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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)

Voluntary Announcement Realisation of finance lease receivables

On 25 July 2014, SPC, a wholly owned subsidiary of the Company, and CCTC entered into the FLR Transaction Documents, pursuant to which, among other things, SPC conditionally agreed to sell and CCTC conditionally agreed to purchase the FLR (being the finance lease receivables calculated from the Commencement Date to the end of the lease term (both days inclusive) in relation to the Aircraft under the Aircraft Lease Agreement) at the Consideration of RMB521 million (equivalent to approximately HK\$656 million).

Introduction

On 25 July 2014, SPC, a wholly owned subsidiary of the Company, and CCTC entered into the FLR Transaction Documents, pursuant to which, among other things, SPC conditionally agreed to sell and CCTC conditionally agreed to purchase the FLR at the Consideration of RMB521 million (equivalent to approximately HK\$656 million).

FLR Assignment

Date: 25 July 2014

Parties

- (1) SPC as assignor; and
- (2) CCTC (as trustee of the 2014 Trust Plan) as assignee

Subject of the assignment

The subject under the FLR Assignment are the FLRs and the related rights and benefits derived therefrom including the right to demand for payment of the assigned FLR when due, and the right to proceeds arising from the forfeiture, sale or otherwise disposal of the FLR.

As of 25 July 2014, the carrying value of the FLR is approximately US\$75 million (equivalent to approximately HK\$587 million).

Conditions precedent

Completion of the FLR Assignment is conditional upon, inter alia, the following conditions being satisfied:

- (i) the 2014 Trust Plan having been established and become effective, and the trust money having been deposited into the designated trust account under the 2014 Trust Plan being not less than the amount of the Consideration;
- (ii) the FLR Transaction Documents having been executed and become effective in accordance with their respective terms; and
- (iii) the Aircraft Lessee having signed the confirmation to acknowledge the assignment of the FLR as contemplated under the FLR Assignment.

Consideration

The Consideration for the assignment of the FLR is RMB521 million (equivalent to approximately HK\$656 million), which is payable in full by CCTC to SPC in cash on the date of (or the next day following) the establishment of the 2014 Trust Plan (which in any event should be no later than 28 July 2014).

Pursuant to the terms of the FLR Assignment, if the 2014 Trust Plan is established after 28 July 2014, the amount of the FLR to be assigned, the amount of Consideration and date of payment of Consideration shall be adjusted by mutual agreement of the parties. If the parties fail to reach agreement on these matters on or before 31 December 2014, the FLR Assignment shall lapse and cease to have effect on the parties to the FLR Assignment.

Basis of determining the Consideration

The Consideration was determined after arm's length negotiations between the Company and CCTC after having taken into account the carrying value of the FLR from the Commencement Date to the end of the lease term (both days inclusive) under the Aircraft Lease Agreement.

Completion

Completion shall take place concurrently with the payment of the Consideration by CCTC to SPC.

The other FLR Transaction Documents

As security for the lease payment by the Aircraft Lessee in accordance with the Aircraft Lease Agreement (and also for CALC Tianjin's performance under the Loan Agreement (further details are provided below)), SPC provided security for the benefit of CCTC by way of executing (i) the First Aircraft Mortgage, pursuant to which the Aircraft is mortgaged by SPC to CCTC as a security for the Aircraft Lessee's payment obligations for rental receivables; and (ii) the Insurance Assignment, pursuant to which CCTC will be assigned, as

first loss payee and added as an additional assured, with all of the insurance proceeds and relevant income under prevailing insurance policies over the Aircraft and under the circumstance of total loss currently relating to the Aircraft.

Related loan arrangements with CCTC

On 25 July 2014, CALC Tianjin (a wholly owned subsidiary of the Company, as borrower) and CCTC (in its capacity of trustee to the 2014 Trust Plan, as lender) entered into the Loan Agreement. Pursuant to the Loan Agreement, CCTC agreed to grant a loan facility of up to RMB124 million (equivalent to approximately HK\$156 million) (the “**Loan**”) at an annual interest rate of 8.121% (subject to variation if the 2014 Trust Plan is not established on or before 28 July 2014). The period of the Loan is from 28 July 2014 (or such later date as may be agreed between the parties) to 1 August 2025.

Conditions precedent to the drawdown of the Loan include (among others) (i) the signing of the Loan Agreement; (ii) the establishment of the 2014 Trust Plan; and (iii) the creation of the Second Aircraft Mortgage.

Under the Loan Agreement, the Loan shall be applied by CALC Tianjin or its subsidiaries to repay the borrowings arising from or in connection with the purchase of aircraft(s) or to pay the purchase price of aircraft(s).

Performance of CALC Tianjin’s obligations under the Loan Agreement is secured by the Second Aircraft Mortgage and the Insurance Assignment (as mentioned above). In such connection, SPC has executed the Second Aircraft Mortgage over the Aircraft, pursuant to which the Aircraft is partially mortgaged to CCTC as a security for CALC Tianjin’s payment obligations under the Loan Agreement.

Information about CCTC

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, CCTC and its ultimate beneficial owners are Independent Third Parties.

CCTC is the trustee to the 2014 Trust Plan. The 2014 Trust Plan constitutes a “Pooled Funds Trust” business (集合資金信託業務) under the applicable PRC laws and regulations. It is not established by the Group, and the Group has no control over the 2014 Trust Plan.

Reasons for and benefits from the realisation of the FLR

The Group is principally engaged in aircraft leasing business in the PRC. Realisation of finance lease receivables forms part of the Group’s business model and financing strategy. The realisation of the FLR will improve the Group’s profitability and enhance its financial resources by realising un-earned finance income. Such realisation will also lower its financial leverage and accelerate the Group’s asset rotation by de-recognising the asset and liability.

In light of the above, the Directors believe that the terms of FLR Transaction Documents are fair and reasonable and in the interests of the Shareholders as a whole.

Use of proceeds

The Company plans to use the proceeds arising from the realisation of the FLR for repayment of the long-term bank borrowings incurred by the Group for the acquisition of the Aircraft, refinancing of aircraft purchase and general working capital.

Financial effects of the realisation of the FLRs

The following sets forth the financial effects of the FLR Assignment upon completion:

- (i) The Group will transfer substantially all the risks and rewards of ownerships on the lease payments to CCTC being the purchaser of the FLR and hence, the FLR relating to lease payments is de-recognised.
- (ii) The total Consideration for the assignment of the FLR of RMB521 million (equivalent to HK\$656 million) will be received by the Company in cash. Gain on disposal of the FLR (before income tax) is estimated to be at a range of HK\$45 million to HK\$51 million. The amount represents the difference between the amount of the net proceeds received by the Company and the carrying amount of the FLR de-recognised, less the transaction costs incurred. The Company still retains the risk and rewards of ownerships relating to the residual value of the aircraft and hence, the finance lease receivable relating to residual value of the aircraft is not de-recognised.
- (iii) There will be no future lease receivable due and payable arising from the Aircraft since the Commencement Date. For clarification purpose, the SPC still maintains the ownership of the Aircraft.
- (iv) The Company will repay the balance of the long-term bank borrowings of US\$96 million (equivalent to approximately HK\$748 million) incurred for the acquisition of the Aircraft using the proceeds received from the realisation of the FLR. The Loan of RMB124 million (equivalent to approximately HK\$156 million) will be provided by CCTC to the Group.

Definitions

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

“Aircraft”	Airbus A330-243 aircraft equipped with two Rolls Royce Trent 772C engines, whose legal owner is SPC
“Aircraft Lease Agreement”	the aircraft lease agreement dated 23 July 2013 entered into by SPC (as lessor) with an airline customer (as lessee) for the lease of the Aircraft
“Aircraft Lessee”	an airline operator which is the lessee of the Aircraft under the Aircraft Lease Agreement, and which is an Independent Third Party

“Board”	the board of Directors
“CALC Tianjin”	中飛租融資租賃有限公司(China Asset Leasing Company Limited*), a wholly-foreign owned enterprise established in the PRC and an indirect wholly owned subsidiary of the Company
“CCTC”	China Credit Trust Co., Ltd. (中誠信託有限責任公司), the assignee named in FLR Assignment
“Commencement Date”	1 August 2014
“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
“Completion”	completion of the FLR Assignment pursuant to the terms and conditions under the FLR Assignment
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration of the assignment of FLR from SPC to CCTC, being RMB521 million (equivalent to approximately HK\$656 million)
“Directors”	the directors of the Company
“First Aircraft Mortgage”	the aircraft mortgage dated 25 July 2014 entered into between SPC as mortgagor and CCTC as mortgagee in relation to the mortgage of the Aircraft as security for the lease payment by the Aircraft Lessee in accordance with the Aircraft Lease Agreement
“FLR”	the finance lease receivable under the Aircraft Lease Agreement, calculated from the Commencement Date to the end of the lease term (both days inclusive)
“FLR Assignment”	the lease receivable assignment dated 25 July 2014 entered into between SPC as vendor and CCTC as purchaser in relation to the assignment of the FLRs
“FLR Transaction Documents”	the FLR Assignment, the First Aircraft Mortgage, the Insurance Assignment and other ancillary documents
“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
“Independent Third Party(ies)”	party(ies) independent of the Company and its connected persons
“Insurance Assignment”	the assignment dated 25 July 2014 entered into between SPC as assignor and CCTC as assignee in relation to the assignment of all rights and benefits in respect of the insurance proceeds and relevant income under prevailing insurance policies over the Aircraft pursuant to the terms and conditions thereof
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement dated 25 July 2014 and entered into between CALC Tianjin (as borrower) and CCTC (as lender), pursuant to which CCTC has agreed to grant a loan facility of up to RMB124 million at an annual interest rate of 8.121% (subject to variation if the 2014 Trust Plan is not established on or before 28 July 2014) for a term from 28 July 2014 (or a later drawdown date) (inclusive) to 1 August 2025 (exclusive)
“PRC”	People's Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Second Aircraft Mortgage”	the aircraft mortgage dated 25 July 2014 entered into between SPC (as mortgagor) and CCTC (as mortgagee) in relation to the mortgage of the Aircraft as security for the performance of the Loan Agreement
“Shareholder(s)”	shareholder(s) of the Company
“SPC”	a special purpose company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“2014 Trust Plan”	China Credit Trust & CALC Pooled Investment Funds Trust Plan of 2014* (2014 年中誠信託中飛租債權集合資金信託計劃), of which CCTC is a trustee
“US\$”	United States dollars, the lawful currency of the United States of America

“%” per cent.

** The English names of PRC nationals, enterprises, entities, departments and the like are translations of their Chinese names and are for identification purpose only.*

In this announcement, certain amounts denominated in US\$ and RMB are translated into HK\$ at the exchange rates shown below, but such conversions shall not be construed as representations that amounts in US\$ or RMB were or may have been converted into HK\$ at such rate or any other exchange rates or at all: US\$1 = HK\$7.8, and RMB1 = HK\$1.258.

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

25 July 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.