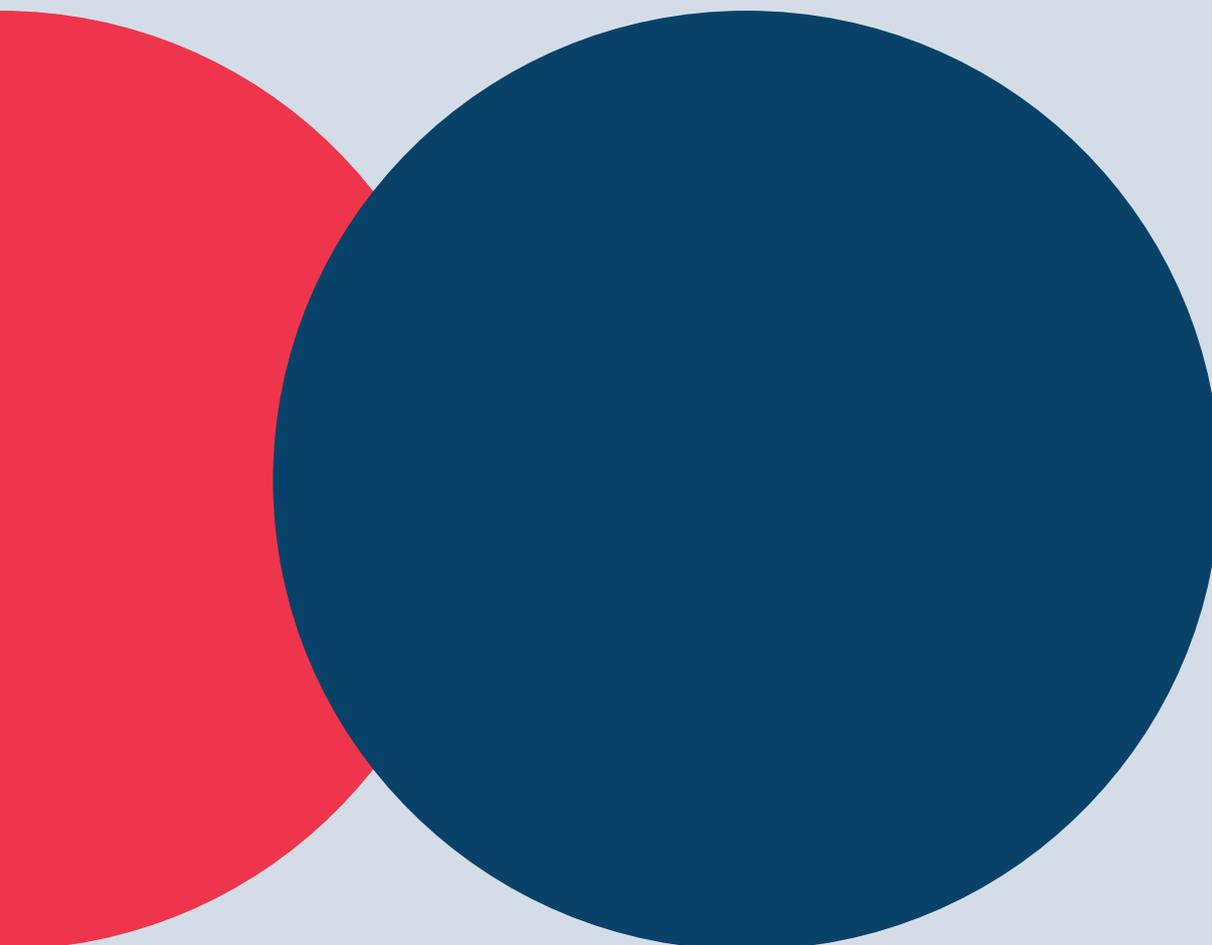


November 2017

CONSULTATION PAPER

PROPOSED EXEMPTION FOR
AIRCRAFT LEASING ACTIVITIES



CONTENTS

	Page No.
EXECUTIVE SUMMARY	1
CHAPTER 1 : INTRODUCTION	2
CHAPTER 2 : ISSUES AND PROPOSALS	3
APPENDICES	
APPENDIX I : DRAFT RULE AMENDMENTS	13
APPENDIX II : PERSONAL INFORMATION COLLECTION AND PRIVACY POLICY STATEMENT	19

HOW TO RESPOND TO THIS CONSULTATION PAPER

We, The Stock exchange of Hong Kong Limited (the **Exchange**), a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited (**HKEX**), invite written comments on the matters discussed in this paper, or comments on related matters that might have an impact upon the matters discussed in this paper, on or before **22 December 2017**. You may respond by completing the questionnaire which is available at:

<http://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/November-2017-Exemption-for-Aircraft-Leasing-Activities/Questionnaire/cp2017113q.docx>

Written comments may be sent:

By mail or hand delivery to: Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street, Central
Hong Kong
**Re: Consultation Paper on Proposed Exemption
for Aircraft Leasing Activities**

By fax to: (852) 2524-0149

By e-mail to: response@hkex.com.hk
Please mark in the subject line:
**Re: Consultation Paper on Proposed Exemption
for Aircraft Leasing Activities**

Our submission enquiry number is (852) 2840 3844.

Respondents are reminded that the Exchange will publish responses on a named basis. If you do not wish your name to be disclosed to members of the public, please state so when responding to this paper. Our policy on handling personal data is set out in Appendix II.

Submissions received during the consultation period by **22 December 2017** will be taken into account before the Exchange decides upon any appropriate further action and a consultation conclusions paper will be published in due course.

DISCLAIMER

HKEX and/or its subsidiaries have endeavoured to ensure the accuracy and reliability of the information provided in this document, but do not guarantee its accuracy and reliability and accept no liability (whether in tort or contract or otherwise) for any loss or damage arising from any inaccuracy or omission or from any decision, action or non-action based on or in reliance upon information contained in this document.

EXECUTIVE SUMMARY

In recent years, the Government of the Hong Kong SAR has been promoting the development of Hong Kong as an aircraft leasing and financing hub. In July 2017 a legislative amendment giving profit tax concession to qualifying aircraft lessors and qualifying aircraft leasing managers became effective.

As aircraft leasing companies have significant capital funding needs to operate and manage their business, Hong Kong can play an important role in financial services and provide such funding from investors through the Exchange's markets. Over the last few years, there have been a few aircraft leasing companies seeking a listing on the Exchange.

To ensure that our Rules address market developments and represent acceptable standards, we have considered whether the notifiable transaction Rules should be revised to provide specific requirements for aircraft leasing companies.

This paper seeks market views on our proposal to provide an exemption from the notifiable transaction Rules for aircraft leasing activities that are carried out by listed aircraft lessors in their ordinary and usual course of business. The proposed exemption is targeted to address practical difficulties faced by aircraft lessors in complying with the notifiable transaction Rules when they carry out aircraft leasing activities, having regard to the fact that these activities are conducted in their ordinary and usual course of business.

The proposed exemption is intended to apply to acquisitions, disposals and finance leases of aircraft by listed issuers that are actively engaged in aircraft leasing with aircraft operators as their principal activities, subject to the fulfilment of certain conditions.

Under the proposal, qualified transactions would be exempt from the disclosure and shareholders' approval requirements applicable to notifiable transactions. The issuers must provide alternative disclosure of the transactions by way of announcements and in their interim/annual reports.

CHAPTER 1 : INTRODUCTION

1. The Exchange reviews its Listing Rules from time to time to ensure that they address developments in the market and international best practice, and also represent acceptable standards which help promote investor confidence.

Background

2. In 2013, the Government of the Hong Kong SAR set up the Economic Development Commission to provide advice to the Government on the overall strategy and policy to broaden Hong Kong's economy base. A working group on transportation and a sub-group on aerospace finance were set up to design measures to boost the development of aircraft leasing business in Hong Kong.
3. Promoting aircraft leasing business in Hong Kong was among the initiatives of the Chief Executive's Policy Address in 2015, 2016 and 2017 and the Financial Secretary's 2016-17 Budget. In July 2017, a legislative amendment¹ giving profit tax concession to qualifying aircraft lessors and qualifying aircraft leasing managers came into effect. The Financial Services Development Council also issued a paper on its recommendations for developing Hong Kong as an aircraft leasing and financing hub, including a recommendation that the regulators should consider revising the Listing Rules to introduce a general exemption from certain continuing obligations for aircraft lessors listed in Hong Kong, in light of the unique characteristics of this industry.

Purpose of this paper

4. There have been aircraft leasing companies seeking a listing on the Exchange in recent years, including China Aircraft Leasing Group Holdings Limited, China Development Bank Financial Leasing Co Ltd and BOC Aviation Limited.
5. In light of the recent developments, we have considered whether the notifiable transaction Rules should be revised to provide specific requirements for aircraft leasing activities. The proposed Rule amendments seek to ensure an effective regulation of aircraft leasing activities without compromising investor protection.
6. Details of the issues and our proposals are discussed in Chapter 2 of this paper. The draft Rule amendments are in Appendix I.
7. All Rule references are to the Main Board Rules unless otherwise stated. The proposals apply equally to the GEM Rules.

¹ Inland Revenue (Amendment) (No. 3) Ordinance 2017.

CHAPTER 2 : ISSUES AND PROPOSALS

Current Rules

Notifiable transaction Rules

8. The notifiable transaction Rules² govern listed issuers' transactions that have a material impact on their financial positions. Depending on the size of a transaction, the Rules require the issuer to disclose the terms of the transaction and/or obtain shareholders' approval.
9. Under Rule 14.04(1), the definition of transactions includes, among others, finance leases, acquisitions and disposals of assets. Operating leases fall under the definition only if they have a significant impact³ on the operations of the listed issuers.
10. The purpose of the notifiable transaction Rules is to ensure that shareholders are provided with material information on the business activities of the listed issuers and have the opportunity to consider and vote upon major developments in the issuers' activities. The Rules are not intended to restrict activities in the issuers' ordinary course of business. Accordingly, transactions of a revenue nature in the ordinary and usual course of business⁴ of the listed issuer are fully exempt (the **revenue exemption**)⁵. The Rules also provide specific exemptions for two categories of capital transactions that are conducted in issuers' ordinary course of business, being qualified property acquisitions⁶ and self-constructed capital assets⁷. These exemptions seek to strike a balance between shareholder protection and allowing management, who has the required expertise, to efficiently manage the issuer's business.

² Chapter 14 of the Rules.

³ This normally refers to a 200% or more increase in the scale of the issuer's existing operations conducted through lease arrangements.

⁴ Under Rule 14.04(8), this means the existing principal activities of the issuer or an activity wholly necessary for the principal activities of the issuer.

⁵ Rule 14.04(1)(g).

⁶ This is a specific exemption applicable to property developers for acquisitions of government land or property development projects through public auctions or tenders. The exemption addresses the practical difficulties faced by listed property developers in complying with the shareholders' approval requirement for these acquisitions, having regard to the fact that these acquisitions are common for property developers. While they are of a capital nature, they are conducted in the ordinary and usual course of business of property developers.

⁷ This is a specific exemption for listed issuers that have internal expertise to construct capital assets (e.g. property, plant and equipment) for their own use in the ordinary and usual course of business.

Impact on listed aircraft lessors

11. The business models of aircraft lessors mainly include:-
 - (a) acquiring aircraft – this includes direct orders of new aircraft from aircraft manufacturers⁸, purchase and leaseback transactions with airline customers, and purchases of aircraft from other lessors or parties in the secondary market;
 - (b) leasing aircraft to aircraft operators (through operating leases or finance leases) and receiving lease rental; and
 - (c) selling aircraft to aircraft operators, other leasing companies or financial investors to generate gains on sale and for portfolio management.
12. Although acquisitions, disposals and finance leases of aircraft (collectively, **aircraft leasing activities**) are activities in the ordinary and usual course of business of listed aircraft lessors, they are in the nature of capital transactions under the Rules and the revenue exemption does not apply.
13. Listed aircraft lessors are therefore required to comply with the notifiable transaction Rules when the transactions are of a material size, e.g. placing large purchase orders for new aircraft with aircraft manufacturers, entering into finance leases of several aircraft with an airline operator, and selling a portfolio of used aircraft to other leasing companies or investors.

⁸ As one of the main channels for aircraft acquisitions, aircraft lessors may first place orders for new aircraft directly with aircraft manufacturers and then lease the aircraft to airline customers.
Of the top 12 global aircraft lessors as of November 2016, 5 were Asian lessors and they all had order books of over 100 aircraft (*Source: DBS Group Research Report of 10 February 2017*).

Issues

14. Listed aircraft lessors have expressed practical difficulties in strictly complying with the disclosure requirements⁹ under Chapter 14 in respect of their aircraft leasing activities. Aircraft leasing is a niche business¹⁰ and it is the industry norm not to disclose the purchase or selling price or the terms of lease rental of individual aircraft to the public. For example, there are only two principal aircraft manufacturers in the industry, which have strict confidentiality provisions in their contracts with customers to prohibit disclosure of the aircraft purchase price. Financial information⁹ relating to used aircraft is also confidential and commercially sensitive information to the parties to the transactions. Requiring Hong Kong listed aircraft lessors to disclose such details to the public would prejudice their ability to negotiate and enter into aircraft leasing activities with the manufacturers or other players in the market, and put them at a competitive disadvantage to their non-Hong Kong listed peers.
15. In addition, some aircraft lessors have pointed out that investors and analysts generally focus on information about the aircraft lessors' aircraft portfolio and the management of the fleet (e.g. orderbook, average aircraft age, average remaining lease term, etc.) when evaluating and valuing an aircraft lessor, rather than on individual transactions involving the sales and purchases of aircraft. Such information is normally disclosed in the lessor's periodic financial reports. Investors and analysts typically value an aircraft lessor based on its (i) financial metrics (e.g. the return on equity, cost of funding and earnings growth); and (ii) strategic positioning, which depends on the management's track record, the lessor's aircraft portfolio (e.g. size, age and quality) and the geographical focus of the lessor.
16. Listed aircraft lessors have also submitted that it is unduly burdensome for them to obtain prior shareholders' approval for individual transactions involving acquisitions, sales or leases of aircraft in the ordinary and usual course of business. Their business model is to a large extent dependent on their ability to carry out aircraft leasing activities in a timely manner. Otherwise it would adversely affect their ability to maintain or increase its revenue and cash flow. They would be at a serious commercial disadvantage in negotiating transaction terms if they are required to obtain shareholders' approval for each transaction, whilst their competitors do not.

⁹ They include the requirements to disclose the actual consideration for the transaction, net book value of the assets subject to the transaction, profits attributable to the assets for the last two financial years, and any gain or loss on disposal.

¹⁰ The aircraft leasing market is dominated by a small number of players. As at the end of 2015, the top 10 global aircraft operating lease lessors accounted for about 60% of the market share according to Flightglobe Fleets Analyzer (*Source: Report on China Aircraft Leasing Sector by Daiwa Capital Markets, 17 October 2016*).

17. Having regard to the business models of aircraft lessors, we believe that it is not the policy intent of the notifiable transaction Rules to unduly restrict aircraft leasing activities:
 - (a) An aircraft lessor is principally engaged in the aircraft leasing business. Based on the aircraft lessor's disclosures in its financial reports or listing documents, shareholders should be fully aware of its business model and the risks associated with the business when they invest in its shares.
 - (b) As mentioned in paragraph 10, the purpose of the notifiable transaction Rules is to prevent issuers from making a material change to their businesses without informing shareholders or affording them an opportunity to vote on such change. This is not the case for aircraft leasing activities. Whilst these activities are transactions of a capital nature, they are carried out by aircraft lessors in the ordinary and usual course of their business, and would not result in a material change to their principal business.
 - (c) The aircraft leasing industry has high entry barriers given the substantial amount of capital expenditure required and the management expertise involved. The lessees or customers of aircraft lessors are primarily airline operators that are usually heavily regulated by aviation laws. Investors can expect to rely on the management of the aircraft lessors to make decisions relating to the transactions.
 - (d) There would be no undue risks to investors if an exemption from the notifiable transaction Rules is provided.
 - (e) It would be unduly onerous and burdensome for aircraft lessors to strictly comply with the notifiable transaction Rules in respect of their aircraft leasing activities.
18. In practice, we have granted waivers for specific transactions of aircraft lessors to:
 - (a) exempt the disclosure requirements for the actual consideration and financial information of aircraft that are confidential and commercially sensitive, with alternative disclosures provided in the transaction announcements and subsequent annual reports;
 - (b) exempt finance leases of aircraft with airline operators from the shareholders' approval requirements; or

- (c) allow the aircraft lessor to obtain shareholders' approval for an advance mandate for acquisitions of new aircraft from aircraft manufacturers, subject to an overall monetary cap and within a specified period of time.
19. Under the current approach, specific waivers are granted case by case. A listed aircraft lessor must submit a new waiver application each time it proposes a material aircraft leasing activity.
20. In light of the practical difficulties faced by listed aircraft lessors and the market developments in recent periods, we consider that Rule amendments may be warranted to introduce specific requirements and exemptions for aircraft leasing activities. This would provide more certainty and transparency as to the circumstances under which aircraft leasing activities would be exempt from the notifiable transaction Rules.
21. As explained in paragraph 17, we propose to exempt aircraft leasing activities from the specific disclosure and shareholders' approval requirements applicable to notifiable transactions having regard to the business models of aircraft lessors and the policy intent of the notifiable transaction Rules. Similar to the exemptions for qualified property acquisitions and self-construction of capital assets under the current Rules (see paragraph 10), the proposed exemption for aircraft leasing activities would allow the issuers' management, who has the required expertise, to efficiently manage their core business. The exemption would apply only if the issuers could satisfy the proposed qualification criteria and other exemption conditions (see the proposals discussed below). For the avoidance of doubt, the proposals, if adopted, would not affect the interpretation and application of the notifiable transaction Rules in relation to other types of finance leases, acquisitions or disposals of capital assets by listed issuers.
22. We note that the listing rules of overseas markets (e.g. the US¹¹, the UK, Singapore and Ireland) do not have similar disclosure and shareholders' approval requirements for aircraft leasing activities. Their rules generally exempt transactions that are in the issuers' ordinary course of business (and not only those of a revenue nature).

¹¹ Of the top 20 largest aircraft lessors, 4 are listed in the US and 2 in Hong Kong (Source: Airfinance Journal). For US-listed aircraft lessors, they are required to file information relating to material aircraft sale or purchase transactions with the US Securities and Exchange Commission, but we understand from market practitioners that the aircraft lessors are usually granted waivers for confidential treatment of individual aircraft prices and other related sensitive information. There is no shareholders' approval requirement for the transactions. *(Under the US Securities Exchange Act, US listed companies are required to file information on any material definitive agreement not made in their ordinary course of business. Among others, any transaction for the acquisition or sale of any property, plant or equipment for a consideration exceeding 15% of the fixed assets of the company would be deemed as not made in the ordinary course of business).*

Proposals

Proposed exemption for Qualified Aircraft Leasing Activities

23. We propose to amend Chapter 14 of the Rules to provide a general exemption for Qualified Aircraft Leasing Activities that are carried out by Qualified Aircraft Lessors (see the proposed definitions in sections (1) and (2) below).
24. Under the proposed Rules, Qualified Aircraft Leasing Activities would be exempt from the specific disclosure and/or shareholders' approval requirements applicable to notifiable transactions, provided that:
 - (a) the board of directors of the Qualified Aircraft Lessor must confirm that (i) the transactions are entered into by the lessor in the ordinary and usual course of business and on normal commercial terms, and (ii) the transactions are fair and reasonable and in the interest of the lessor and its shareholders as a whole; and
 - (b) the Qualified Aircraft Lessor must disclose brief details of the transactions by way of an announcement and provide additional disclosures in its next interim/annual report (see the proposed disclosure in section (3) below).

Question 1: Do you agree with the proposal to provide a general exemption for aircraft leasing activities? If not, why?

(1) Qualified Aircraft Lessors

25. We propose to define a "Qualified Aircraft Lessor" as *"an issuer that is actively engaged in aircraft leasing with aircraft operators¹² as a principal activity in its ordinary and usual course of business"*.
26. To avoid abuse of the proposed exemption, we consider that Qualified Aircraft Lessors should be narrowly defined and include only those issuers that are actively engaged in aircraft leasing with aircraft operators as a principal activity.
27. We also propose that the issuer must satisfy the following criteria to be eligible for the exemption:
 - (a) there is a clear disclosure of aircraft leasing as a current and continuing principal business activity in the issuer's latest published annual report (or its IPO prospectus);

¹² An aircraft operator means a company that carries on a business of operating aircraft as an owner or charterer for providing services for the carriage by air of passengers, cargo or mail.

- (b) aircraft leasing is reported as a separate and continuing segment (if not the only segment) in the issuer's latest published financial statements according to the requirements of the relevant accounting standards adopted for the preparation of the financial statements; and
 - (c) the issuer's directors and senior management, taken together, have sufficient experience relevant to the aircraft leasing industry. Individuals relied on must have a minimum of five years' relevant industry experience.
28. These proposed criteria would prevent potential abuse of the exemption by newly established aircraft lessors where there is no information for investors to assess their aircraft leasing business. The proposed Rules also ensure that the aircraft leasing business is operated by management who has the required expertise.
29. The proposed exemption may apply to issuers that engage in aircraft leasing as one of their principal activities. As mentioned in paragraph 27(b), the issuer must report aircraft leasing separately as an operating segment in its financial statements for investors to assess the aircraft leasing business.

Question 2: Do you agree with the proposed Rule amendments to define a Qualified Aircraft Lessor to be an issuer that is actively engaged in aircraft leasing with aircraft operators as a principal activity in its ordinary and usual course of business? If not, why?

Question 3: Do you agree with the proposed criteria for determining a Qualified Aircraft Lessor set out in paragraphs 27(a) and (b)? If not, why?

Question 4: (a) Do you agree with the proposed requirement that a Qualified Aircraft Lessor's directors and senior management, taken together, shall have sufficient experience relevant to the aircraft leasing industry? If not, why?

(b) Do you agree that the individuals relied on must have a minimum of five years' relevant industry experience? If not, what is the appropriate period?

Question 5: Do you recommend other criteria or factors for determining an issuer as a Qualified Aircraft Lessor?

(2) Qualified Aircraft Leasing Activities

30. We propose to define “Qualified Aircraft Leasing Activities” to include any of the following transactions that are undertaken by Qualified Aircraft Lessors in their ordinary and usual course of business:
- (a) acquisitions or disposals of aircraft; or
 - (b) finance leases of aircraft with aircraft operators, including financing arrangements in sale and leaseback transactions¹³.
31. We propose to limit the exemption for finance leases of aircraft to only those entered into by the aircraft lessors with aircraft operators. We note that lessees or customers of aircraft lessors are primarily aircraft operators. Finance leases of aircraft with other parties that are of a material size should not be exempt.
32. We do not consider it necessary for the proposal to exempt operating leases of aircraft. This is because under the existing Rules, only operating leases with a significant impact (i.e. an increase of 200% or more) on the operations of the issuer are subject to the notifiable transaction requirements.
33. Whilst in the past we have granted waivers from the shareholders’ approval requirement for purchases of aircraft subject to issuers obtaining a prior mandate, we do not consider it necessary to adopt this arrangement under our proposals. As set out in paragraphs 17 and 21, our proposals are narrowly focused and intended to exempt aircraft purchases that are in the ordinary course of business of aircraft lessors having regard to their business models. The proposals adopt the framework applicable to qualified property acquisitions by listed property developers under the current Rules, where capital transactions undertaken by qualified issuers in their ordinary course of business are exempt from the shareholders’ approval requirement.

Question 6: Do you agree with the proposed Rule amendments to define Qualified Aircraft Leasing Activities to include acquisitions, disposals and finance leases of aircraft? If not, why?

Question 7: Do you agree that we should limit the exemption for finance leases of aircraft to only those entered into by the aircraft lessors with aircraft operators? If not, why?

Question 8: Do you agree that the proposed exemption should not apply to operating leases (see paragraph 32)? If not, why?

¹³ The proposal would apply to sale and leaseback transactions with aircraft operators, which are accounted for as financing arrangements by Qualified Aircraft Lessors when they adopt HKFRS/IFRS 16 “Leases”.

(3) Proposed disclosure

34. As the exempted aircraft leasing activities would be transactions of a material size to the aircraft lessors, we consider that the lessors should keep investors informed of material developments.
35. We propose that where a Qualified Aircraft Leasing Activity constitutes a notifiable transaction and is exempt from the specific disclosure and/or shareholders' approval requirements applicable to notifiable transactions, the Qualified Aircraft Lessor should issue an announcement containing the following information:
- (a) the date of the transaction;
 - (b) the identity and a description of the principal business activities of the counterparty to the transaction. The issuer must also confirm that the counterparty and its ultimate beneficial owner(s) are third parties independent of the issuer and its connected persons;
 - (c) a description of the transaction and the aircraft which is the subject of the transaction; and
 - (d) information to demonstrate that the exemption conditions (as discussed above) have been met.
36. The proposal would exempt disclosure of specific information¹⁴ relating to individual transactions that are confidential and commercially sensitive for the reasons discussed in paragraphs 14 to 17. In addition, we propose not to require information circulars for the exempted transactions as the information relating to the transactions is already required to be disclosed in the announcements.
37. We also propose that where a Qualified Aircraft Lessor has conducted any exempted Qualified Aircraft Leasing Activity during a financial period/year, it should disclose the following information in its interim/annual report for that financial period/year:
- (a) the aggregate number of aircraft purchased for the reporting period and committed to purchase as at the end of the reporting period, with a breakdown by aircraft model and expected year of delivery;
 - (b) the aggregate purchase price for the reporting period, and commitment amounts for future commitments as at the end of the reporting period with a breakdown of the commitment amounts by years;

¹⁴ They include the requirements to disclose the actual consideration for the transaction, net book value of the assets subject to the transaction, profits attributable to the assets for the last two financial years, and any gain or loss on disposal.

- (c) the aggregate number of aircraft sold for the reporting period;
 - (d) the aggregate net book value and the aggregate net gain or loss on disposal of aircraft for the reporting period; and
 - (e) the average lease rental yield related to the Qualified Aircraft Lessor's aircraft fleet for the reporting period.
38. We consider that the proposed disclosure would facilitate shareholders' assessment of the impact of the acquisitions or disposals of aircraft on the aircraft lessor's financial position on an aggregated basis.

Question 9: Do you agree with the proposed disclosure requirements for announcement of exempted aircraft leasing activities? If not, why?

Question 10: Do you agree with the proposed disclosure requirements for annual and interim reports to provide information about aircraft leasing activities on an aggregated basis? If not, why?

APPENDIX I : DRAFT RULE AMENDMENTS

Main Board Rules

Chapter 14

EQUITY SECURITIES

NOTIFIABLE TRANSACTIONS

...

14.04 For purpose of this Chapter:-

...

(10D) ~~[Repealed 1 February 2011]~~ “Qualified Aircraft Leasing Activity” means:

(a) an acquisition of aircraft;

(b) a finance lease in respect of the leasing of aircraft to an aircraft operator (i.e. an entity which carries on a business of operating aircraft as an owner or charterer for providing services for the carriage by air of passengers, cargo or mail), including financing arrangements in a sale and leaseback transaction; or

(c) a disposal of aircraft.

(10E) “Qualified Aircraft Lessor” means an issuer actively engaged in aircraft leasing with aircraft operators as a principal business in its ordinary and usual course of business. In making this determination, consideration will also be given to the following factors:

(a) there is clear disclosure of aircraft leasing as a current and continuing principal business activity in the issuer’s latest published annual report and financial statements (or in the case of a newly listed issuer, its listing document);

(b) aircraft leasing is reported as a separate and continuing segment (if not the only segment) in the issuer's latest published financial statements. The format for reporting segmental information and its latest published annual financial statements have fully complied with the relevant accounting standards adopted for the preparation of its annual financial statements; and

(c) the lessor's directors and senior management, taken together, have sufficient experience relevant to the aircraft leasing industry. Individuals relied on must have a minimum of five years' relevant industry experience.

(40E11) a "securities house" means ...

(411A) a "shipping company" means ...

...

...

*Exemptions for Qualified Aircraft Leasing Activities
which constitute notifiable transactions*

14.33C A Qualified Aircraft Leasing Activity is exempt from the announcement, circular and/or shareholders' approval requirements for notifiable transactions provided that:

(1) it is undertaken by a Qualified Aircraft Lessor in its ordinary and usual course of business;

(2) the Qualified Aircraft Lessor's board has confirmed that:

(a) the transaction is entered into by the lessor in its ordinary and usual course of business and on normal commercial terms; and

(b) the terms of transaction are fair and reasonable and in the interests of the lessor and its shareholders as a whole; and

(3) the Qualified Aircraft Lessor complies with the disclosure requirements under rule 14.33D.

14.33D Where a Qualified Aircraft Leasing Activity is exempt from the announcement, circular and/or shareholders' approval requirements for notifiable transactions under rule 14.33C:

(1) the Qualified Aircraft Lessor must publish an announcement as soon as possible after the terms of the transaction have been finalised. The announcement must contain:

(a) the date of the transaction;

- (b) the identities and a description of the principal business activities of the parties to the transaction. The lessor must also confirm that the parties to the transaction and their ultimate beneficial owners are third parties independent of the lessor and its connected persons;
- (c) a description of the transaction and the aircraft which is the subject of the transaction; and
- (d) information to demonstrate that that the exemption conditions set out in rule 14.33C have been met; and
- (2) the Qualified Aircraft Lessor must also disclose the following information in its next interim report (where applicable) and annual report:

 - (a) the aggregate number of aircraft purchased for the reporting period and committed to purchase as at the end of the reporting period, with a breakdown by aircraft model and expected year of delivery;
 - (b) the aggregate purchase price of aircraft for the reporting period and commitment amounts for future commitments as at the end of the reporting period with a breakdown of the commitment amounts by years;
 - (c) the aggregate number of aircraft sold for the reporting period;
 - (d) the aggregate net book value and the aggregate net gain or loss on disposal of aircraft for the reporting period; and
 - (e) the average lease rental yield related to the Qualified Aircraft Lessor's aircraft fleet for the reporting period.

Chapter 19

EQUITY SECURITIES

NOTIFIABLE TRANSACTIONS

...

19.04 For purpose of this Chapter:-

...

(10D) ~~[Repealed 1 February 2011]~~ “Qualified Aircraft Leasing Activity” means:

(a) an acquisition of aircraft;

(b) a finance lease in respect of the leasing of aircraft to an aircraft operator (i.e. an entity which carries on a business of operating aircraft as an owner or charterer for providing services for the carriage by air of passengers, cargo or mail), including financing arrangements in a sale and leaseback transaction; or

(c) a disposal of aircraft.

(10E) “Qualified Aircraft Lessor” means an issuer actively engaged in aircraft leasing with aircraft operators as a principal business in its ordinary and usual course of business. In making this determination, consideration will also be given to the following factors:

(a) there is clear disclosure of aircraft leasing as a current and continuing principal business activity in the issuer’s latest published annual report and financial statements (or in the case of a newly listed issuer, its listing document);

(b) aircraft leasing is reported as a separate and continuing segment (if not the only segment) in the issuer’s latest published financial statements. The format for reporting segmental information and its latest published annual financial statements have fully complied with the relevant accounting standards adopted for the preparation of its annual financial statements; and

(c) the lessor's directors and senior management, taken together, have sufficient experience relevant to the aircraft leasing industry. Individuals relied on must have a minimum of five years' relevant industry experience.

(40E11) a "securities house" means ...

(4411A) a "shipping company" means ...

...

...

*Exemptions for Qualified Aircraft Leasing Activities
which constitute notifiable transactions*

19.33C A Qualified Aircraft Leasing Activity is exempt from the announcement, circular and/or shareholders' approval requirements for notifiable transactions provided that:

(1) it is undertaken by a Qualified Aircraft Lessor in its ordinary and usual course of business;

(2) the Qualified Aircraft Lessor's board has confirmed that:

(a) the transaction is entered into by the lessor in its ordinary and usual course of business and on normal commercial terms; and

(b) the terms of transaction are fair and reasonable and in the interests of the lessor and its shareholders as a whole; and

(3) the Qualified Aircraft Lessor complies with the disclosure requirements under rule 19.33D.

19.33D Where a Qualified Aircraft Leasing Activity is exempt from the announcement, circular and/or shareholders' approval requirements for notifiable transactions under rule 19.33C:

(1) the Qualified Aircraft Lessor must publish an announcement as soon as possible after the terms of the transaction have been finalised. The announcement must contain:

(a) the date of the transaction;

(b) the identities and a description of the principal business activities of the parties to the transaction. The lessor must also confirm that the parties to the transaction and their ultimate beneficial owners are third parties independent of the lessor and its connected persons;

- (c) a description of the transaction and the aircraft which is the subject of the transaction; and
 - (d) information to demonstrate that that the exemption conditions set out in rule 19.33C have been met; and
- (2) the Qualified Aircraft Lessor must also disclose the following information in its next interim report (where applicable) and annual report:
- (a) the aggregate number of aircraft purchased for the reporting period and committed to purchase as at the end of the reporting period, with a breakdown by aircraft model and expected year of delivery;
 - (b) the aggregate purchase price of aircraft for the reporting period and commitment amounts for future commitments as at the end of the reporting period with a breakdown of the commitment amounts by years;
 - (c) the aggregate number of aircraft sold for the reporting period;
 - (d) the aggregate net book value and the aggregate net gain or loss on disposal of aircraft for the reporting period; and
 - (e) the average lease rental yield related to the Qualified Aircraft Lessor's aircraft fleet for the reporting period.

APPENDIX II : PERSONAL INFORMATION COLLECTION AND PRIVACY POLICY STATEMENT

Hong Kong Exchanges and Clearing Limited and from time to time, its subsidiaries, affiliated companies controlling it or under common control with it and its joint ventures (each such entity, from time to time, being “**HKEX**”, “**we**”, “**us**” or an “**affiliate**” for the purposes of this Privacy Policy Statement as appropriate) recognises its responsibilities in relation to the collection, holding, processing, use and/or transfer of personal data under the Personal Data (Privacy) Ordinance (Cap. 486) (“**PDPO**”). Personal data will be collected only for lawful and relevant purposes and all practicable steps will be taken to ensure that personal data held by HKEX is accurate. HKEX will use your personal data in accordance with this Privacy Policy Statement.

We regularly review this Privacy Policy Statement and may from time to time revise it or add specific instructions, policies and terms. Where any changes to this Privacy Policy Statement are material, we will notify you using the contact details you have provided us with and, as required by the PDPO, give you the opportunity to opt out of these changes by means notified to you at that time. Otherwise, in relation to personal data supplied to us through the HKEX website, continued use by you of the HKEX website shall be deemed to be your acceptance of and consent to this Privacy Policy Statement.

If you have any questions about this Privacy Policy Statement or how we use your personal data, please contact us through one of the communication channels below.

HKEX will take all practicable steps to ensure the security of the personal data and to avoid unauthorised or accidental access, erasure or other use. This includes physical, technical and procedural security methods, where appropriate, to ensure that the personal data may only be accessed by authorized personnel.

Please note that if you do not provide us with your personal data (or relevant personal data relating to persons appointed by you to act on your behalf) we may not be able to provide the information, products or services you have asked for or process your request.

Purpose

From time to time we may collect your personal data such as your name, mailing address, telephone number, email address and login name for the following purposes:

1. to process your applications, subscriptions and registration for our products and services;
2. to perform or discharge the functions of HKEX and any company of which HKEX is the recognised exchange controller (as defined in the Securities and Futures Ordinance (Cap. 571));
3. to provide you with our products and services and administer your account in relation to such products and services;
4. to conduct research and statistical analysis; and
5. other purposes directly relating to any of the above.

Direct marketing

Except to the extent you have already opted out or in future opt out, we may also use your name, mailing address, telephone number and email address to send promotional materials to you and conduct direct marketing activities in relation to our financial services and information services, and related financial services and information services offered by our affiliates.

If you do not wish to receive any promotional and direct marketing materials from HKEX or do not wish to receive particular types of promotional and direct marketing materials or do not wish to receive such materials through any particular means of communication, please contact us through one of the communication channels below.

Identity Card Number

We may also collect your identity card number and process this as required under applicable law or regulation, as required by any regulator having authority over us and, subject to the PDPO, for the purpose of identifying you where it is reasonable for your identity card number to be used for this purpose.

Transfers of personal data for direct marketing purposes

Except to the extent you have already opted out or in future opt out, we may transfer your name, mailing address, telephone number and email address to our affiliates for the purpose of enabling our affiliates to send promotional materials to you and conduct direct marketing activities in relation to their financial services and information services.

Other transfers of personal data

For one or more of the purposes specified above, the personal data may be:

1. transferred to our affiliates and made available to appropriate persons in our affiliates, in Hong Kong or elsewhere and in this regard you consent to the transfer of your data outside of Hong Kong; and
2. supplied to any agent, contractor or third party who provides administrative or other services to HKEX and/or any of our affiliates in Hong Kong or elsewhere.

How we use cookies

If you access our information or services through the HKEX website, you should be aware that cookies are used. Cookies are data files stored on your browser. The HKEX website automatically installs and uses cookies on your browser when you access it. Two kinds of cookies are used on the HKEX website:

Session Cookies: temporary cookies that only remain in your browser until the time you leave the HKEX website, which are used to obtain and store configuration information and administer the HKEX website, including carrying information from one page to another as you browse the site so as to, for example, avoid you having to re-enter information on each page that you visit. Session cookies are also used to compile anonymous statistics about the use of the HKEX website.

Persistent Cookies: cookies that remain in your browser for a longer period of time for the purpose of compiling anonymous statistics about the use of the HKEX website or to track and record user preferences.

The cookies used in connection with the HKEX website do not contain personal data. You may refuse to accept cookies on your browser by modifying the settings in your browser or internet security software. However, if you do so you may not be able to utilise or activate certain functions available on the HKEX website.

Compliance with laws and regulations

You agree that HKEX and its affiliates may be required to retain, process and/or disclose your personal data in order to comply with applicable laws and regulations, or in order to comply with a court order, subpoena or other legal process, or to comply with a request by a government authority, law enforcement agency or similar body (whether situated in Hong Kong or elsewhere). You also agree that HKEX and its affiliates may need to disclose your personal data in order to enforce any agreement with you, protect our rights, property or safety, or the rights, property or safety of our affiliates and employees.

Corporate reorganisation

As HKEX continues to develop its business, we may reorganise our group structure, undergo a change of control or business combination. In these circumstances it may be the case that your personal data is transferred to a third party who will continue to operate our business or a similar service under either this Privacy Policy Statement or a different privacy policy statement which will be notified to you. Such a third party may be located, and use of your personal data may be made, outside of Hong Kong in connection with such acquisition or reorganisation.

Access and correction of personal data

Under the PDPO, you have the right to ascertain whether HKEX holds your personal data, to obtain a copy of the data, and to correct any data that is inaccurate. You may also request HKEX to inform you of the type of personal data held by it. All data access requests shall be made using the form prescribed by the Privacy Commissioner for Personal Data ("**Privacy Commissioner**") which may be found on the official website of the Office of the Privacy Commissioner.

Requests for access and correction or for information regarding policies and practices and kinds of data held by HKEX should be addressed in writing and sent by post to us (see contact details below).

A reasonable fee may be charged to offset HKEX's administrative and actual costs incurred in complying with your data access requests.

Termination or cancellation

Should your account with us be cancelled or terminated at any time, we shall cease processing your personal data as soon as reasonably practicable following such cancellation or termination, provided that we may keep copies of your data as is reasonably required for archival purposes, for use in relation to any actual or potential dispute, for the purpose of compliance with applicable laws and regulations and for the purpose of enforcing any agreement we have with you, for protecting our rights, property or safety, or the rights, property or safety of our affiliates and employees.

Contact us

By Post:

Personal Data Privacy Officer
Hong Kong Exchanges and Clearing Limited
12/F., One International Finance Centre
1 Harbour View Street
Central
Hong Kong

By Email:

pdpo@hkex.com.hk

Hong Kong Exchanges and Clearing Limited
12/F, One International Finance Centre
1 Harbour View Street, Central, Hong Kong

info@hkex.com.hk
t: +852 2522 1122 f: +852 2295 3106
hkexgroup.com | hkex.com.hk