

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below that are raised in the Consultation Paper downloadable from the HKEX website at:

<http://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/November-2017-Exemption-for-Aircraft-Leasing-Activities/Consultation-Paper/cp2017113.pdf>

Where there is insufficient space provided for your comments, please attach additional pages.

1. Do you agree with the proposal to provide a general exemption for aircraft leasing activities?

Yes

No

If your answer is "No", please give reasons for your views.

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?

Yes

No

If your answer is "No", please give reasons for your views.

3. Do you agree with the proposed criteria for determining a Qualified Aircraft Lessor set out in paragraphs 27(a) and (b) of the Consultation Paper?

Yes

No

If your answer is "No", please give reasons for your views.

We agree with the proposed criteria and our view is that an issuer should self-determine whether it fulfils the Qualified Aircraft Lessor criteria, and that there is no need for any application to or approval from HKEX in that regard. That appears to be the case from our reading of the proposed amendments, but please clarify if our understanding is not correct.

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?

Yes

No

If your answer is "No", please give reasons for your views.

- (b) Do you agree that the individuals relied on must have a minimum of five years' relevant industry experience?

Yes

No

If your answer is "No", what is the appropriate period?

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

In circumstances where a Qualified Aircraft Lessor and its HKSE-listed parent company are required to disclose the same transaction, we propose that the parent company should be allowed to make the same disclosures as the Qualified Aircraft Lessor without having to apply to HKEX for the relevant waivers. This ensures that information which the Qualified Aircraft Lessor did not have to disclose is not disclosed through other means.

6. Do you agree with the proposed Rule amendments to define Qualified Aircraft Leasing Activities to include acquisitions, disposals and finance leases of aircraft?

Yes

No

If your answer is "No", please give reasons for your views.

We agree that Qualified Aircraft Leasing Activities should include acquisitions and disposals.

However, a finance lease is essentially a disposal, but with different terms concerning the timing of payment and transfer of ownership. Furthermore, it can be hard to draw a firm distinction between finance leases and other similar arrangements such as conditional sale agreements and hire purchase agreements.

The specific reference to "finance leases" may therefore create confusion over definition and interpretation.

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?

Yes

No

If your answer is “No”, please give reasons for your views.

As noted above, our view is that a finance leases is simply a type of disposal.

However, if a finance leases is treated differently from other types of disposal, then we see no reason why the nature of the buyer's buisness should be relevant.

If the proposed rule remains unchanged, we propose that the language be clarified to ensure that a chain of leases with an aircraft operator as end-user is treated in the same way as a direct finance lease, as leasing arrangements sometimes need to be structured in this way for tax or accounting reasons.

8. Do you agree that the proposed exemption should not apply to operating leases (see paragraph 32 of the Consultation Paper)?

Yes

No

If your answer is “No”, please give reasons for your views.

9. Do you agree with the proposed disclosure requirements for announcement of exempted aircraft leasing activities?

Yes

No

If your answer is “No”, please give reasons for your views.

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?

Yes

No

If your answer is "No", please give reasons for your views.

We generally agree with the proposed disclosure requirements except as discussed below:

Sub-paragraph (a): We suggest that issuers be permitted disclose (i) the aggregate number of aircraft purchased for the reporting period and (ii) the aggregate number of aircraft committed to purchase by grouping a certain number of years as each issuer considers appropriate (eg "within 1 year; within 2-4 years; 5 years and beyond"). The current language requires a breakdown of the aggregate number of aircraft committed to purchase by aircraft model and expected year of delivery, which may indirectly disclose confidential information particularly in later years where the number and variety of aircraft is low.

Sub-paragraph (b): We do not agree with the proposal to disclose the actual aggregate purchase price for the reporting period and suggest that the aggregate list price be disclosed. Disclosure of actual pricing, even on an aggregate basis, could breach confidentiality obligations in purchase contracts and damage an issuer's competitive position in the market.

Further, similar to (a) above, we do not agree with disclosing commitment amounts for future commitments with a breakdown of such amounts by year. This may indirectly cause issuers to disclose the actual purchase for individual aircraft if, by way of illustration, as of the end of the reporting period there are 4 aircraft of the same type that an issuer committed to purchasing in a single year. We suggest that issuers disclose (i) the aggregate purchase price for the reporting period and (ii) the aggregate commitment amounts for future commitments by grouping a certain number of years as the issuer deems fit.

Sub-paragraph (d): We voluntarily disclose in our interim and annual reports (i) aggregate proceeds from sale of aircraft and (ii) aggregate net gain/loss on sale of aircraft, from which it is possible to derive the aggregate net book value of the aircraft sold in the relevant period. We would prefer to continue with our current practice which is in line with accounting standards, instead of specifically disclosing the aggregate net book value of the sold aircraft.

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