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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)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE PURCHASE OF 100 AIRBUS AIRCRAFT

THE AIRCRAFT PURCHASE AGREEMENTS

Reference is made to the announcements of the Company dated 6 November 2014 and 30 November 2014 in relation to the MOU and the Supplemental MOU entered into between CALC (BVI) and Airbus for the purchase of Airbus Aircraft. The reason for entering into the Supplemental MOU is due to both parties needing more time to finalize the transaction documentation and Airbus to complete all internal approvals.

The Board is pleased to announce that on 1 December 2014 (after trading hours), CALC (BVI) and Airbus entered into the Aircraft Purchase Agreements, pursuant to which CALC (BVI) agreed to purchase the Airbus Aircraft from Airbus.

IMPLICATION OF THE LISTING RULES

Pursuant to Rule 14.22 of the Listing Rules, the transactions contemplated under the Aircraft Purchase Agreements shall be aggregated together with the Previous Purchase Agreement. As the applicable percentage ratios of the Aircraft Purchase Agreements and the Previous Purchase Agreement on an aggregated basis are above 100%, the acquisition constitutes a very substantial acquisition of the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements in Chapter 14 of the Listing Rules.

An EGM will be convened and held to consider and, if thought fit, approve, among other things, the Aircraft Purchase Agreements and the transactions contemplated thereunder. So far as the Directors are aware after making reasonable enquiry, no Shareholder is required to abstain from voting at the EGM for approving the Aircraft Purchase Agreements and the transactions contemplated thereunder.

GENERAL

A circular containing the information required under the Listing Rules in relation to the Aircraft Purchase Agreements, together with a notice convening the EGM, will be dispatched to Shareholders on or before 12 December 2014.

BACKGROUND

Reference is made to the announcements of the Company dated 6 November 2014 and 30 November 2014 in relation to the MOU and the Supplemental MOU entered into between CALC (BVI) and Airbus for the purchase of Airbus Aircraft. The reason for entering into the Supplemental MOU is due to both parties needing more time to finalize the transaction documentation and Airbus to complete all internal approvals.

The Board is pleased to announce that on 1 December 2014 (after trading hours), CALC (BVI) and Airbus entered into the Aircraft Purchase Agreements, pursuant to which CALC (BVI) agreed to purchase the Airbus Aircraft from Airbus.

THE AIRCRAFT PURCHASE AGREEMENTS

Date: 1 December 2014

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

- (i) 16 Airbus A320-200 CEO series aircraft
- (ii) 10 Airbus A321-200 CEO series aircraft
- (iii) 74 Airbus A320 NEO series aircraft

Consideration

The aggregate list price for the Airbus Aircraft (which comprises the airframe price, optional features price and engine price) is approximately US\$10.2 billion (equivalent to approximately HK\$79.56 billion).

In accordance with customary business and industry practice, Airbus granted CALC (BVI) significant price concessions with regard to the 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 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 Aircraft Purchase Agreements is comparable with the price concessions that CALC (BVI) had obtained in the past. The Company believes that there is no material impact of the price concessions obtained under the Aircraft Purchase Agreements 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 Aircraft Purchase Agreements 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 14.69(2) 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 Airbus Aircraft will be delivered in stages to the Company during the period commencing from 2016 to 2022.

The Consideration for each of the relevant Airbus Aircraft will be paid according to its respective delivery schedule, with the first six instalments to be paid prior to delivery of each 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 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, debt and equity 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%.

Apart from the cooperative agreement entered into by the Company with China Development Bank, Hong Kong Branch in June 2013, pursuant to which the bank agreed to provide to the Group a conditional loan facility amounting to US\$1.5 billion (equivalent to HK\$11.7 billion) during the period of 2013 and 2018 for the purpose of purchasing aircraft, the Company also entered into a framework strategic cooperative agreement with the Export-Import Bank of China on 4 November 2014, pursuant to which the bank agreed to provide to the Group credit facilities amounting to no more than RMB10 billion (or in any equivalent currency). The

term of the framework strategic cooperative agreement is three years from the date of signing of the agreement.

The Group is also 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. The Company has not made any definitive agreements or arrangements in relation to debt and equity fund raising.

Conditions Precedent

Completion of the Aircraft Purchase Agreements is conditional upon, among other things, the approval of the Aircraft Purchase Agreements and the transactions contemplated hereunder by the Shareholders.

REASONS FOR ENTERING INTO THE AIRCRAFT PURCHASE AGREEMENTS

The Directors are of the view that completion of the Aircraft Purchase Agreements 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.

In addition to the expansion plan disclosed in the Prospectus and the further disclosure in the announcement of the Company dated 25 August 2014 in relation to the purchase of four aircraft, the Group planned to expand its fleet to 68 aircraft before the end of 2016.

As disclosed in the Prospectus, as at 24 June 2014 (the latest practicable date of the Prospectus), the Group committed to purchase 30 aircraft and out of these committed new aircraft, the Group has secured the lease of 17 aircraft scheduled to be delivered in 2014 and 2015. As at the date of this announcement, the Group has yet to secure the lease commitment for three aircraft only as there are more than 12 months prior to the proposed dates of aircraft delivery.

In line with the industry practice, fleet size management and planning is way ahead of the delivery of aircraft. The Aircraft Purchase Agreements are primarily for the fleet size planning from 2016 to 2022. As such, there is no material change in the Group's aircraft purchase plan as disclosed in the Prospectus. Fleet planning and expansion plan will be monitored by the management and adjusted from time to time based on airline customers' demand of the Group's aircraft and the Group's financial resources and positions to acquire additional aircraft. Any change in the expansion plan of the Group will be announced as and when appropriate in accordance with the Listing Rules.

The Directors consider that the terms of the Aircraft Purchase Agreements 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 in the PRC.

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

IMPLICATIONS OF THE LISTING RULES

Pursuant to Rule 14.22 of the Listing Rules, the transactions contemplated under the Aircraft Purchase Agreements shall be aggregated together with the Previous Purchase Agreement. As the applicable percentage ratios of the Aircraft Purchase Agreements and the Previous Purchase Agreement on an aggregated basis are above 100%, the acquisition constitutes a very substantial acquisition of the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements in Chapter 14 of the Listing Rules.

An EGM will be convened and held to consider and, if thought fit, approve, among other things, the Aircraft Purchase Agreements and the transactions contemplated thereunder. So far as the Directors are aware after making reasonable enquiry, no Shareholder is required to abstain from voting at the EGM for approving the Aircraft Purchase Agreements and the transactions contemplated thereunder.

GENERAL

A circular containing the information required under the Listing Rules in relation to the Aircraft Purchase Agreements will be dispatched to Shareholders on or before 12 December 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
“Airbus Aircraft”	100 Airbus A320 series aircraft from Airbus, consisting of (i) 16 Airbus A320-200 CEO series aircraft (ii) 10 Airbus A321-200 CEO series aircraft and (iii) 74 Airbus A320 NEO series aircraft
“Aircraft Purchase Agreements”	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 the Airbus Aircraft
“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
“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 Airbus Aircraft (taking into account the price concession)
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company proposed to be convened and held to consider and approve, among other things, the Aircraft Purchase Agreements and the transactions contemplated thereunder
“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
“MOU”	the memorandum of understanding dated 6 November 2014 entered into between Airbus and CALC (BVI) in relation to the proposed purchase of the Airbus Aircraft, as amended and supplemented by the Supplemental MOU
“PRC”	the People’s Republic of China
“Previous Purchase Agreement”	the aircraft purchase agreement dated 25 August 2014 entered into by CALC (BVI) and Airbus pursuant to which CALC (BVI) agreed to purchase and Airbus agreed to sell certain Airbus A320 aircraft
“Prospectus”	the prospectus of the Company dated 30 June 2014

“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental MOU”	the supplemental agreement to the MOU dated 28 November 2014 entered into between Airbus and CALC (BVI) in relation to the extension of the (i) long stop date of entering into the Aircraft Purchase Agreements; and (ii) automatic termination date of the MOU from 30 November 2014 to 1 December 2014
“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
 POON HO MAN
Executive Director and Chief Executive Officer

Hong Kong, 1 December 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. Nien Van Jin, Robert.