

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below on the proposed change discussed 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.

In general yes but please see our response to Q2 below regarding the definition of a Qualified Aircraft Lessor.

If an issuer is a Qualified Aircraft Lessor and is exempt from the announcement, circular and/or shareholders' approval requirements for notifiable transactions, any listed holding company(ies) of that issuer should equally be exempt from those requirements.

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.

The definition should be extended to include issuers who engaged in aircraft leasing with aircraft operators via an intermediate lessor (which may be within or outside the relevant listed issuer group). Please also refer to our response to Q7 below.

If aircraft leasing is reported as a separate and continuing segment (if not the only segment) in the issuer's financial statements, then aircraft leasing should be considered a "principal activity" (even if it is not the only principal activity) of the issuer.

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

Yes

No

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

In general yes but please see our response to Q2 above.

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

(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?

Yes

No

The issuers should be entitled to make the judgment themselves as to whether an individual's experience constitutes relevant industry experience. The aircraft leasing business is specialised and the pool of people in this industry is limited; therefore, the minimum threshold should not be set too high. We think that experience in other countries should count as this is an international business.

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

None.

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.

The exemption should be extended to include the finance lease to aircraft operator via an intermediate lessor (which may be within or outside the relevant listed issuer group). Having an intermediate lessor in the leasing structure is a common practice in the industry, as can be seen in the Departmental Interpretation and Practice Notes (DIPN No.54) in relation to taxation of aircraft leasing activities, recently issued by the IRD of Hong Kong. Please refer to http://www.ird.gov.hk/eng/pdf/e_dipn54.pdf. Under Paragraph 22 of the DIPN No.54, it explicitly points out that corporation which has interposed an intermediate lessor between the corporation (as owner) and the aircraft operator may also be eligible for profits tax concessions although the literal meaning of the relevant ordinance only covers the situation that the relevant lessee is an aircraft operator. Thus, the proposed expansion of scope should ensure the intended benefits of this proposed exemption be properly and fully extended to the intended listed issuers undertaking customary aircraft finance lease activities.

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.

If aircraft leasing business will be treated as a specialty business of its own for Qualified Aircraft Lessors where aircraft leasing activities will form part of their ordinary and usual course of business, then the proposed exemption in this paper should also include exemption where Qualified Aircraft Issuers entering or terminating aircraft-related operating leases should not constitute a "transaction" under Rules 14.04(d). A similar analogy is that a listed issuer does not have to do any additional compliance under Chapter 14 if its principal business activities expand or reduce by 200% or more. However, we agree that other operating leases activities of the Qualified Aircraft Lessors which are not directly related to aircraft leasing activities should follow the existing listing rules requirement.

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.

