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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)**

**CONNECTED TRANSACTION  
IN RELATION TO  
THE SUBSCRIPTION OF SHARES  
IN AVIATION SYNERGY**

**SUMMARY**

On 4 March 2020 (after trading hours), the Subscriber (a wholly-owned subsidiary of the Company) entered into the Subscription Agreement with Aviation Synergy, Equal Honour and Smart Aviation, pursuant to which Aviation Synergy agreed to allot and issue, and the Subscriber agreed to subscribe for, 28,000,000 Aviation Synergy Shares at a total cash consideration of US\$28 million (equivalent to approximately HK\$218.4 million). Following the Subscription, the Company will be indirectly interested in approximately 72.82% of the enlarged share capital in Aviation Synergy and Aviation Synergy will become a subsidiary of the Company.

Upon Completion, the Subscriber (as shareholder), Equal Honour (as shareholder), Smart Aviation (as shareholder) and Aviation Synergy (as company) will enter into the Shareholders' Agreement which sets out the terms governing and regulating the management and operation of Aviation Synergy.

The Consideration was determined with reference to, among others, a business valuation of Aviation Synergy conducted by an independent valuer engaged by the Subscriber. The independent valuer had to determine the fair value estimate of 100% equity interest in Aviation Synergy as at 31 October 2019 by adopting the income/discounted cashflow approach. This fair value estimate constitutes a profit forecast under Rule 14.61 of the Listing Rules.

The Company will make a further announcement in accordance with the requirements under Rule 14.60A of the Listing Rules, which sets out, among other things, the principal assumptions, including commercial assumptions, upon which the valuation is based; a letter from the Board setting out the confirmation that the valuation is made after due and careful enquiry; and the letter from the Company's reporting accountant confirming the results of its review of the accounting policies and calculations for the valuation as required by the Listing Rules.

As at the date of this announcement, Aviation Synergy is owned as to 52% by Equal Honour (which is wholly-owned by Mr. Poon, a substantial shareholder, an executive Director and chief executive officer of the Company, and a connected person of the Company) and 48% by Smart Aviation (which is wholly-owned by Ms. Liu, an executive Director and deputy chief executive officer of the Company, and a connected person of the Company). Accordingly, Aviation Synergy is an associate of connected persons of the Company under the Listing Rules and the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules for the transactions contemplated under the Subscription Agreement are above 0.1% but all are below 5%, the Subscription is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under the Listing Rules.

**As completion of the Subscription is subject to the satisfaction of certain conditions, the Subscription may or may not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company.**

## **INTRODUCTION**

The Board is pleased to announce that on 4 March 2020 (after trading hours), the Subscriber (a wholly-owned subsidiary of the Company) entered into the Subscription Agreement with Aviation Synergy, Equal Honour and Smart Aviation, pursuant to which Aviation Synergy agreed to allot and issue, and the Subscriber agreed to subscribe for, 28,000,000 Aviation Synergy Shares at a total cash consideration of US\$28 million (equivalent to approximately HK\$218.4 million). Following the Subscription, the Company will be indirectly interested in approximately 72.82% of the enlarged share capital in Aviation Synergy and Aviation Synergy will become a subsidiary of the Company.

## **SUBSCRIPTION AGREEMENT**

The key terms of the Subscription Agreement are set out below:

**Date:** 4 March 2020

### **Parties**

- (1) the Subscriber, as the subscriber;
- (2) Aviation Synergy, as the issuer;
- (3) Equal Honour; and
- (4) Smart Aviation

## **Subject Matter**

Aviation Synergy has agreed to allot and issue, and the Subscriber has agreed to subscribe for, 28,000,000 Aviation Synergy Shares, representing approximately 72.82% of the enlarged share capital in Aviation Synergy. As at the date of this announcement, Aviation Synergy is interested in 100% of the beneficial interest in Naga Pacific which in turn (i) holds 49% equity interest in TAM and (ii) is beneficially interested in 50% of the voting rights and 75% of the economic interest in TAM via the Shareholders Arrangements. The principal activity of TAM is the operation of an airline based in Indonesia. It also engages in the provision of Commercial Air Transportation Services.

The Subscriber is entitled to direct the Subscription Shares be issued and registered in the name of its nominee which shall be a subsidiary of the Subscriber or other person approved by the Subscriber.

## **Consideration**

Pursuant to the Subscription Agreement, the Subscriber agreed to subscribe for 28,000,000 Aviation Synergy Shares at the subscription price of US\$1 (equivalent to approximately HK\$7.80) per share, amounting to a total cash consideration of US\$28 million (equivalent to approximately HK\$218.4 million). The Consideration will be funded by the Group's internal resources and/or external financing.

The Consideration was determined after arm's length negotiations between the Subscriber and Aviation Synergy, having taken into account, among others, a business valuation of Aviation Synergy conducted by an independent valuer engaged by the Subscriber on an income/discounted cashflow basis. According to the business valuation, the market value of 100% equity interest in Aviation Synergy on a pre-money basis as at 31 October 2019 has been determined as an amount in the range from US\$13,400,000 to US\$27,100,000. The Consideration assumed a pre-money valuation of 100% equity interest in Aviation Synergy of approximately US\$10.5 million, which represents a discount of approximately 22.0% to 61.4% to the aforementioned business valuation. See section headed "Profit Forecast Requirement under the Listing Rules" below for further details. The subscription price of US\$1 per share equals par value of each of the Subscription Shares.

## **Conditions precedent**

Completion is conditional upon the fulfilment or waiver of, among others, the following conditions prior to Completion Date or simultaneously at Completion:

- (a) the Subscriber having completed the due diligence investigation on the assets, liabilities, business, financial, legal and other matters relating to Aviation Synergy Group and the results thereof being reasonably satisfactory to the Subscriber;
- (b) the Subscriber having obtained all consents and approvals with respect to the Subscription and the transactions contemplated under the Subscription Agreement; and
- (c) Aviation Synergy having obtained all consents and approvals with respect to the Subscription and the transactions contemplated under the Subscription Agreement.

If the abovementioned conditions cannot be fulfilled or waived on or before 30 June 2020 (or such later date as may be agreed by the Subscriber and Aviation Synergy), the Subscription Agreement shall lapse and no party shall have any claim against the other under the Subscription Agreement, save for any rights and liabilities which have accrued before the lapse of the Subscription Agreement.

## **Completion**

Completion shall take place on or before 6 March 2020 or such later day as the parties may agree after all the conditions precedent have been fulfilled or waived.

On Completion, among others, the Subscriber shall pay the Consideration to Aviation Synergy and Aviation Synergy shall issue to the Subscriber (or its nominee as the Subscriber may direct) the Subscription Shares (issued as fully paid) and register the Subscriber or its nominee as holder of the Subscription Shares. Aviation Synergy shall also appoint the persons nominated by the Subscriber in accordance with the provisions of the Shareholders' Agreement as directors to the board of Aviation Synergy.

Upon Completion, the enlarged share capital of Aviation Synergy would be owned as follows:

<b>Shareholders</b>	<b>Number of Shares</b>	<b>Percentage</b>
The Subscriber	28,000,000	72.82%
Equal Honour	5,434,520	14.13%
Smart Aviation	5,016,480	13.05%
<b>Total</b>	<b>38,451,000</b>	<b>100%</b>

## **SHAREHOLDERS' AGREEMENT**

Upon Completion, the Subscriber (as shareholder), Equal Honour (as shareholder), Smart Aviation (as shareholder) and Aviation Synergy (as company) will enter into the Shareholders' Agreement which sets out the terms governing and regulating the management and operation of Aviation Synergy.

The key terms of the Shareholders' Agreement are set out below:

1. The parties agree that Aviation Synergy shall act as a holding company and the Aviation Synergy Group shall engage in Commercial Air Transportation Services.
2. The board of Aviation Synergy shall comprise of two directors, all of which are to be nominated by the Subscriber. The quorum for meetings of the board of Aviation Synergy shall be two directors.
3. Reserved matters which shall require unanimous consent of all the shareholders of Aviation Synergy entitled to vote at the relevant shareholders' meetings, include but are not limited to the following:
  - (i) any material variation or change to the business scope or nature of the main operation of Aviation Synergy and/or its subsidiaries;
  - (ii) any changes to the articles of association of Aviation Synergy and/or its subsidiaries or the Shareholders' Agreement;

- (iii) the increase in the authorised share capital or the registered capital of Aviation Synergy and/or its subsidiaries;
- (iv) the entering into of any transactions, agreements or arrangements, joint venture, partnership with any person, firm, company, body corporate or corporation for the purpose of starting any new business;
- (v) selling, transferring, disposing of, purchasing or assigning any material part of the property or assets of Aviation Synergy and its subsidiaries;
- (vi) the declaration or payment of any dividend or the making of any distribution, the dividend policies and methods of payment;
- (vii) proposals or resolutions being passed by any member of Aviation Synergy and its subsidiaries for the change in the rights attaching to the securities of any member of Aviation Synergy and its subsidiaries, or the issuance of any securities or share capital attached with preferential rights; and
- (viii) winding up or liquidation of any of Aviation Synergy and its subsidiaries.

4. The Subscriber's prior written approval is required for any transfer of Aviation Synergy Shares by Smart Aviation and Equal Honour to a third party.

## FINANCIAL INFORMATION OF AVIATION SYNERGY

The loss of Aviation Synergy for the financial years ended 31 December 2017, 31 December 2018 and the ten months ended 31 October 2019 (before and after taxation) are set out as follows:

	<b>For the year ended 31 December 2017</b> (US\$' million) (Audited)	<b>For the year ended 31 December 2018</b> (US\$' million) (Audited)	<b>For the ten months ended 31 October 2019</b> (US\$' million) (Unaudited)
<b>Loss before taxation</b>	7.00 (equivalent to approximately HK\$54.6 million)	5.78 (equivalent to approximately HK\$45.1 million)	8.83 (equivalent to approximately HK\$68.9 million)
<b>Loss after taxation</b>	7.05 (equivalent to approximately HK\$55.0 million)	5.82 (equivalent to approximately HK\$45.4 million)	8.75 (equivalent to approximately HK\$68.3 million)

As at 31 October 2019, the unaudited net liabilities position of Aviation Synergy was approximately US\$18.7 million (equivalent to approximately HK\$145.9 million).

## **REASONS FOR ENTERING INTO THE SUBSCRIPTION AGREEMENT**

The Company considers that the Subscription is in line with the business development strategies and planning of the Group.

The Company is a pioneer in the Chinese aviation finance sector and is committed to facilitating the development of the aviation ecosystem. Such first-mover advantages have led to the Company's leading position in the global aviation market, as well as its strategic partnership with aircraft manufacturers. This laid a solid foundation for the Group to achieve its current position as a full value-chain solutions provider, enabling it to capture value at every point of the aircraft life cycle.

With the Subscription under which the Company agreed to indirectly invest in TAM, CALC will become the first-mover to extend downstream into the ultimate end-user of aviation value chain, which allows it to further exploit the synergy in the "manufacturer-lessor-airlines" ecosystem, the backbone for the Group's aircraft full value chain established over the years. It will also reinforce the Group's existing strategic alliance with aircraft manufacturers and parts suppliers, another essential pillar for its vertical integration strategy that will further strengthen its proactive asset lifecycle management capability, including that for Chinese-manufactured aircraft.

In addition, the Subscription will pave the way for the Group to launch more aviation-related funds, including renminbi aviation funds. Proactive fund management is an important approach to expand the Group's future business scale with its unique asset-light business model.

On the basis of the foregoing, the Directors (including the independent non-executive Directors) are of the view that the terms of the Subscription Agreement and the transactions contemplated thereunder, which have been agreed after arm's length negotiations, are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the best interest of the Company and its shareholders as a whole.

## **PROFIT FORECAST REQUIREMENT UNDER THE LISTING RULES**

The Consideration was determined with reference to, among others, a business valuation of Aviation Synergy conducted by an independent valuer engaged by the Subscriber. The independent valuer had to determine the fair value estimate of 100% equity interest in Aviation Synergy as at 31 October 2019 by adopting the income/discounted cashflow approach. This fair value estimate constitutes a profit forecast under Rule 14.61 of the Listing Rules.

The Company will make a further announcement in accordance with the requirements under Rule 14.60A of the Listing Rules, which sets out, among other things, the principal assumptions, including commercial assumptions, upon which the valuation is based; a letter from the Board setting out the confirmation that the valuation is made after due and careful enquiry; and the letter from the Company's reporting accountant confirming the results of its review of the accounting policies and calculations for the valuation as required by the Listing Rules.

## **INFORMATION ABOUT THE PARTIES**

### **The Group**

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

The Subscriber (CALC IDN Limited) is an investment holding company and a wholly-owned subsidiary of the Company, incorporated in the Cayman Islands with limited liability.

### **Aviation Synergy**

Aviation Synergy is an investment holding company, incorporated in the Cayman Islands with limited liability. As at the date of this announcement, it is owned as to 52% by Equal Honour and 48% by Smart Aviation.

### **Naga Pacific**

Naga Pacific was incorporated under the laws of Singapore. It engages in provision of office administrative services on a fee or contract basis and other investment holding. As at the date of this announcement, it is 100% beneficially owned by Aviation Synergy.

### **TAM**

TAM was incorporated under the laws of Indonesia and engages in provision of Commercial Air Transportation Services. As at the date of this announcement, it is 49% owned by Naga Pacific and 51% owned by the Indonesian Shareholder, an independent third party to the Company. Furthermore, pursuant to the Shareholders Arrangements entered into between the existing shareholders of TAM to set out the commercial agreements between the shareholders in relation to, among others, the management of TAM and the distribution of profits, TAM is jointly-controlled by Naga Pacific and the Indonesian Shareholder with each shareholder being interested in 50% of the voting rights and Naga Pacific in interested in 75% of the economic interest of TAM.

### **Equal Honour**

Equal Honour is an investment holding company incorporated in the British Virgins Islands with limited liability. As at the date of this announcement, it (i) is wholly-owned by Mr. Poon, (ii) is interested in approximately 52% equity interest in Aviation Synergy and is the holder of approximately US\$9.8 million (equivalent to approximately HK\$76.4 million) shareholder's loan due from Aviation Synergy.

### **Smart Aviation**

Smart Aviation is an investment holding company incorporated in the British Virgins with limited liability. As at the date of this announcement, it (i) is wholly owned by Ms. Liu, (ii) is interested in approximately 48% equity interest in Aviation Synergy and is the holder of approximately US\$5 million (equivalent to approximately HK\$39 million) shareholder's loan due from Aviation Synergy.

## **IMPLICATIONS OF THE LISTING RULES**

As at the date of this announcement, Aviation Synergy is owned as to 52% by Equal Honour (which is wholly-owned by Mr. Poon, a substantial shareholder, an executive Director and chief executive officer of the Company, and a connected person of the Company) and 48% by Smart Aviation (which is wholly-owned by Ms. Liu, an executive Director and deputy chief executive officer of the Company, and a connected person of the Company). Accordingly, Aviation Synergy is an associate of connected persons of the Company under the Listing Rules and the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules for the transactions contemplated under the Subscription Agreement are above 0.1% but all are below 5%, the Subscription is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under the Listing Rules.

Mr. Poon and Ms. Liu (both being shareholders of Aviation Synergy) are deemed to have a material interest in the transactions contemplated under the Subscription Agreement. Accordingly, they shall abstain from voting on the board resolutions in connection with the Subscription. Other than Mr. Poon and Ms. Liu, no other Directors have a material interest in the Subscription or are required to abstain from voting on the relevant board resolutions.

**As completion of the Subscription is subject to the satisfaction of certain conditions, the Subscription may or may not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

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

<b>“Aviation Synergy”</b>	Aviation Synergy Ltd., a company incorporated in the Cayman Islands with limited liability
<b>“Aviation Synergy Group”</b>	Aviation Synergy and its subsidiaries and affiliated companies
<b>“Aviation Synergy Share(s)”</b>	share(s) with par value of US\$1 (equivalent to approximately HK\$7.80) each in the share capital of Aviation Synergy
<b>“Board”</b>	the board of Directors

<b>“Commercial Air Transportation Services”</b>	commercial air transportation services, rental services, maintenance services, consulting, education and training, cleaning and general sales agent services, supporting services and purchase of aircraft
<b>“Company”</b>	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
<b>“Completion”</b>	the completion of the Subscription pursuant to the Subscription Agreement
<b>“Completion Date”</b>	the completion date of the Subscription Agreement, being 6 March 2020, or such later date as the parties to the Subscription Agreement may agree
<b>“connected person(s)”</b>	has the same meaning ascribed thereto under the Listing Rules
<b>“Consideration”</b>	the total consideration payable by the Company to Aviation Synergy for the Subscription
<b>“Directors”</b>	the directors of the Company
<b>“Equal Honour”</b>	Equal Honour Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and an existing shareholder of Aviation Synergy as at the date of the Subscription Agreement
<b>“Group”</b>	the Company and its subsidiaries
<b>“HK\$”</b>	Hong Kong dollar(s), the lawful currency of Hong Kong
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“Indonesian Shareholder”</b>	PT Panca Global International Indonesia, a company incorporated in Indonesia and a 51% registered shareholder of TAM
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Ms. Liu”</b>	Ms. Liu Wanting, an executive Director and the deputy chief executive officer of the Company
<b>“Mr. Poon”</b>	Mr. Poon Ho Man, a substantial shareholder of the Company, an executive Director and the chief executive officer of the Company
<b>“Naga Pacific”</b>	Naga Pacific Airlines Holdings Pte. Ltd., a limited company incorporated under the laws of Singapore

<b>“Shareholders’ Agreement”</b>	the shareholders’ agreement to be entered into by the shareholders of Aviation Synergy and Aviation Synergy at Completion
<b>“Shareholders Arrangements”</b>	a series of shareholders arrangements entered into between the Indonesian Shareholder and Naga Pacific pursuant to which Aviation Synergy is beneficially interested in 50% voting rights and 75% economic rights of TAM (including all dividends and other distributions of profits and assets in respect of TAM)
<b>“Smart Aviation”</b>	Smart Aviation Investment Limited, a company incorporated in the British Virgin Islands with limited liability and an existing shareholder of Aviation Synergy as at the date of the Subscription Agreement
<b>“Subscriber”</b>	CALC IDN Limited, a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company
<b>“Subscription”</b>	the Company’s subscription of the Subscription Shares
<b>“Subscription Agreement”</b>	the subscription agreement dated 4 March 2020 entered into between the Company, Aviation Synergy, Equal Honour and Smart Aviation in relation to the Subscription
<b>“Subscription Shares”</b>	28,000,000 shares in Aviation Synergy, representing approximately 72.82% of the enlarged share capital in Aviation Synergy
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“TAM”</b>	PT Transnusa Aviation Mandiri, a company incorporated in Indonesia
<b>“US\$”</b>	United States dollars, the lawful currency of the United States of America
<b>“%”</b>	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, 4 March 2020

*As at the date of this announcement, (i) the Executive Directors are Mr. ZHAO Wei, Mr. POON Ho Man and Ms. LIU Wanting; (ii) the Non-executive Director is Mr. TANG Chi Chun; and (iii) the Independent Non-executive Directors are Mr. FAN Yan Hok, Philip, Mr. NIEN Van Jin, Robert, Mr. CHEOK Albert Saychuan and Mr. CHOW Kwong Fai, Edward, JP.*