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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 Transactions

(i) Purchase of Aircraft

and

(ii) Lease of Aircraft

THE PURCHASE AGREEMENT

On 25 August 2014, CALC (BVI), a wholly owned subsidiary of the Company, and Airbus entered into the Purchase Agreement, pursuant to which CALC (BVI) agreed to purchase four Airbus A320 aircraft from Airbus.

THE CHENGDU AIRLINES AIRCRAFT LEASE AGREEMENTS

On 25 August 2014, the Company, through four of its wholly owned special purpose vehicles, entered into the Chengdu Airlines Aircraft Lease Agreements with Chengdu Airlines respectively, pursuant to which the Company, through four of its wholly owned special purpose vehicles, agreed to lease four Airbus A320 aircraft to Chengdu Airlines respectively.

THE SICHUAN AIRLINES AIRCRAFT LEASE AGREEMENTS

On 25 August 2014, the Company, through two of its wholly owned special purpose vehicles, entered into the Sichuan Airlines Aircraft Lease Agreements with Sichuan Airlines respectively, pursuant to which the Company, through two of its wholly owned special purpose vehicles, agreed to lease two Airbus A320 aircraft to Sichuan Airlines respectively.

IMPLICATION OF THE LISTING RULES

As the relevant percentage ratios under Rule 14.07 of the Listing Rules for each of the Purchase Agreement and the Chengdu Airlines Aircraft Lease Agreements is above 25% but less than 100% respectively, each of the Purchase Agreement and the Chengdu Airlines Aircraft Lease Agreements 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 14.22 of the Listing Rules, the transactions contemplated under the Sichuan Airlines Aircraft Lease Agreements shall be aggregated together with the Previous Lease Agreement. As the applicable percentage ratios of the Sichuan Airlines Aircraft Lease Agreements and the Previous Lease Agreement on an aggregated basis are above 25% but less than 100%, the Sichuan Airlines Aircraft Lease Agreements are 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 enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Transactions. Written approvals of the Transactions have been obtained from FPAM and CE Aerospace, 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 FPAM and CE Aerospace 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.

A circular containing the information required under the Listing Rules in relation to the Transactions will be dispatched to Shareholders on or before 16 September 2014.

THE PURCHASE AGREEMENT

On 25 August 2014, CALC (BVI) and Airbus entered into the Purchase Agreement, pursuant to which CALC (BVI) agreed to purchase four Airbus A320 aircraft from Airbus.

Date: 25 August 2014

Parties

- (1) CALC (BVI), as the purchaser; and
- (2) Airbus, as the 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 connected persons of the Company.

Aircraft to be acquired: Four Airbus A320 aircraft

Consideration

The aggregate basic price for the four Airbus A320 aircraft (which comprises the airframe price, optional features price and engine price) is approximately US\$375.6 million (equivalent to approximately HK\$2,929.7 million).

In accordance with customary business and industry practice, Airbus granted CALC (BVI) significant price concessions with regard to the four Airbus A320 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 four Airbus A320 aircraft to be purchased is lower than the basic price mentioned above for such aircraft. The Directors confirm that the extent of the price concessions granted to CALC (BVI) under the Purchase Agreement is comparable with the price concessions that the Company had obtained in the past. The Company believes that there is no material impact of the price concessions obtained under the Purchase Agreement on the operating costs of its fleet, but there will be material impact on the aircraft financing cost of the Group's fleet 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 Purchase Agreement can be disclosed to any third party unless with the written consent from 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 basic 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 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 is payable in cash in three instalments, with the first two instalments to be paid prior to the delivery of the aircraft and the balance, being a substantial portion of the Consideration, to be paid upon delivery of the four Airbus A320 aircraft.

The four Airbus A320 aircraft are expected to be delivered to CALC (BVI) within 12 months from the date of the Purchase Agreement.

Source of funding

The Consideration will be funded through commercial bank loans and the Company's working capital.

THE CHENGDU AIRLINES AIRCRAFT LEASE AGREEMENTS

On 25 August 2014, the Company, through four of its wholly owned special purpose vehicles, entered into the Chengdu Airlines Aircraft Lease Agreements with Chengdu Airlines respectively, pursuant to which the Company, through four of its wholly owned special purpose vehicles, agreed to lease four Airbus A320 aircraft to Chengdu Airlines respectively.

Date: 25 August 2014

Parties

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

(2) Chengdu Airlines, as the lessee.

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

Aircraft to be leased: four Airbus A320 aircraft

Term

144 months from the date when the four Airbus A320 aircraft are delivered to and accepted by Chengdu Airlines respectively, subject to extension of a further 72 months upon request by Chengdu Airlines.

Rental fees/Average annual return on asset

The expected average annual return on asset in respect of the Chengdu Airlines Aircraft Lease Agreements is 4.32%, 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 aviation industrial sector.

Like other aircraft lessors, the Company is subject to a confidentiality obligation under which the terms of each Chengdu Airlines Lease Agreement cannot be disclosed to any third party unless with the written consent of Chengdu Airlines. 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 in relation to the basic rent for the four Airbus A320 aircraft, which was determined after arm's length negotiations and on normal commercial terms. The consideration paid by Chengdu Airlines is comparable to the prevailing market rate for aircraft lease transactions of comparable nature.

For business reasons and from a commercial perspective, it is in the Company's and its shareholders best interests to preserve the confidentiality of the basic rent for the Aircraft.

The rental fees for the four Airbus A320 aircraft were determined after arm's length negotiation between the parties and on normal commercial terms.

The Company has applied to the Stock Exchange for 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.

Conditions Precedent

Delivery of the aircraft is conditional upon, fulfilment or waiver by the relevant parties 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, duly execution of the Chengdu Airlines Aircraft Lease Agreements and/or ancillary agreements by the parties, duly payment of the first instalment of basic rent and security deposit by Chengdu Airlines, delivery of the aircraft from the manufacturer to the owner of the aircraft.

Payment and delivery terms

The rental fees for the four Airbus A320 aircraft are payable in cash on a quarterly basis throughout the term of the Chengdu Airlines Lease Agreements respectively.

The four Airbus A320 aircraft are expected to be delivered to Chengdu Airlines within 12 months from the date of the Chengdu Airlines Lease Agreements.

THE SICHUAN AIRLINES AIRCRAFT LEASE AGREEMENTS

On 25 August 2014, the Company, through two of its wholly owned special purpose vehicles, entered into the Sichuan Airlines Aircraft Lease Agreements with Sichuan Airlines respectively, pursuant to which the Company, through two of its wholly owned special purpose vehicles, agreed to lease two Airbus A320 aircraft to Sichuan Airlines respectively.

Date: 25 August 2014

Parties

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

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

Aircraft to be leased: two Airbus A320 aircraft

Term

144 months from the date when the two Airbus A320 aircraft is delivered to and accepted by Sichuan Airlines respectively.

Rental fees/Average annual return on asset

The expected average annual return on asset in respect of the Sichuan Airlines Lease Agreements is 2.9%, 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 aviation industrial sector.

Like other aircraft lessors, the Company is subject to a confidentiality obligation under which the terms of each Sichuan Airlines Lease Agreement cannot be disclosed to any third party unless with the written consent of Sichuan Airlines. 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 in relation to the basic rent for the two Airbus A320 aircraft, which was determined after arm's length negotiations and on normal commercial terms. The consideration paid by Sichuan Airlines is comparable to the prevailing market rate for aircraft lease transactions of comparable nature.

For business reasons and from a commercial perspective, it is in the Company's and its shareholders best interests to preserve the confidentiality of the basic rent for the Aircraft.

The rental fees for the two Airbus A320 aircraft were determined after arm's length negotiation between the parties and on normal commercial terms.

The Company has applied to the Stock Exchange for 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.

Conditions Precedent

Delivery of the aircraft is conditional upon, fulfilment or waiver by the relevant parties 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, duly execution of the Sichuan Airlines Aircraft Lease Agreements and/or ancillary agreements by the parties, duly payment of the first instalment of basic rent and commitment deposit by Sichuan Airlines, delivery of the aircraft from the manufacturer to the owner of the aircraft.

Payment and delivery terms

The rental fees for the two Airbus A320 aircraft are payable in cash on a quarterly basis throughout the term of the Sichuan Airlines Lease Agreements respectively.

The two Airbus A320 aircraft are expected to be delivered to Sichuan Airlines on the date on which the aircraft are delivered to the owner of the aircraft and the owner has acquired title to the aircraft which is expected to be in June 2015 and September 2015, respectively.

REASONS FOR ENTERING INTO THE PURCHASE AGREEMENT, THE CHENGDU AIRLINES AIRCRAFT LEASE AGREEMENTS AND THE SICHUAN AIRLINES AIRCRAFT LEASE AGREEMENTS

The Directors are of the view that completion of the Purchase Agreement not only matches the growth strategy of the Group, but also demonstrates the ability of the Group to match customer demand with the sources of new aircraft under dynamic market conditions. The Directors believe that the terms of the Purchase Agreement are fair and reasonable and in the interest of the Shareholders as a whole.

The Directors believe that entering into of the Chengdu Airlines Lease Agreements and the Sichuan Airlines Lease Agreements capitalise the opportunity in the PRC aircraft leasing market and retain the Group's existing customers with lease terms that are profitable for the Group. The Chengdu Airlines Lease Agreements also demonstrate the ability of the Group to provide airline customers with quick delivery schedule under leasing arrangement. The Directors believe that the terms of the Chengdu Airlines Aircraft Lease Agreements and the Sichuan Airlines Aircraft Lease Agreements are fair and reasonable and in the interest of the Shareholders as a whole.

INFORMATION ABOUT THE GROUP, AIRBUS, CHENGDU AIRLINES AND SICHUAN AIRLINES

The Group is principally engaged in aircraft leasing business in the PRC.

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

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

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

IMPLICATIONS OF THE LISTING RULES

As the relevant percentage ratios under Rule 14.07 of the Listing Rules for each of the Purchase Agreement and the Chengdu Airlines Aircraft Lease Agreements is above 25% but less than 100% respectively, each of the Purchase Agreement and the Chengdu Airlines Aircraft Lease Agreements constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements in Chapter 14 under the Listing Rules.

Pursuant to Rule 14.22 of the Listing Rules, the transactions contemplated under the Sichuan Airlines Aircraft Lease Agreements shall be aggregated together with the Previous Lease Agreement. As the applicable percentage ratios of the Sichuan Airlines Aircraft Lease Agreements and the Previous Lease Agreement on an aggregated basis are above 25% but less than 100%, the Sichuan Airlines Aircraft Lease Agreements are 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 Transactions maybe 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 Transactions; 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 Transactions.

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

Written approval of the Transactions has been obtained from the following Shareholders:

Name	Number of Shares held	Approximately percentage of shareholding
FPAM (Note 1)	181,254,589	30.94%
CE Aerospace (Note 2)	206,979,479	35.33%
Total:	<u>388,234,068</u>	<u>66.27%</u>

Notes:

(1) 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.

(2) CE Aerospace is wholly-owned by CEL.

FPAM and CE Aerospace 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) CE Aerospace appointed two representatives, namely Mr. Chen Shuang and Mr. Tang Chi Chun to the Board in connection with its investment in the Group pursuant to a shareholders' agreement entered into between CE Aerospace and FPAM;
- (3) 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

(4) 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 FPAM and CE Aerospace 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.

A circular containing the information required under the Listing Rules in relation to the Transactions will be despatched to Shareholders on or before 16 September 2014.

DEFINITIONS

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

“Airbus”	Airbus S.A.S., a company created and existing under the laws of France
“Board”	the board of Directors
“CALC (BVI)”	China Aircraft Leasing Company Limited, a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of the Company
“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
“Chengdu Airlines”	Chengdu Airlines Company Limited (成都航空有限公司), a company established under the laws of the PRC
“Chengdu Airlines Aircraft Lease Agreements”	the four aircraft lease agreements dated 25 August 2014 entered into between CALC (BVI) (through its wholly owned special purpose vehicles, as lessor) with Chengdu Airlines (as lessee) for the lease of four Airbus A320 aircraft
“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

“Consideration”	the actual consideration payable by CALC (BVI) to Airbus for the purchase of four Airbus A320 aircraft (taking into account the price concession)
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“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
“Previous Lease Agreement”	the aircraft lease agreement dated 8 October 2013 in relation to the lease of one Airbus A319 aircraft entered into between a wholly owned subsidiary of the Company and Sichuan Airlines before the listing of ordinary shares of the Company on the Stock Exchange
“Purchase Agreement”	the aircraft purchase agreement dated 25 August 2014 entered into by CALC (BVI) and Airbus pursuant to which CALC (BVI) has agreed to purchase and Airbus has agreed to sell certain Airbus A320 aircraft
“PRC”	the People’s Republic of China
“Shareholder(s)”	shareholder(s) of the Company
“Sichuan Airlines”	Sichuan Airlines Co., Ltd. (四川航空股份有限公司), a company established under the laws of the PRC
“Sichuan Airlines Aircraft Lease Agreements”	the two aircraft lease agreements dated 25 August 2014 entered into between CALC (BVI) (through its wholly owned special purpose vehicles, as lessor) with Sichuan Airlines (as lessee) for the lease of two Airbus A320 aircraft
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Transactions”	the transactions contemplated under the Purchase Agreement, the Chengdu Airlines Aircraft Lease Agreements and the Sichuan Airlines Aircraft Lease Agreement
“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\$7.8.*

By order of the Board
China Aircraft Leasing Group Holdings Limited
 POON HO MAN
Executive Director and Chief Executive Officer

25 August 2014

As at the date of this announcement, (i) the executive Directors are Mr. Poon Ho Man and Ms Liu Wanting; (ii) the non-executive Directors are Mr. Chen Shuang, 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. Zhang Chongqing and Mr. Sun Quan.