

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.

According to the Consultation Paper, Qualified Aircraft Lessor as an issuer that is actively engaged in aircraft leasing with aircraft operators as a principal activity in its ordinary and usual course of business.

In order to cover full types of aircraft lessors, some changes should be made as follows:

Firstly, the types of aircrafts shall cover civil plane, business jet and any other types of aircraft.

Secondly, according to the nature of business jet leasing business, lessees usually are not aircraft operators since they are not airline companies. Under this circumstance, it is more appropriate to use Aircraft Lessees rather than Aircraft Operators.

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.

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.

Aircraft leasing industry is an industry which requires practitioners who have professional knowledge, skill and experience in both aviation industry and finance industry. Hence, apart from sufficient operating and management experience in aviation industry, solid experience in financial management in financial institution or corporation is also crucial to succeed in the role of director and senior management.

(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?

We think three years' relevant industry experience is more appropriate.

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

Other than limitation to issuers that are actively engaged in aircraft leasing with aircraft operators as principal activity, we suggest including the criteria for determining an issuer as a Qualified Aircraft Lessor below: Issuers who engage in provision of value-added services related to aircraft leasing such as fleet planning, fleet replacement package deals, aircraft disassembling, component sales, financing arrangement, aircraft management and other leasing related activities.

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.

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.

Aircraft leasing includes the acquisition of various types of aircrafts (including civil plane, business jet and other types of aircrafts) for leasing (including finance lease or operating lease) purpose. If the lessee is not an airline company, it may not be classified as an aircraft operator. However, in most business jet leasing businesses, the leasees are not aircraft operators. As a result, lessors who engage in business jet leasing businesses may not be eligible to apply to this exemption. The result may fail to fulfill Hong Kong Government's aim to promote aircraft leasing business in Hong Kong.

Therefore, the exemption shall include areas below:

- (i) the acquisition and disposal of any types of aircrafts (including civilian plane, business jet and other types of aircrafts);
- (ii) both operating leases and finance leases;
- (iii) the acquisition of aircraft for finance or operating leases; and
- (iv) lessees of aircraft (not just aircraft operators).

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.

Both operating leases and finance leases are important parts of aircraft leasing business. 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. However, aircraft operating leases are asset heavy businesses for lessors because of the tremendous amount of purchase cost for aircrafts acquisition. For those lessors with relatively small size, it is quite common to exceed the 200% size test when they enter into aircrafts purchase agreements. Hence, the proposed exemption should also apply to operating leases.

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.

- End -