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Subject: Bills Committee on Inland Revenue (Amendment) (No. 2) Bill 2017

Dear Sirs,

Thank you for your letter to our Chairman dated 17 April and for your invitation to attend the meeting on 26 April. Given HKEX has no direct involvement in this matter, we do not plan to send a representative to the meeting; however, I have set out our position on this matter below.

We support the aircraft leasing tax amendments as an initiative to build Hong Kong as a global aircraft leasing centre to compete with Ireland and Singapore, where most aircraft leasing companies are currently registered. This is clear in the Chief Executive's 2016 policy address that the Government would formulate measures to "Develop Hong Kong into a centre for aerospace financing".

With Hong Kong's well-established systems and status as an international finance centre, Hong Kong is well positioned to develop the global aviation business sector, taking into account that Hong Kong is the only common law jurisdiction in Mainland China with a well-established legislation, enforcement and arbitration system. Hong Kong also has sound laws to protect business, property, intellectual property, contract, financial transactions and competition. With the rapid growth of the aircraft leasing industry in the Mainland in recent years, Hong Kong should capture the opportunities to strengthen its development as a global aviation centre.

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 both mainland and international investors. Whilst aircraft leasing is still a new business in Hong Kong, we are glad to see new listings of aircraft leasing companies on our exchange in recent years, including China Aircraft Leasing Group Holding Limited which is the first aircraft lessor listed in Asia, BOC Aviation Limited and China Development Bank Financial Leasing Co., Ltd. These companies raised a total of amount over HK\$15 billion from IPOs and have a total market capitalization about HK\$60 billion. China Aircraft Leasing Group has also raised funds through issuance of debt securities listed on our exchange. We will continue to support the Government's work to attract more aircraft leasing companies to raise fund in Hong Kong equity and debt markets.

Yours sincerely,

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