

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA AIRCRAFT LEASING GROUP HOLDINGS LIMITED

中國飛機租賃集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1848)

(1) DISCLOSEABLE AND CONNECTED TRANSACTION – DISPOSAL OF SHARES OF ARI AND THE CADC PROJECT AND

(2) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION – PROVISION OF FINANCIAL ASSISTANCE TO ARI

ARI AGREEMENTS

The Group has entered into the ARI Agreements on 6 April 2016 in order to, among other things, reduce its investment in the CADC Project.

LISTING RULES IMPLICATIONS

The Investment Agreement

Following the Subscription Completion, the share interest of the Group in ARI will be reduced from 100% to 48%, and therefore the Subscription constitutes a deemed disposal of the Group's share interest in ARI under Rule 14.29 of the Listing Rules.

As the highest of the applicable percentage ratios for the ARI Disposal together with the CADC Disposal is more than 5% but less than 25%, the ARI Disposal together with the CADC Disposal constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements thereunder.

The Investment Agreement is entered into amongst the Company, ARI, ARI Holdings, China Aero, Sky Cheer and Neo Modern. As China Aero and Neo Modern are connected persons of the Company, the Investment Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements thereunder.

The Shareholders' Loan and Guarantee Agreement

The Company has a general disclosure obligation in respect of the transactions contemplated under the Shareholders' Loan and Guarantee Agreement pursuant to Rule 13.13 of the Listing Rules.

As the highest of the applicable percentage ratios based on the Proposed Annual Caps is more than 5% but less than 25%, the transactions contemplated under the Shareholders' Loan and Guarantee Agreement constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements thereunder.

As ARI will be a commonly held entity (has the meaning ascribed to it in Rule 14A.27 of the Listing Rules) of the Company, the transactions contemplated under the Shareholders' Loan and Guarantee Agreement will constitute continuing connected transactions for the Company under Rule 14A.26 of the Listing Rules. The Shareholders' Loan and Guarantee Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further, pursuant to Rule 14A.52 of the Listing Rules, should the term of an agreement for continuing connected transaction exceeds three years, the Company must appoint an independent financial adviser to explain why the agreement requires a longer period and to confirm that it is normal business practice for such duration. The Company will appoint an independent financial adviser to advise on the duration of the Shareholders' Loan and Guarantee Agreement.

THE EGM

The EGM will be convened to consider and, if thought fit, pass resolutions to approve each of the ARI Agreements and the respective transactions contemplated thereunder (including the Proposed Annual Caps). FPAM together with its associates; and CE Aerospace together with its associates, which are interested in 186,633,589 Shares and 215,859,479 Shares as at the date of this announcement, respectively, will abstain from voting at the EGM regarding each of the ARI Agreements and the respective transactions contemplated thereunder (including the Proposed Annual Caps).

GENERAL

A circular containing, among other information, (i) details on each of the ARI Agreements and the respective transactions contemplated thereunder (including the Proposed Annual Caps); (ii) the recommendation and advice of the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice convening the EGM, is expected to be despatched to the Shareholders within 15 business days from the date of this announcement.

Each of the ARI Agreements is conditional on the Conditions Precedent which is more particularly described in the section headed “Condition Precedent” of this announcement. There is no assurance that the Condition Precedent will be fulfilled. Therefore, each of the ARI Agreements and the respective transactions contemplated thereunder may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.

ARI AGREEMENTS

The Group has entered into the ARI Agreements on 6 April 2016 in order to, among other things, reduce its investment in the CADC Project.

CONDITION PRECEDENT

Each of the ARI Agreements is conditional upon the approval of each of the ARI Agreements and the respective transactions contemplated thereunder (including the Proposed Annual Caps) by the Independent Shareholders at the EGM.

If the Condition Precedent is not satisfied on or before 30 June 2016 (or such other date as may be agreed in writing by the parties to the Investment Agreement), each of the ARI Agreements shall be terminated and, save for any antecedent breach, the rights and obligations of each of the parties to each of the ARI Agreements shall cease and determine.

OPTION AGREEMENT

Date: 6 April 2016

Parties: (i) ARI Holdings; and
(ii) ARI.

The Option

ARI has agreed to grant ARI Holdings the Option at the cash consideration of HK\$10. Pursuant to the Option, ARI Holdings has the right at any time during the period of six years from the date of grant of the Option to require ARI to allot and issue to ARI Holdings (and/or its nominee(s)) 612,245 ARI Shares, representing approximately 5.77% of the issued share capital of ARI as enlarged by the Subscription, in whole or in part at the price of US\$1.0 per ARI Share. ARI Holdings shall not exercise the Option, and ARI shall not allot and issue any ARI Share, if the number of ARI Shares to be allotted and issued pursuant to the exercise of the Option, together with the ARI Shares then held by ARI Holdings, would exceed 50% of the enlarged issued share capital of ARI.

INVESTMENT AGREEMENT

- Date:** 6 April 2016
- Parties:**
- (i) the Company;
 - (ii) ARI;
 - (iii) ARI Holdings;
 - (iv) China Aero;
 - (v) Sky Cheer; and
 - (vi) Neo Modern.

Subscription of ARI Shares

ARI shall issue, and each Subscriber shall subscribe for, the number of ARI Shares as set out below:

	Number of ARI Shares	Shareholding in ARI immediately after the Subscription Completion
ARI Holdings	4,799,999	48%
Sky Cheer	2,000,000	20%
China Aero	1,800,000	18%
Neo Modern	1,400,000	14%

Subscription Price

The Subscription Price shall be US\$1.0 per ARI Share, which equal to the par value of ARI Share. The Subscription Price shall be payable in full by the Subscribers in cash on Subscription Completion.

Subscription Completion

Subscription Completion shall take place on the seventh Business Day following the satisfaction of the Condition Precedent (or such other date as may be agreed in writing by the parties to the Investment Agreement).

CADC Disposal

At the request of ARI, the Company shall as soon as practicable and not later than 30 June 2016 (or such other date as may be agreed in writing by the parties to the Investment Agreement):

- (a) firstly, transfer or procure the transfer of the entire beneficial interest in Zhong Long to CADC HK; and
- (b) secondly, transfer or procure the transfer of the CADC Project (including the right to acquire the Land) to Zhong Long.

Disposal Completion

The transfer of the CADC Project (including the right to acquire the Land) shall be regarded as completed when the right to acquire the Land and the Land Deposit are transferred to Zhong Long, notwithstanding that the Disposal Consideration has not been satisfied.

Disposal Consideration

The Disposal Consideration shall equal to the aggregate of:

- (a) the higher of (i) market value of the Land together with the construction-in-progress thereon as at 31 March 2016 as assessed by an independent valuer appointed by the Company and (ii) the Land Deposit and construction-in-progress thereon in the amount of approximately RMB12.7 million paid by the Group;
- (b) total payment made by the Group in relation to the CADC Project (including but not limited to construction costs, all the costs in the ordinary course of business at early stage of the CADC Project, capital contribution, payment and advance made to the ARI Group but excluding the amounts referred to in sub-paragraph (a)(ii) above) up to and including the later of the date of the Disposal Completion and the date of the Subscription Completion; and
- (c) an interest calculated at the rate of 9% per annum on the aggregate of the amount referred to in sub-paragraph (a)(ii) above and the total amount referred to in sub-paragraph (b) up to and including the date of payment of the Disposal Consideration.

The Disposal Consideration shall be payable by ARI to the Company in cash within 30 Business Days from the later of the date of the Disposal Completion and the date of Subscription Completion (or such other dates as may be agreed by the parties to the Investment Agreement).

The Disposal Consideration was agreed after arm's length negotiations between the Company, ARI and the Subscribers. Based on the preliminary assessment of an independent valuer appointed by the Company, the market value of the Land together with the construction-in-progress thereon as at 31 March 2016 is approximately RMB170.1 million. It is expected that the Disposal Consideration shall not exceed HK\$350 million.

CADC Project

The CADC Project principally involves the establishment of an aircraft disassembly center in the PRC on the Land for carrying out the Aircraft Disassembly Business. The Company has entered into a Land Use Right Transfer Contract regarding the Land with Harbin Municipal Bureau of Land and Resources on 16 July 2015. The Land has a site area of approximately 299,000 sq.m. As at the date of this announcement, the Land Deposit in the amount of RMB157.4 million and construction-in-progress in the amount of approximately RMB12.7 million have been paid by the Group. It is expected that when the CADC Project completes in 2018, it will have a capacity of dismantling 20 aircraft per annum.

Financial information

Based on the unaudited financial statements of ARI, ARI had not incurred any net (loss)/profit before and after tax for the period from its date of incorporation on 22 August 2014 to 31 December 2014 and the financial year ended 31 December 2015. As at 31 December 2015, the unaudited net assets of ARI was US\$1.0.

Effect on net asset value and earning

Upon Subscription Completion and assuming that the Company does not exercise the Option, ARI will be owned as to 48% by the Group, 20% by Sky Cheer, 18% by China Aero and 14% by Neo Modern. It is intended that ARI will cease to be a subsidiary of the Company and its financial information will not be consolidated in the financial statements of the Company.

The Group expects to record upon Subscription Completion and Disposal Completion a decrease in non-current assets of approximately HK\$224 million with reference to the book value of the CADC Project as at 31 March 2016.

It is estimated that the Subscription and the CADC Disposal will result in a profit of approximately HK\$5.0 million (before tax and cost of fund of the Group) for the financial year ending 31 December 2016.

Application of proceeds from the Subscription and the CADC Disposal

The proceeds from the Subscription of US\$9,999,999 will be used by ARI for satisfaction of part of the Disposal Consideration. It is expected that ARI will settle the balance of the Disposal Consideration by the Shareholders' Loan to be advanced by ARI Shareholders. The estimated proceeds from the Disposal of the CADC Project will not exceed HK\$350 million and will be used for general working capital of the Group and/or as Shareholders' Loan which the Group may advance to ARI pursuant to the Shareholders' Loan and Guarantee Agreement.

SHAREHOLDERS' AGREEMENT

- Date:** 6 April 2016
- Parties:**
- (i) ARI;
 - (ii) ARI Holdings;
 - (iii) China Aero;
 - (iv) Sky Cheer; and
 - (v) Neo Modern.

The principal terms of the Shareholders' Agreement, which is entered into for the purpose of regulating the relationship of ARI and the ARI Shareholders, are as follows:

- (a) the board of directors of ARI shall comprise of five directors, of which ARI Holdings shall nominate 2 directors and each of Sky Cheer, China Aero and Neo Modern shall nominate 1 director;
- (b) except certain shareholders' resolutions of ARI as set out under the Shareholders' Agreement are to be approved by ARI Shareholders with not less than 75% equity interest, shareholders' resolutions of ARI shall be approved by majority vote of ARI Shareholders;
- (c) in the event that a shareholder of ARI proposes to transfer any ARI Shares, the other shareholders of ARI shall have a right of first refusal and right of co-sale with respect to such ARI Shares;
- (d) cash flow available for ARI shall be utilized according to the priorities as agreed by the parties in the Shareholders' Agreement; and
- (e) ARI Shareholders shall use their respective best endeavours to assist ARI Group to develop its business and implement its business plan. In particular, the responsibility of each ARI Shareholder is set out below:

ARI Holdings: Leveraging on its experience, track records and network in the aircraft leasing industry to assist ARI Group to develop its business and implement its business plan; and procure the Group to assist ARI Group to apply for aircraft leasing license in the PRC.

China Aero: Leveraging on its extensive experience in the domestic and global aviation industry to assist ARI Group to formulate its domestic and global business strategies (including used-aircraft purchases and leasing, and sale and distribution of components of used aircraft).

Sky Cheer: Assist ARI Group in its communication with the related government authorities so as to obtain the necessary approvals, permissions and licenses for the smooth construction and operation of Zhong Long and for the development of the Aircraft Disassembly Business, including the establishment of entities in the PRC for ARI Group, the transfer of the Land and the Land Deposit to Zhong Long; the application for tax concessions and other government subsidies in the PRC; the application and obtaining of the government approvals, permissions and licenses for the CADC Project and related business; and assist ARI Group to apply for aircraft leasing license in the PRC.

Neo Modern Liaise with ARI Group and the banking and other financial institutions to obtain financing for ARI Group; and provide advice and assistance in financing plan and the issuance of financial products by the ARI Group.

SHAREHOLDERS' LOAN AND GUARANTEE AGREEMENT

Date: 6 April 2016

Parties:

- (i) ARI;
- (ii) ARI Holdings;
- (iii) China Aero;
- (iv) Sky Cheer; and
- (v) Neo Modern.

Shareholders' Loan

In the event ARI proposes to raise additional capital by way of shareholders' loan from the ARI Shareholders, each ARI Shareholder shall have a right (but not the obligation) to advance a principal amount of the Shareholders' Loan to ARI pro rata to its shareholding in ARI. If one or more ARI Shareholders decline to advance its respective pro rata portion of the Shareholders' Loan, then the unaccepted participation of such ARI Shareholders shall automatically be deemed to be accepted by ARI Shareholders who have indicated to ARI a desire to advance the whole or part of such unaccepted participation.

Loan Note

Against receipt of the payment for an advance under a Shareholders' Loan, ARI shall issue the Loan Note to each of the relevant ARI Shareholders, which principal terms are as follows:

- (a) all Loan Notes as and when issued shall rank *pari passu* and ratably without discrimination or preference as between the holders of the Loan Notes except to the extent provided by the applicable laws;
- (b) the principal amount of a Loan Note, together with the accrued interest, shall be repayable on demand or on the occurrence of certain insolvency event including a court of competent jurisdiction makes an order or a resolution is passed for the dissolution or administration of ARI;
- (c) the principal amount set forth in a Loan Note shall be subject to interest at the rate of 4% per annum above the prime lending rate quoted by The Bank of China (Hong Kong) Limited from time to time, which is accrued from day to day and be calculated on the basis of the actual number of days elapsed in a year of 365 days and payable in cash in arrears by ARI at six-month intervals from the date of issue of the Loan Note;
- (d) interest will be charged (both before and after judgment) on amounts due under a Loan Note but unpaid at a rate which is 3% per annum above the rate specified in subparagraph (c) above and shall be compounded (both before and after judgement) daily; and
- (e) The Loan Note is not transferable.

Guarantee

In the event ARI proposes to raise additional capital by way of loans from banks, financial or other institutions and guarantee is required to be provided to the lender of the loans, each ARI Shareholder or any of its group of companies shall have a right (but not the obligation), subject to the acceptance and approval of the lender, to provide guarantee for the loans.

Guarantee Fee

If an ARI Shareholder or any member of its group of companies, whose consolidated net asset value is not less than HK\$500 million, has provided guarantee for the loan of ARI, ARI shall pay the Guarantor a guarantee fee equal to 4% per annum of the principal amount of the loans guaranteed by such Guarantor. The Guarantee Fee is accrued from day to day and is calculated on the basis of the actual number of days elapsed in a year of 365 days and payable in arrears by ARI at six-month intervals from the provision of the guarantee. If the Guarantor is a member of an ARI Shareholder's group of companies, ARI shall enter into an agreement with such Guarantor setting out the payment of the Guarantee Fee by ARI to such Guarantor.

Payment of interest accrued on the Loan Notes, payment of the Guarantee Fee and repayment of the Loan Notes

No payment of the interest accrued on the Loan Notes and payment of the Guarantee Fee shall be made by ARI unless (a) payment is made pro rata to each of the ARI Shareholders in proportion to the amount of their respective interest accrued on the Loan Notes and Guarantee Fee; and (b) payment shall be made to each such ARI Shareholder at the same time and in the same currency. No repayment of the Loan Notes shall be made by ARI unless (a) repayment is made pro rata to each of the ARI Shareholders in proportion to the principal amount of their respective Loan Notes; and (b) repayment shall be made to each such ARI Shareholder at the same time and in the same currency.

PROPOSED ANNUAL CAPS

The following table sets out the proposed annual cap amounts of the Group regarding the continuing connected transactions contemplated under the Shareholders' Loan and Guarantee Agreement for the three years ending 31 December 2018:

	For the year ending 31 December		
	2016	2017	2018
	HK\$ million	HK\$ million	HK\$ million
Proposed annual cap amount	480	600	720

The Proposed Annual Caps represent the maximum principal loans outstanding (including the principal loans guaranteed by the Group), interest and Guarantee Fee amounts. The Proposed Annual Caps were determined with reference to factors including (i) the Land Deposit and the construction costs of the CADC Project paid and/or to be paid by ARI; and (ii) the business development plan and other financial needs of ARI, and based on the assumptions that (i) part of financial needs of ARI for the three years ending 31 December 2018 will be financed by limited recourse bank borrowings; and (ii) the Company provides full amount of the shareholders' loan and guarantee required by ARI and no ARI Shareholders and their respective group companies provide any amount of such shareholders' loan and guarantee. In the event any ARI Shareholder and their respective group companies, other than the Company, provides the shareholders' loan and/or guarantee required by ARI, the Proposed Annual Caps may not be fully utilised.

SHARE MORTGAGE

Date: 6 April 2016

Parties: (i) ARI; and

(ii) ARI Holdings, as security trustee for and on behalf of the ARI Shareholders and their respective group companies who has provided shareholders' loan and/or guarantee to ARI pursuant to the Shareholders' Loan and Guarantee Agreement

Pursuant to the Share Mortgage, ARI charges the entire issued share capital in CADC, a company incorporated in BVI and a wholly-owned subsidiary of ARI, as a continuing security for the payment and discharge in full of all monies, debts and liabilities due, owing or incurred by ARI under or in connection with the Shareholders' Loan and Guarantee Agreement. Upon the Disposal Completion, the principal assets of CADC will be 100% equity interest in CADC HK, which in turn will own 100% equity interest in Zhong Long and Zhong Long will own the CADC Project and the Land.

INFORMATION ON THE PARTIES

The Company

The Company is an investment holding company incorporated in Cayman Islands on 21 December 2012. The Group is principally engaged in the provision of aircraft leasing services, focusing on long-term aircraft purchase and lease transactions and long-term aircraft sale and leaseback transactions with airline operators in the PRC and overseas. It also provides other advisory services on fleet management.

ARI Holdings

ARI Holdings is incorporated in BVI on 24 February 2016 and a wholly-owned subsidiary of the Company.

ARI

ARI is a company incorporated in the Cayman Islands on 22 August 2014 and a wholly-owned subsidiary of the Company (through ARI Holdings) as at the date of this announcement. It is incorporated as the holding company of the CADC Project.

Sky Cheer

Sky Cheer is incorporated in Hong Kong on 4 July 2008 and is owned by LI Yuze William and LIU Liyi. It is an investment holding company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Sky Cheer and its ultimate shareholders are Independent Third Party.

China Aero

China Aero is incorporated in the Cayman Islands on 30 January 2012 and is wholly and beneficially owned by FPAM.

As at the date of this announcement, FPAM together with its associates are interested in 186,633,589 Shares, representing approximately 30.3% of the issued share capital of the Company, and hence a controlling shareholder of the Company. Accordingly, China Aero is a connected person of the Company.

Neo Modern

Neo Modern is incorporated in BVI on 22 January 2016 and a wholly-owned subsidiary of CEL. CEL is a member of China Everbright Group, a state-owned diversified financial services enterprise operating in Hong Kong and the PRC. As at the date of this announcement, CEL is interested in 215,859,479 Shares, representing approximately 35% of the issued share capital of the Company, and hence a controlling shareholder of the Company. Accordingly, Neo Modern is a connected person of the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ARI AGREEMENTS

The Investment Agreement, the Shareholders' Agreement and the Option Agreement

In 2014, the Group identified an opportunity in the PRC end-of-life aviation market where there were no known sizeable operators carry out the Aircraft Disassembly Business in the PRC. With a view to exploring the Aircraft Disassembly Business, the Group formulated a detailed business plan for developing the Aircraft Disassembly Business. The Group entered into a memorandum of understanding with the Municipal Government of Harbin in December 2014 regarding the CADC Project. By the CADC Project, the Group intends to maintain its leading position in the aircraft leasing market by helping airline operators to resolve their aged aircraft disposal issue by an aged aircraft sale and leaseback programme. The CADC Project is expected to support the development of the aviation market in the PRC by extending and realising the aviation industry value chain, supporting and promoting resources recycling in line with the national policy of the PRC on aviation development and meeting the strong demand for disposal of aged aircraft.

The Company signed the State-owned Land Use Rights Grant Contract (國有建設用地使用權出讓合同) with the Harbin State-owned Resources Bureau (哈爾濱國土資源局) regarding the Land in July 2015 and commenced the construction of the facilities thereon. With a view to accelerating the CADC Project into operation as soon as possible to seize first-mover advantage in the end-of-life aviation market, the Group started discussing with FPAM, Sky Cheer and Neo Modern the possibility for a joint investment in the CADC Project.

As at the date of this announcement, the CADC Project is still in its development stage and needs considerable external support, including financial, local and global network and expertise and operational support, among others, in order to achieve a sustainable development. The Group believes that the collaboration with the Subscribers, each of them having own strength and contributions as more particularly described in the section headed "The Shareholders' Agreement" of this announcement, in the CADC Project will provide the required external support for the continuing development of the Aircraft Disassembly Business and facilitate the commencement of its operation as soon as practicable so as to capture first-mover advantages.

It has been the Group's intention that the Aircraft Disassembly Business shall be operated on a standalone basis as there are substantial differences with the existing aircraft leasing business of the Group. Following the Disposal Completion and the Subscription Completion, the Group shall remain as the single largest shareholder holding 48% interest of ARI and has the right to subscribe for 612,245 ARI Shares, representing approximately 5.77% of the issued share capital of ARI as enlarged by the Subscription pursuant to the Option Agreement. The reduction of the Group's investment in the CADC Project will enable the Group to focus its efforts and resources on its core aircraft leasing business, while maintaining a sizeable equity interest in the CADC Project which would enable the Group to share the results should it become mature and profitable.

Following the Subscription Completion, it is intended that ARI will cease to be a subsidiary of the Group. The assets and liabilities recorded in the consolidated financial statements of ARI will not be consolidated into the Group's financial statements on a line-by-line basis. As it is expected that the CADC Project, which is in its early development stage, needs substantial financial support including bank and other borrowings, any future debt raised by ARI Group would not be included in gearing ratio calculation and thus shall not have material effects on the Group's gearing ratio.

The Shareholders' Loan and Guarantee Agreement and the Share Mortgage

The Shareholders' Loan and Guarantee Agreement and the Share Mortgage is an arrangement to facilitate ARI in meeting the funding requirements by way of raising Shareholders' Loan and/or bank loans for the development of the CADC Project and the Aircraft Disassembly Business, which is considered beneficial to the Group as an ARI Shareholder.

Each ARI Shareholder has the same right to offer to advance a portion of the Shareholders' Loan pro rata to its shareholding in ARI, while each ARI Shareholder and its group company has the same right to provide guarantee for the bank loans of ARI. Besides, each ARI Shareholder who has advanced the Shareholders' Loan or each ARI Shareholder and/or its group company who have provided guarantee for the bank loans of ARI is entitled to the same rate of interest and guarantee fee. On this basis, the continuing connected transactions contemplated under the Shareholders' Loan and Guarantee Agreement are considered to be on terms no less favourable to the Group than terms available to the other ARI Shareholders comprising connected persons of the Company (i.e., China Aero and Neo Modern) and an Independent Third Party (Sky Cheer). Each ARI Shareholder also has full discretion to decide whether or not to provide the Shareholders' Loan and the guarantee as well as the amount thereof at the time when ARI conducts fund raising exercise.

The Shareholders' Loan and Guarantee Agreement and the Share Mortgage allows the Group to secure a return at 4% per annum above the prime lending rate (being 5% per annum as at the date of this announcement) on the Shareholders' Loan and guarantee provided to ARI. The payment obligations of ARI under the Shareholders' Loan and Guarantee Agreement are secured by the Share Mortgage. The Guarantee Fee is 4% per annum.

DIRECTORS' VIEW

Mr. CHEN Shuang (being the executive director and chief executive officer of CEL and the executive Director) and Mr. TANG Chi Chun (being executive director of CEL and the non-executive Director) have abstained from voting on the relevant resolutions of the Board.

Based on the foregoing, the Directors (other than the independent non-executive Directors who will express their views after considering advice from the Independent Financial Adviser) are of the view that (i) each of the ARI Agreements and the respective transactions contemplated thereunder is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole; (ii) the continuing connected transactions contemplated under the Shareholders' Loan and Guarantee Agreement will be carried out in the ordinary and usual course of business of the Company; and (iii) the Proposed Annual Caps are fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Investment Agreement

Following the Subscription Completion, the share interest of the Group in ARI will be reduced from 100% to 48%, and therefore the Subscription constitutes a deemed disposal of the Group's share interest in ARI under Rule 14.29 of the Listing Rules.

As the highest of the applicable percentage ratios for the ARI Disposal together with the CADC Disposal is more than 5% but less than 25%, the ARI Disposal together with the CADC Disposal constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements thereunder.

The Investment Agreement is entered into amongst the Company, ARI, ARI Holdings, China Aero, Sky Cheer and Neo Modern. As China Aero and Neo Modern are connected persons of the Company, the Investment Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements thereunder.

The Shareholders' Loan and Guarantee Agreement

The Company has a general disclosure obligation in respect of the transactions contemplated under the Shareholders' Loan and Guarantee Agreement pursuant to Rule 13.13 of the Listing Rules.

As the highest of the applicable percentage ratios based on the Proposed Annual Caps is more than 5% but less than 25%, the transactions contemplated under the Shareholders' Loan and Guarantee Agreement constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements thereunder.

As ARI will be a commonly held entity (has the meaning ascribed to it in Rule 14A.27 of the Listing Rules) of the Company, the transactions contemplated under the Shareholders' Loan and Guarantee Agreement will constitute continuing connected transactions for the Company under Rule 14A.26 of the Listing Rules. The Shareholders' Loan and Guarantee Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further, pursuant to Rule 14A.52 of the Listing Rules, should the term of an agreement for continuing connected transaction exceeds three years, the Company must appoint an independent financial adviser to explain why the agreement requires a longer period and to confirm that it is normal business practice for such duration. The Company will appoint an independent financial adviser to advise on the duration of the Shareholders' Loan and Guarantee Agreement.

THE EGM

The EGM will be convened to consider and, if thought fit, pass resolutions to approve each of the ARI Agreements and the respective transactions contemplated thereunder (including the Proposed Annual Caps). FPAM together with its associates; and CE Aerospace together with its associates, which are interested in 186,633,589 Shares and 215,859,479 Shares as at the date of this announcement, respectively, will abstain from voting at the EGM regarding each of the ARI Agreements and the respective transactions contemplated thereunder (including the Proposed Annual Caps).

GENERAL

A circular containing, among other information, (i) details on each of the ARI Agreements and the respective transactions contemplated thereunder (including the Proposed Annual Caps); (ii) the recommendation and advice of the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice convening the EGM, is expected to be despatched to the Shareholders within 15 business days from the date of this announcement.

Each of the ARI Agreements is conditional on the Condition Precedent which is more particularly described in the section headed "Condition Precedent" of this announcement. There is no assurance that the Condition Precedent will be fulfilled. Therefore, each of the ARI Agreements and the respective transactions contemplated thereunder may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless otherwise defined, terms used shall have the following meanings:

“Aircraft Disassembly Business”	aircraft dismantling, sale and distribution of disassembled parts to commercial airlines and cargo airlines, maintenance, repair and operation and aircraft on ground services
“ARI”	Aircraft Recycling International Limited, which is more particularly described in the section headed “Information on the parties - ARI” of this announcement
“ARI Agreements”	collectively, the Investment Agreement, the Option Agreement, the Shareholders’ Agreement, the Shareholders’ Loan and Guarantee Agreement and the Share Mortgage
“ARI Disposal”	the deemed disposal of ARI by the Group pursuant to Rule 14.29 of the Listing Rules
“ARI Group”	collectively ARI and its subsidiaries
“ARI Holdings”	Aircraft Recycling International Holdings Limited, which is more particularly described in the section headed “Information on the parties - ARI Holdings” of this announcement
“ARI Share(s)”	ordinary share(s) of US\$1.0 each in the share capital of ARI
“ARI Shareholder(s)”	holder(s) of ARI Share(s)
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“Business Day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for banking business in Hong Kong and excluding any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon
“BVI”	the British Virgin Islands
“CADC”	China Aircraft Disassembly Centre Limited, a company incorporated in BVI whose entire issued share capital is wholly owned by ARI
“CADC Disposal”	the transfer of the CADC Project from the Group to Zhong Long

“CADC HK”	China Aircraft Disassembly Centre (HK) Limited, a company incorporated in Hong Kong whose issued share capital is wholly owned by CADC
“CADC Project”	the project of the Group as at the date of this announcement which principally involved the establishment of an aircraft disassembly center in the PRC on the Land for carrying out the Aircraft Disassembly Business, which is more particularly described in the section headed “Investment Agreement - CADC Project” of this announcement
“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
“China Aero”	China Aero Investments Limited, which is more particularly described in the section headed “Information on the parties - China Aero” 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
“Condition Precedent”	the condition precedent of the ARI Agreements, which is more particularly described in the section headed “Condition Precedent” of this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal Completion”	completion of CADC Disposal pursuant to the Investment Agreement
“Disposal Consideration”	consideration of the CADC Disposal, which is more particularly described in the section headed “Investment Agreement – Disposal Consideration” of this announcement
“EGM”	extraordinary general meeting of the Company to be convened for considering, and if thought fit, approving each of the ARI Agreements and the respective transactions contemplated thereunder and the Proposed Annual Caps

“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
“Guarantee Fee”	the guarantee fee payable by ARI to the Guarantor pursuant to the Shareholders’ Loan and Guarantee Agreement
“Guarantor”	an ARI Shareholder or any member of its group of companies which has provided guarantee for the loan of ARI
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board comprising all independent non-executive Directors to be established to advise the Independent Shareholders on each of the ARI Agreements and the respective transactions contemplated thereunder and the Proposed Annual Caps
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on each of the ARI Agreements and the respective transactions contemplated thereunder and the Proposed Annual Caps
“Independent Shareholders”	Shareholders other than (i) FPAM together with its associates; and (ii) CE Aerospace together with its associates; and (iii) any other Shareholders who are required by the Listing Rules to abstain from voting in respect of the resolution(s) relating to each of the ARI Agreements and the respective transactions contemplated thereunder and the Proposed Annual Caps at the EGM
“Independent Third Party”	a party which is independent of and not connected with the Company and any connected person of the Company and not a connected person of the Company
“Investment Agreement”	the Investment Agreement dated 6 April 2016, which is more particularly described in the section headed “Investment Agreement” of this announcement
“Land”	a parcel of land located adjacent to Harbin Taiping International Airport in Harbin, Heilongjiang Province, the PRC with a site area of approximately 299,000 sq.m. granted to the Company under the State-owned Land Use Rights Grant Contract (國有建設用地使用權出讓合同) dated 16 July 2015 entered into between the Harbin State-owned Resources Bureau (哈爾濱國土資源局) and the Company

“Land Deposit”	the deposit in the sum of approximately RMB157.4 million paid by the Group regarding the Land
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Note(s)”	the Loan Note(s) to be issued by ARI to any ARI Shareholder which has advanced the Shareholders’ Loan to ARI pursuant to the Shareholders’ Loan and Guarantee Agreement
“Neo Modern”	Neo Modern Limited, which is more particularly described in the section headed “Information on the parties – Neo Modern” of this announcement
“Option”	the option granted by ARI to ARI Holdings pursuant to the Option Agreement
“Option Agreement”	the Option Agreement dated 6 April 2016, which is more particularly described in the section headed “Option Agreement” of this announcement
“PRC”	the People’s Republic of China, but for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Annual Caps”	the proposed annual caps of the continuing connected transactions contemplated under the Shareholders’ Loan and Guarantee Agreement as set out in the section headed “Proposed Annual Caps” of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) with par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholders’ Agreement”	the Shareholders’ Agreement dated 6 April 2016, which is more particularly described in the section headed “The Shareholders’ Agreement” of this announcement
“Shareholders’ Loan”	the shareholders’ loan advanced by any ARI Shareholder to ARI pursuant to the Shareholders’ Loan and Guarantee Agreement
“Shareholders’ Loan and Guarantee Agreement”	the Shareholders’ Loan and Guarantee Agreement dated 6 April 2016, which is more particularly described in the section headed “Shareholders’ Loan and Guarantee Agreement” of this announcement
“Share Mortgage”	the Share Mortgage dated 6 April 2016, which is more particularly described in the section headed “Share Mortgage” of this announcement

“Sky Cheer”	Sky Cheer International Limited, which is more particularly described in the section headed “Information on the parties – Sky Cheer” of this announcement
“sq.m”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	collectively, ARI Holdings, Sky Cheer, China Aero and Neo Modern
“Subscription”	the subscription of the ARI Shares pursuant to the Investment Agreement
“Subscription Completion”	completion of the Subscription pursuant to the Investment Agreement
“Subscription Price”	price for the Subscription, being US\$1.0 per ARI Share
“US\$”	United States dollars, the lawful currency of the United States of America
“Zhong Long”	Zhong Long Aircraft Disassembly Base Limited* (中龍飛機拆解基地有限公司), a company established in the PRC on 17 March 2016 whose beneficial interest is wholly owned by the Company as at the date of this announcement and will be transferred to CADC HK pursuant to the Investment Agreement
“%”	per cent.

In this announcement, certain amounts denominated in US\$ and RMB are translated into HK\$ at the exchange rate shown below, but such conversions shall not be construed as representations that amounts in US\$ and RMB were or may have been converted into HK\$ at such rate or any other exchange rates or at all: US\$1 = HK\$7.75 and HK\$1 = RMB0.84.

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

Hong Kong, 6 April 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. NG Ming Wah, Charles, Mr. NIEN Van Jin, Robert and Mr. CHEOK Albert Saychuan.

** For identification purpose only*