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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)**

### **DISCLOSEABLE TRANSACTIONS**

#### **(1) ACQUISITION OF ONE AIRBUS AIRCRAFT**

**AND**

#### **(2) LEASE OF TWO AIRBUS AIRCRAFT TO LONGJIANG AIRLINES**

The Board is pleased to announce that on 31 May 2016, the Company, through its wholly-owned special purpose vehicles, entered into the Purchase Agreement Assignment and the Longjiang Aircraft Lease Agreements with Longjiang Airlines.

#### **THE PURCHASE AGREEMENT ASSIGNMENT**

The Company, through its wholly-owned special purpose vehicle, entered into the Purchase Agreement Assignment with Longjiang Airlines, pursuant to which Longjiang Airlines agreed, among others, to assign to the Company its right to purchase and take delivery of the AB Dritte Airbus Aircraft from AB Dritte pursuant to the Aircraft Sale Agreement.

#### **THE LONGJIANG AIRCRAFT LEASE AGREEMENTS**

The Company, through two of its wholly-owned special purpose vehicles, entered into the Longjiang Aircraft Lease Agreements with Longjiang Airlines, pursuant to which the Company agreed to lease the Longjiang Airbus Aircraft to Longjiang Airlines.

#### **IMPLICATION OF THE LISTING RULES**

As the applicable percentage ratios of the Purchase Agreement Assignment and the Longjiang Aircraft Lease Agreements are above 5% but below 25% respectively, each of the Transactions constitute a discloseable transaction of the Company and is therefore subject to the announcement requirement in Chapter 14 of the Listing Rules.

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**Date:** 31 May 2016

### **Parties**

- (1) the Company, through its wholly-owned special purpose vehicle, as the assignee; and
- (2) Longjiang Airlines, as the assignor.

**Aircraft to be acquired:** one used Airbus A321-211 aircraft

### **Consideration**

The valuation of the AB Dritte Airbus Aircraft, provided by an independent valuer, is US\$38.3 million (equivalent to approximately HK\$298.74 million) (the “**Valuation**”).

Like other purchasers from Air Berlin PLC, Longjiang Airlines is subject to a confidentiality obligation under which none of the terms of the Aircraft Sale Agreement can be disclosed to any third party unless with the written consent of AB Dritte. In addition, each of Longjiang Airlines and the Company will need to undertake to AB Dritte that none of the terms of the Purchase Agreement Assignment can be disclosed to any third party unless with the written consent of AB Dritte. For the purpose of the Company’s compliance with its disclosure obligations normally required under Chapter 14 of the Listing Rules, the Company has obtained such consent save for the Consideration.

The Board considers that the Consideration was determined on an arm’s length basis, taking into account the independent valuation of the AB Dritte Airbus Aircraft, the terms and conditions of the Transactions as a whole and with reference to market conditions.

The Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.58(4) and Rule 14.58(7) of the Listing Rules in respect of disclosure of the Consideration and net profits attributable to the AB Dritte Airbus Aircraft for the two financial years immediately preceding the transaction. Further announcement(s) will be made by the Company in accordance with the Listing Rules where necessary.

### **Payment and delivery terms**

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

The Consideration for the AB Dritte Airbus Aircraft will be paid on the delivery date. It is estimated that the AB Dritte Airbus Aircraft will be delivered to the Company in June 2016.

### **Source of funding**

The Consideration will be funded through commercial bank loans and the Group’s working capital.

## **THE LONGJIANG AIRCRAFT LEASE AGREEMENTS**

The Company, through two of its wholly-owned special purpose vehicles, entered into the Longjiang Aircraft Lease Agreements with Longjiang Airlines, pursuant to which the Company agreed to lease the Longjiang Airbus Aircraft to Longjiang Airlines.

It is expected that the Longjiang Aircraft Lease Agreements will be classified as finance leases according to the Company's accounting policies. The final accounting treatment will be confirmed on or before the delivery of the respective aircraft and commencement of the Longjiang Aircraft Lease Agreements.

**Date:** 31 May 2016

### **Parties**

(1) the Company, through two of its wholly-owned special purpose vehicles, as the lessor;  
and

(2) Longjiang Airlines, as the lessee.

**Aircraft to be leased:** Longjiang Airbus Aircraft (comprising the AB Dritte Airbus Aircraft and a new Airbus A321-211 aircraft)

### **Term**

144 months and 180 months from the date on which AB Dritte Airbus Aircraft and a new Airbus A321-211 aircraft are delivered to Longjiang Airlines respectively.

### **Rental fees/Average annual return on assets**

The expected average annual return on assets in respect of the Longjiang Aircraft Lease Agreements of the AB Dritte Airbus Aircraft and the new Airbus A321-211 aircraft are 4.7% and 3.5% respectively, which is calculated by dividing average annual net profit by the aircraft purchase price. The return on assets for the lease of an aircraft is a reasonable measure of investment return for investing in the aviation industrial sector.

The rental fees for the Longjiang Airbus Aircraft were determined after arm's length negotiation between the parties and on normal commercial terms, and are comparable to the prevailing market rate for aircraft lease transactions of comparable nature. The Company has also taken into account the Consideration of the AB Dritte Airbus Aircraft when determining the rental fee for the AB Dritte Airbus Aircraft, and in particular, the Consideration is not significantly lower than the Valuation.

The lease receivables are secured by the aircraft under the Longjiang Aircraft Lease Agreements. In the event of a default by Longjiang Airlines, the terms of the Longjiang Aircraft Lease Agreements provide for re-possession of aircraft by the Company.

## **Conditions Precedent**

Delivery of the aircraft is conditional upon fulfilment or waiver by the relevant parties of certain conditions on or prior to the delivery date, including but not limited to, the provision of relevant documentation in form and substance satisfactory to the parties, due execution of the Longjiang Aircraft Lease Agreements and/or ancillary agreements by the parties, due payment of the first instalment of basic rent and security deposit by Longjiang Airlines, and the delivery of the aircraft from AB Dritte or the manufacturer to the owner of the aircraft.

## **Payment and delivery terms**

The rental fees for each of the Longjiang Airbus Aircraft are payable in cash quarterly throughout the term of the Longjiang Aircraft Lease Agreements respectively. The Longjiang Airbus Aircraft are expected to be delivered to Longjiang Airlines in June 2016 and in the first half of 2017 respectively.

## **REASONS FOR ENTERING INTO THE TRANSACTIONS**

The Group is one of the leading aircraft operating lessors and a one-stop, full life cycle aircraft solutions provider in China. We have built a platform that covers all aircraft related services. Currently, the Group owns and manages a fleet of 67 aircraft as at the date of the announcement.

The Directors are of the view that the Transactions are in line with the growth strategy of the Group. The Transactions demonstrate the ability and flexibility of the Group to provide diverse aircraft solutions to meet customers' finance needs under dynamic market conditions and gain new customer with lease terms that are profitable for the Group. The Directors confirm that the Agreements have been entered into by the Company in its ordinary and usual course of business and that the Transactions will have no material adverse impact on the Company's operations and financial position. The Directors believe that the Agreements are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

With its fleet expansion plan from 2016 onwards, the Group will continue to pursue its business development in both domestic and overseas markets to retain its leading position as one of the largest independent aircraft lessors in China.

## **INFORMATION ABOUT THE GROUP AND LONGJIANG AIRLINES**

The Group is principally engaged in aircraft leasing business.

To the knowledge of the Directors, Longjiang Airlines is engaged in the business of civil aviation services.

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

## IMPLICATIONS OF THE LISTING RULES

As the applicable percentage ratios of the Purchase Agreement Assignment and the Longjiang Aircraft Lease Agreements are above 5% but below 25% respectively, each of the Transactions constitutes a discloseable transaction of the Company and is therefore subject to the announcement requirement in Chapter 14 of the Listing Rules.

## DEFINITIONS

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

|                                    |  |
|------------------------------------|--|
| <b>“AB Dritte”</b>                 | AB Dritte Flugzeugvermietungs GMBH, a company incorporated under the laws of the Federal Republic of Germany, a subsidiary of Air Berlin PLC, the parent company of an air carrier group, and an independent third party |
| <b>“AB Dritte Airbus Aircraft”</b> | the used Airbus A321-211 aircraft to be delivered by AB Dritte pursuant to the Aircraft Sale Agreement   |
| <b>“Aircraft Sale Agreement”</b>   | the aircraft sale agreement entered into between AB Dritte and Longjiang Airlines on 11 February 2016 for the sale and purchase of AB Dritte Airbus Aircraft   |
| <b>“Agreements”</b>                | the Purchase Agreement Assignment and the Longjiang Aircraft Lease Agreements  |
| <b>“Board”</b>                     | the board of Directors   |
| <b>“China”</b>                     | the People’s Republic of China, excluding Hong Kong and the Macau Special Administrative Region for the purpose of this announcement   |
| <b>“Company”</b>                   | 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    |
| <b>“connected person(s)”</b>       | has the same meaning ascribed thereto under the Listing Rules  |
| <b>“Consideration”</b>             | the actual consideration payable by the Company, through its wholly-owned special purpose vehicle, to AB Dritte for purchase of the AB Dritte Airbus Aircraft  |
| <b>“Directors”</b>                 | the directors of the Company   |
| <b>“Group”</b>                     | the Company and its subsidiaries   |
| <b>“HK\$”</b>                      | Hong Kong dollar(s), the lawful currency of Hong Kong  |
| <b>“Hong Kong”</b>                 | the Hong Kong Special Administrative Region of China   |

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| <b>“Listing Rules”</b>                       | the Rules Governing the Listing of Securities on the Stock Exchange  |
| <b>“Longjiang Airbus Aircraft”</b>           | two Airbus A321-211 aircraft, comprising the AB Dritte Airbus Aircraft and a new Airbus A321-211 aircraft  |
| <b>“Longjiang Airlines”</b>                  | Longjiang Airlines Company Limited, a company incorporated under the laws of China   |
| <b>“Longjiang Aircraft Lease Agreements”</b> | the aircraft lease agreements dated 31 May 2016 entered into between the Company (through two of its wholly-owned special purpose vehicles, as lessor) and Longjiang Airlines (as lessee) for the lease of the Longjiang Airbus Aircraft                 |
| <b>“Purchase Agreement Assignment”</b>       | the purchase agreement assignment dated 31 May 2016 entered into between the Company (through its wholly-owned special purpose vehicle, as assignee) and Longjiang Airlines (as assignor) for the assignment of rights under the Aircraft Sale Agreement |
| <b>“Shareholder(s)”</b>                      | shareholder(s) of the Company  |
| <b>“Stock Exchange”</b>                      | The Stock Exchange of Hong Kong Limited  |
| <b>“Transactions”</b>                        | the transactions contemplated under the Agreements   |
| <b>“US\$”</b>                                | United States dollars, the lawful currency of the United States of America   |
| <b>“%”</b>                                   | 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**  
*Executive Director, Chairman  
and Chief Executive Officer*

Hong Kong, 31 May 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, Mr. GUO Zibin and Ms. CHEN Chia-Ling; and (iii) the Independent Non-executive Directors are Mr. FAN Yan Hok, Philip, Mr. NIEN Van Jin, Robert and Mr. CHEOK Albert Saychuan.*