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CHINA AIRCRAFT LEASING GROUP HOLDINGS LIMITED

中國飛機租賃集團控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock code: 1848)

MAJOR TRANSACTION IN RELATION TO THE PURCHASE OF TWO AIRBUS AIRCRAFT

THE SECOND AIRCRAFT PURCHASE AGREEMENT

Reference is made to the announcement of the Company dated 31 December 2015 in relation to the First Aircraft Purchase Agreement entered into between CALC (BVI), a wholly owned subsidiary of the Company, and Airbus for the purchase of the First Batch Airbus Aircraft.

The Board is pleased to announce that on 12 January 2016, CALC (BVI) and Airbus entered into the Second Aircraft Purchase Agreement, pursuant to which CALC (BVI) agreed to purchase the Second Batch Airbus Aircraft from Airbus. The Second Aircraft Purchase Agreement was executed in a form of amendment agreement to the 2014 Aircraft Purchase Agreement dated 1 December 2014.

IMPLICATION OF THE LISTING RULES

Since the 2014 Aircraft Purchase Agreement was executed more than 12 months before the First Aircraft Purchase Agreement, no aggregation is required pursuant to Rule 14.22 of the Listing Rules. However, the transaction contemplated under the Second Aircraft Purchase Agreement shall be aggregated together with the First Aircraft Purchase Agreement pursuant to Rule 14.22 of the Listing Rules. As the applicable percentage ratio of the Second Aircraft Purchase Agreement and the First Aircraft Purchase Agreement on an aggregated basis is above 25% but below 100%, the acquisition under the Second Aircraft Purchase Agreement constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements in Chapter 14 of the Listing Rules.

So far as the Directors are aware after making reasonable enquiry, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Second Aircraft Purchase Agreement. Written approvals of the Second Aircraft Purchase Agreement have been obtained from CE Aerospace and FPAM, which together hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at general meetings of the Company. On the basis that CE Aerospace and FPAM form a closely allied group of Shareholders, their written approvals may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

GENERAL

A circular containing the information required under the Listing Rules in relation to the Second Aircraft Purchase Agreement will be dispatched to Shareholders on or before 2 February 2016.

BACKGROUND

Reference is made to the announcement of the Company dated 31 December 2015 in relation to the First Aircraft Purchase Agreement entered into between CALC (BVI), a wholly owned subsidiary of the Company, and Airbus for the purchase of the First Batch Airbus Aircraft.

The Board is pleased to announce that on 12 January 2016, CALC (BVI) and Airbus entered into the Second Aircraft Purchase Agreement, pursuant to which CALC (BVI) agreed to purchase the Second Batch Airbus Aircraft from Airbus. The Second Aircraft Purchase Agreement was executed in a form of amendment agreement to the 2014 Aircraft Purchase Agreement dated 1 December 2014.

THE SECOND AIRCRAFT PURCHASE AGREEMENT

Date: 12 January 2016

Parties

- (1) CALC (BVI), as purchaser; and
- (2) Airbus, as vendor.

To the best of the Director's knowledge, information and belief and having made all reasonable enquiry, Airbus and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Aircraft to be acquired: Two Airbus A320-200 CEO series aircraft

Consideration

The list price for the Second Batch Airbus Aircraft (which comprises the airframe price, optional features price and engine price) is approximately US\$196 million (equivalent to approximately HK\$1.53 billion).

In accordance with customary business and industry practice, Airbus granted CALC (BVI) significant price concessions with regard to the Second Batch Airbus Aircraft to be purchased. Such price concessions were determined after arm's length negotiations between CALC (BVI) and Airbus. As a result, the Consideration for the Second Batch Airbus Aircraft to be purchased is considerably lower than the list price mentioned above for such aircraft. The Directors confirm that the extent of the price concessions granted to CALC (BVI) under the Second Aircraft Purchase Agreement is the same as the price concessions that CALC (BVI) had obtained under the 2014 Aircraft Purchase Agreement. The Company believes that there is no material impact of the price concessions obtained under the Second Aircraft Purchase Agreement on the operating costs of its fleet and the aircraft financing amount of the Second Batch Airbus Aircraft will be reduced due to the lower aircraft purchase price to be financed.

CALC (BVI) is subject to a confidentiality obligation under which none of the terms of the Second Aircraft Purchase Agreement can be disclosed to any third party without the written consent of Airbus. For the purpose of the disclosure obligations of the Company normally required under Chapter 14 of the Listing Rules, the Company has obtained such consent save for the Consideration.

It is normal business practice in the global airline industry to disclose the aircraft list price, instead of the consideration for aircraft acquisitions. Disclosure of the Consideration will result in the loss of the significant price concessions and hence will have a significant negative impact on the costs of the Company incurred in undertaking the purchase and will therefore not be in the interests of the Company and the Shareholders as a whole.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 14.58(4) and 14.66(4) of the Listing Rules in respect of the disclosure of the Consideration.

Payment and delivery terms

The Consideration will be partly settled from the Group's internal resources and partly by financing arrangements with banking institutions.

It is estimated that the Second Batch Airbus Aircraft will be delivered to the Company within eighteen (18) months from the date of the Second Aircraft Purchase Agreement.

The Consideration for each of the relevant Second Batch Airbus Aircraft will be paid according to its respective delivery schedule, with the two instalments to be paid prior to delivery of each of the Second Batch Airbus Aircraft (the "**Pre-delivery Payment**") and the balance, being a substantial portion of the Consideration, to be paid upon delivery of each of the Second Batch Airbus Aircraft. The Pre-delivery Payment is a progress payment to be made by the Company to Airbus at different milestones when the new aircraft ordered by the Company are being built. It represents 30% to 40% of the Consideration which is consistent with the historical purchase of aircraft with Airbus.

Source of funding

The Consideration will be funded through commercial bank loans, pre-delivery payment financing and the Group's working capital. It is expected that the percentage of the Consideration to be funded by bank loans and/or financing and the Group's working capital to be consistent with the Group's policy to maintain gearing ratio at below 95%.

In respect of the Second Batch Airbus Aircraft, the Group is in discussion with various banks to obtain new pre-delivery payment financing and long-term bank borrowings. However, as at the date of this announcement, no formal agreements have been reached on the pre-delivery payment financing and long-term bank borrowings.

REASONS FOR ENTERING INTO THE SECOND AIRCRAFT PURCHASE AGREEMENT

The Directors are of the view that completion of the Second Aircraft Purchase Agreement is not only in line with the growth strategy of the Group, but also demonstrates the ability of the Group to source new aircraft to match customer demand under dynamic market conditions.

Currently, the Group owns and manages a fleet of 63 aircraft as at the date of the announcement. In addition to the purchase of the First Batch Airbus Aircraft announced by the Company on 31 December 2015, the Group now planned to acquire two more aircraft in response to the strong airline customers' demand of the Group's aircraft in 2016. The Group is in active discussion with various airline customers for the Second Batch Airbus Aircraft, but as at the date of this announcement, no formal lease agreement has been reached.

All principal terms and conditions of the 2014 Aircraft Purchase Agreement shall apply to the Second Aircraft Purchase Agreement, unless otherwise agreed by the parties. The Directors consider that the terms of the Second Aircraft Purchase Agreement are fair and reasonable and in the interest of the Shareholders as a whole.

INFORMATION ABOUT THE GROUP AND AIRBUS

The Group is principally engaged in aircraft leasing business.

To the knowledge of the Directors, Airbus is principally engaged in the business of aircraft manufacturing and selling aircraft.

IMPLICATIONS OF THE LISTING RULES

Since the 2014 Aircraft Purchase Agreement was executed more than 12 months before the First Aircraft Purchase Agreement, no aggregation is required pursuant to Rule 14.22 of the Listing Rules. However, the transactions contemplated under the Second Aircraft Purchase Agreement shall be aggregated together with the First Aircraft Purchase Agreement pursuant to Rule 14.22 of the Listing Rules. As the applicable percentage ratio of the Second Aircraft Purchase Agreement and the First Aircraft Purchase Agreement on an aggregated basis is above 25% but below 100%, the acquisition under the Second Aircraft Purchase Agreement constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements in Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval of the Second Aircraft Purchase Agreement may be given by way of written Shareholders' approval in lieu of holding a general meeting if (1) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Second Aircraft Purchase Agreement; and (2) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the Second Aircraft Purchase Agreement.

So far as the Directors are aware after making reasonable enquiry, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Second Aircraft Purchase Agreement.

Written approvals of the Second Aircraft Purchase Agreement have been obtained from the following Shareholders:

Name	Number of Shares held	Approximate percentage of shareholding
CE Aerospace <i>(Note 1)</i>	207,639,479	34.27%
FPAM <i>(Note 2)</i>	181,683,589	29.98%
Total:	389,323,068	64.25%

Notes:

- (1) CE Aerospace is wholly-owned by CEL.
- (2) FPAM is owned as to 0.01% by Ms. Christina Ng (“**Ms. Ng**”) and 99.99% by Capella Capital Limited, which is in turn owned as to 10% by Ms. Ng and 90% by Mr. Poon Ho Man, spouse of Ms. Ng and the founder of the FPAM group.

CE Aerospace and FPAM constitute “a closely allied group of Shareholders” under Rule 14.45 of the Listing Rules for the reasons set out below:

- (1) CE Aerospace became a member of the Group since June 2011 as a strategic investor;
- (2) as at the date of this announcement, CE Aerospace has not disposed of any of its shares in the Company. The Directors consider that CE Aerospace’s investment in the Company and the Group is of a long-term and strategic nature and that CE Aerospace and FPAM have established and will maintain a long-term and stable business relationship with each other; and
- (3) although they are not parties acting in concert within the meaning of the Code on Takeovers and Mergers, CE Aerospace and FPAM have voted unanimously on all Shareholders’ resolutions since inception of the Group (other than routine resolutions at annual general meetings).

On the basis that CE Aerospace and FPAM form a closely allied group of Shareholders, their written approvals may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

GENERAL

A circular containing the information required under the Listing Rules in relation to the Second Aircraft Purchase Agreement will be dispatched to Shareholders on or before 2 February 2016.

DEFINITIONS

In this announcement, the following expressions shall (unless the context otherwise requires) have the following meanings:

“2014 Aircraft Purchase Agreement”	the two aircraft purchase agreements each entered into between Airbus and CALC (BVI) on 1 December 2014, pursuant to which CALC (BVI) agreed to purchase and Airbus agreed to sell certain Airbus aircraft, details of which are disclosed in the announcement of the Company dated 1 December 2014
“Airbus”	Airbus S.A.S., a company created and existing under the laws of France
“Board”	the board of Directors

“CE Aerospace”	China Everbright Aerospace Holdings Limited, a company incorporated in the Cayman Islands on 13 January 2009, a wholly-owned subsidiary of CEL and one of the controlling shareholders of the Company
“CEL”	China Everbright Limited, a company incorporated in Hong Kong on 25 August 1972 and listed on the Stock Exchange (Stock code: 165) and one of the controlling shareholders of the Company
“CALC (BVI)”	China Aircraft Leasing Company Limited, a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of the Company
“Company”	China Aircraft Leasing Group Holdings Limited (中國飛機租賃集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the actual consideration payable by CALC (BVI) to Airbus for purchase of the Second Batch Airbus Aircraft (taking into account the price concession)
“Directors”	the directors of the Company
“First Aircraft Purchase Agreement”	the amendment to the 2014 Aircraft Purchase Agreement dated 31 December 2015 entered into by CALC (BVI) and Airbus pursuant to which CALC (BVI) agreed to purchase and Airbus agreed to sell the First Batch Airbus Aircraft
“First Batch Airbus Aircraft”	Two Airbus A320-200 CEO series aircraft to be acquired pursuant to the First Aircraft Purchase Agreement
“FPAM”	Friedmann Pacific Asset Management Limited, a company incorporated in the British Virgin Islands and one of the controlling shareholders of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China

“Second Aircraft Purchase Agreement”	the amendment to the 2014 Aircraft Purchase Agreement entered into between Airbus and CALC (BVI) on 12 January 2016, pursuant to which CALC (BVI) agreed to purchase and Airbus agreed to sell the Second Batch Airbus Aircraft
“Second Batch Airbus Aircraft”	Two Airbus A320-200 CEO series aircraft to be acquired pursuant to the Second Aircraft Purchase Agreement
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

In this announcement, certain amounts denominated in US\$ are translated into HK\$ at the exchange rate shown below, but such conversions shall not be construed as representations that amounts in US\$ were or may have been converted into HK\$ at such rate or any other exchange rates or at all: US\$1 = HK\$7.80.

By order of the Board
China Aircraft Leasing Group Holdings Limited
CHEN SHUANG
*Chairman, Executive Director
and Chief Executive Officer*

Hong Kong, 12 January 2016

As at the date of this announcement, (i) the executive Directors are Mr. CHEN Shuang and Ms. LIU Wanting; (ii) the non-executive Directors are Mr. TANG Chi Chun and Mr. GUO Zibin; and (iii) the independent non-executive Directors are Mr. FAN Yan Hok, Philip, Mr. NG Ming Wah, Charles, Mr. NIEN Van Jin, Robert and Mr. CHEOK Albert Saychuan.