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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

Lease of Aircraft to China Eastern Airlines Corporation Limited

THE CEA AIRCRAFT LEASE AGREEMENTS

On 16 July 2015 (after trading hours), the Company, through six of its wholly owned special purpose vehicles, entered into the CEA Aircraft Lease Agreements with CEA respectively, pursuant to which the Company, through these wholly owned special purpose vehicles, agreed to lease six Airbus A320 aircraft to CEA.

IMPLICATION OF THE LISTING RULES

As the applicable percentage ratios of the CEA Aircraft Lease Agreements are above 25% but below 100%, the transaction 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.

WAIVER

The Company has applied to the Stock Exchange and the Stock Exchange has agreed to waive the circular and Shareholders' approval requirements under the Listing Rules in respect of the CEA Aircraft Lease Agreements.

Accordingly, no circular containing details of the CEA Aircraft Lease Agreements will be despatched under Rule 14.41 of the Listing Rules.

THE CEA AIRCRAFT LEASE AGREEMENTS

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It is expected that the CEA 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 respective CEA Aircraft Lease Agreement.

Date: 16 July 2015

Parties

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

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

Aircraft to be leased: six Airbus A320 aircraft

Term

144 months from the date when each of the six Airbus aircraft is delivered to and accepted by CEA respectively.

Rental fees/Average annual return on assets

The expected average annual return on assets in respect of the CEA Aircraft Lease Agreements is 1.9%, 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 the aviation industrial sector.

The rental fees for the six 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 lease receivables are secured by the aircraft under the CEA Aircraft Lease Agreements. In the event of default by CEA, the terms of the CEA 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 CEA Aircraft Lease Agreements and/or ancillary agreements by the parties, due payment of the first instalment of basic rent and security deposit by CEA, and the delivery of the aircraft from the manufacturer to the owner of the aircraft.

Payment and delivery terms

The rental fees for each of the six Airbus aircraft are payable in cash quarterly in advance throughout the term of the CEA Aircraft Lease Agreements respectively.

The six Airbus aircraft are expected to be delivered to CEA between 2015 and 2016.

REASONS FOR ENTERING INTO THE CEA AIRCRAFT LEASE AGREEMENTS

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 a portfolio of 51 commercial aircraft which are all leased to airlines, compared to a fleet size of 25 aircraft and 44 aircraft at the end of 2013 and 2014 respectively. Based on the current committed purchase orders, the Group expects that its fleet will ultimately grow to 168 by 2022. This demonstrates the ability and dedication of the Group to capture the rising need for leased commercial aircraft.

The Directors believe that entering into the CEA Aircraft Lease Agreements will allow the Group to take advantage of the opportunities in the high-growth aircraft leasing market and retain the Group's existing customers with lease terms that are profitable for the Group. The CEA Aircraft Lease Agreements also demonstrate the ability of the Group to address the needs of airline customers with quick delivery schedules. The Directors confirm that the CEA Aircraft Lease Agreements have been entered into by the Company in its ordinary and usual course of business. The Directors believe that the CEA Aircraft Lease Agreements are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

With its aggressive 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.

Aircraft lease agreements entered into in the past six months:

<u>Date</u>	<u>Lease Agreements</u>
20 May 2015	Lease of 2 Aircraft to Shenzhen Airlines Co., Ltd. (深圳航空有限責任公司)
29 May 2015	Lease of 4 Aircraft to Air Macau Company Limited

INFORMATION ABOUT THE GROUP AND CEA

The Group is principally engaged in aircraft leasing business in China.

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

IMPLICATIONS OF THE LISTING RULES

As the applicable percentage ratios of the CEA Aircraft Lease Agreements are above 25% but below 100%, the transaction 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.

WAIVER

The Company has applied to the Stock Exchange and the Stock Exchange has agreed to waive the circular and Shareholders' approval requirements under the Listing Rules after taking into account the specific facts and circumstances of the application, including among other things:

- (i) The Company is principally engaged in aircraft leasing. It is one of the few Chinese lessors of aircraft. It has the management expertise with extensive experience in the aircraft leasing industries in the PRC.
- (ii) The Company has disclosed in its prospectus dated 30 June 2014 (the "**Prospectus**") that aircraft leasing is its principal business activity. Based on the information disclosed in the Prospectus, the shareholders and investors should be fully aware of the Company's business model and the risks associated with the Company's business and investment in the Company's shares.
- (iii) In this case:
 - 1) The Transactions are carried out by the Company in its ordinary and usual course of business.
 - 2) The Transactions are conducted on an arm's length basis. CEA is a leading airline company in the PRC.
 - 3) The Company's finance lease business does not concentrate on a single customer. The finance lease receivable and the average annual revenue deriving from the Transactions are not very significant to the Company.
 - 4) The lease receivables are secured by the aircrafts under the CEA Aircraft Lease Agreements. In the event of default by CEA, the terms of the leases provide for re-possession of the aircrafts by the Company.
- (iv) It will be unduly onerous and burdensome for the Company to comply with the circular requirement of Rule 14.38A and the Shareholders' approval requirement of Rule 14.40 of the Listing Rules for aircraft leasing transactions carried out in its ordinary and usual course of business. Furthermore, the competitiveness of the Company in the market could be seriously impaired given that its competitors do not operate under the same restraints.
- (v) The Company has issued the Announcement to inform the Shareholders and investors of the Transactions.

Accordingly, no circular containing details of the CEA Aircraft Lease Agreements will be despatched under Rule 14.41 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“CEA”	China Eastern Airlines Corporation Limited, a company incorporated under the laws of the People’s Republic of China
“CEA Aircraft Lease Agreements”	the six aircraft lease agreements dated 16 July 2015 entered into between the Company (through its wholly owned special purpose vehicles, as lessor) with CEA (as lessee) for the lease of six Airbus A320 aircraft
“China”	the People’s Republic of China, excluding Hong Kong and the Macau Special Administrative Region for the purpose of this announcement
“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 same meaning ascribed thereto under the Listing Rules
“Directors”	the directors 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 China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the CEA Aircraft Lease Agreements

“%”

per cent.

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

Hong Kong, 16 July 2015

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.