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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 AND CONNECTED TRANSACTION
IN RELATION TO
DISPOSAL OF SEVEN LEASE-ATTACHED AIRCRAFT**

AIRCRAFT SALE AND PURCHASE AGREEMENTS

The Board is pleased to announce that on 2 July 2020 (after trading hours), the Aircraft Sale and Purchase Agreements were entered into between the Vendors and the Purchasers respectively, pursuant to which the Vendors agreed to sell and the Purchasers agreed to purchase the respective Aircraft (together with the rights and obligations of the underlying leases).

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceed 25% but all are below 75%, the Transaction constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Nevertheless, the Transaction is a Qualified Aircraft Leasing Activity and, as a major transaction, is only subject to the disclosure requirements under Rule 14.33D of the Listing Rules but exempt from the announcement, circular and/or shareholders' approval requirements for a major transaction.

As at the date of this announcement, CE Group is the sole shareholder of CE Hong Kong. CE Hong Kong is the indirect controlling shareholder of CE Limited which indirectly holds approximately 49.74% equity interest in CE Limited. CE Limited in turn indirectly holds approximately 36.61% equity interest in the Company. Accordingly, CE Group and its associates are connected persons of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, CEB Leasing is an associate of CE Group. Accordingly, the Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) Rules 14.58(4) and 14.58(7) of the Listing Rules requiring disclosure of the aggregate value of the consideration and net profits attributable to the assets; (ii) Rule 14.58(6) of the Listing Rules requiring

disclosure of the net book value of the Aircraft; (iii) Rule 14.60(3)(a) of the Listing Rules requiring disclosure of details of the gain or loss expected to accrue to the Company from the Transaction and the basis for calculating such gain or loss; (iv) Rule 14A.68(1) of the Listing Rules requiring an announcement for a connected transaction to contain at least the information set out in Rules 14.58 to 14.60 of the Listing Rules; and (v) Rule 14A.70(2) of the Listing Rules requiring the circular for a connected transaction to contain at least the information required to be disclosed in the announcement for the transaction.

THE EGM AND SHAREHOLDERS' APPROVAL

The EGM will be convened for the independent Shareholders to consider and, if thought fit, approve the Transaction. CE Group and its associates will abstain from voting on the resolution to be proposed at the EGM in relation to the Transaction.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the independent Shareholders on the Transaction. Red Sun Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in this respect.

Circular

A circular containing (i) further details of the Transaction; (ii) a letter from the Independent Board Committee; and (iii) a letter setting out the advice of the independent financial adviser to the Independent Board Committee and the independent Shareholders, together with the notice of the EGM, is expected to be dispatched to the Shareholders on or before 9 July 2020.

As the Transaction is subject to the approval of the independent Shareholders, it may or may not proceed. The issue of this announcement does not in any way imply that the Transaction will be implemented or executed. Shareholders and potential investors should exercise caution when dealing in the Shares.

AIRCRAFT SALE AND PURCHASE AGREEMENTS

The Board is pleased to announce that on 2 July 2020 (after trading hours), the Aircraft Sale and Purchase Agreements were entered into between the Vendors and the Purchasers respectively, pursuant to which the Vendors agreed to sell and the Purchasers agreed to purchase the respective Aircraft (together with the rights and obligations of the underlying leases).

Date: 2 July 2020

Parties:

- (a) the Vendors; and
- (b) the Purchasers

Assets to be disposed of: the Aircraft (together with the rights and obligations of the underlying leases)

Consideration:

The Consideration is above the net book value of the Aircraft. As an alternative to disclosing the Consideration for the Aircraft, the Company discloses the Market Appraised Value of the Aircraft. The Market Appraised Value of the Aircraft (obtained from an independent appraiser) is approximately US\$316 million (equivalent to approximately HK\$2.46 billion). The Consideration is also no less than the Market Appraised Value of the Aircraft. The valuation report of the Aircraft will be set out in the circular.

The independent appraiser adopted the market approach whereby the subject asset would be valued by reviewing recent market activities and comparing known market transactions involving similar asset type. Such approach is intended to reflect the result of an arm's length single sale transaction for cash conducted in an orderly manner between a willing buyer and a willing seller. For the purposes of this Transaction, the independent appraiser took into consideration various factors, including the aircraft manufacturer, type and variant, year of built and a generic specification which comprises one engine manufacturer, type and variant and maximum take-off weight combination. The independent appraiser also assumed that, under its appraised full-life base value of the Aircraft, the airframe, engines, landing gear, auxiliary power unit and all major components are either new or have just undergone a major overhaul, inspection or performance restoration (as appropriate), with engine life-limited parts having 100% of their certified lives remaining and a reasonable marketing time of 12 months.

The Board considers that the Consideration for the Aircraft was determined on an arm's length basis upon negotiation in accordance with the Group's customary business practices, taking into account the Market Appraised Value of the relevant aircraft and the terms and conditions of the Transaction as a whole and with reference to market conditions. Initially the Company conducted a bidding process for the Aircraft and successfully solicited offers from CEB Leasing and certain independent third parties to ensure that the Consideration would be in line with the prevailing market price. CEB Leasing was the highest bidder and so the Company decided to enter into the Aircraft Sale and Purchase Agreements with CEB Leasing.

Based on the above, the Board considers the Consideration is fair and reasonable and no less favourable than those offered by independent third parties.

The aggregate net book value, the aggregate gain or loss on the disposal of the Aircraft and the excess of the Consideration over the aggregate net book value are commercial sensitive information as are the aggregate net profits (before and after tax) attributable to the Aircraft.

The Company will no longer be entitled to the lease income derived from the underlying leases of the Aircraft starting from the lease payment date immediately following completion of the Transaction. The Company does not expect the Transaction to have a material adverse impact on the net profits of the Company for the two financial years immediately preceding the Transaction.

On the other hand, the Company will record an aggregate gain on the disposal of the Aircraft (given that the Consideration, net of the Transaction related expenses, is above the aggregate net book value of the Aircraft). The Company does not expect the aggregate gain to be significant to the Group taken as a whole.

The gain expected to accrue to the Company from the disposal of the Aircraft and the net book value of the Aircraft will be disclosed on an aggregated basis together with any other aircraft disposed of by the Company in the Company's following interim financial statements (where applicable) and annual financial statements upon completion of the relevant transactions.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) Rules 14.58(4) and 14.58(7) of the Listing Rules requiring disclosure of the aggregate value of the consideration and net profits attributable to the assets; (ii) Rule 14.58(6) of the Listing Rules requiring disclosure of the net book value of the Aircraft; (iii) Rule 14.60(3)(a) of the Listing Rules requiring disclosure of details of the gain or loss expected to accrue to the Company from the Transaction and the basis for calculating such gain or loss; (iv) Rule 14A.68(1) of the Listing Rules requiring an announcement for a connected transaction to contain at least the information set out in Rules 14.58 to 14.60 of the Listing Rules; and (v) Rule 14A.70(2) of the Listing Rules requiring the circular for a connected transaction to contain at least the information required to be disclosed in the announcement for the transaction.

Payment and delivery terms

The Consideration of each of the Aircraft will be paid upon completion of the respective Aircraft Sale and Purchase Agreements, which is estimated to occur by the end of September 2020.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceed 25% but all are below 75%, the Transaction constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Nevertheless, the Transaction is a Qualified Aircraft Leasing Activity and, as a major transaction, is only subject to the disclosure requirements under Rule 14.33D of the Listing Rules but exempt from the announcement, circular and/or shareholders' approval requirements for a major transaction.

As at the date of this announcement, CE Group is the sole shareholder of CE Hong Kong. CE Hong Kong is the indirect controlling shareholder of CE Limited which indirectly holds approximately 49.74% equity interest in CE Limited. CE Limited in turn indirectly holds approximately 36.61% equity interest in the Company. Accordingly, CE Group and its associates are connected persons of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, CEB Leasing is an associate of CE Group. Accordingly, the Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE EGM AND SHAREHOLDERS' APPROVAL

The EGM will be convened for the independent Shareholders to consider and, if thought fit, approve the Transaction. CE Group and its associates will abstain from voting on the resolution to be proposed at the EGM in relation to the Transaction.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the independent Shareholders on the Transaction. Red Sun Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in this respect.

Circular

A circular containing (i) further details of the Transaction; (ii) a letter from the Independent Board Committee; and (iii) a letter setting out the advice of the independent financial adviser to the Independent Board Committee and the independent Shareholders, together with the notice of the EGM, is expected to be dispatched to the Shareholders on or before 9 July 2020.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AIRCRAFT SALE AND PURCHASE AGREEMENTS

(i) Pressing Ahead the Group's asset-light business model

The Directors are of the view that the Transaction is in line with the strategy of the Group as it pushes forward the multi-facet development of its asset-light business model through portfolio trading together with management of aviation-related funds. Such model allows the Group to achieve attractive return on equity with continuous capital flows while ensuring a reasonable debt level as it expands its aircraft leasing and trading businesses.

(ii) Aircraft portfolio trading is in the Group's ordinary course of business and constitutes one of its main income sources

The Transaction is conducted in the Group's ordinary course of business as evidenced by a good number of aircraft purchase and disposal transactions conducted by the Group during the years ended 31 December 2018 and 2019, and the year ending 31 December 2020 (up to the date of this announcement). As disclosed in annual reports of the Company, the net income from aircraft transactions and aircraft trading has been one of the main income sources of the Group.

Portfolio trading with a broad range of aircraft owners, including independent third party leasing companies, will optimize the Group's fleet portfolio and open up more business opportunities, thus further enhancing the Group's asset management capability. The expected gain from the Transaction will contribute to the overall growth and profitability of the Group.

The Company intends to use the net proceeds received from the disposal of the Aircraft for, where appropriate, aircraft acquisition, and to support its business expansion in areas of aircraft leasing; sourcing and sales; aircraft trading and portfolio sales; aircraft disassembly and component sales; maintenance, repair and overhaul (MRO); aviation financing; and/or general corporate purposes.

“Aircraft Sale and Purchase Agreements”	seven aircraft sale and purchase agreements entered into between the Vendors and the Purchasers respectively on 2 July 2020, pursuant to which the Vendors agreed to sell and the Purchasers agreed to purchase the respective Aircraft
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“CE Bank”	China Everbright Bank Company Limited (中國光大銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H shares and the A shares of which are listed on the Main Board of the Stock Exchange (stock code: 6818) and the Shanghai Stock Exchange (stock code: 601818) respectively, and an associate of CE Group
“CE Group”	China Everbright Group Ltd.* (中國光大集團股份公司), a joint stock company incorporated in the PRC with limited liability and beneficially wholly-owned by the State Council of the PRC
“CE Hong Kong”	China Everbright Holdings Company Limited (中國光大集團有限公司), a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of CE Group
“CE Limited”	China Everbright Limited (中國光大控股有限公司), a company incorporated under the laws of Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0165) and indirectly owned as to approximately 49.74% by CE Hong Kong as at the date of this announcement
“CEB Leasing”	Everbright Financial Leasing Co., Ltd. (光大金融租賃股份有限公司), a company incorporated on 19 May 2010 in the PRC with limited liability and a non-wholly-owned subsidiary of CE Bank. As at the date of this announcement, CEB Leasing is held by CE Bank as to 90%
“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 the Purchasers to the Vendors for the Aircraft
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held for considering, and if thought fit, approving the Transaction
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, 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
“Market Appraised Value”	the full-life base value of the Aircraft obtained from an independent appraiser
“percentage ratio(s)”	has the meaning ascribed to it in Rule 14.07 of the Listing Rules
“PRC”	The People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Purchasers”	Everbright Hongrui (Shanghai) Aviation Leasing Co., Limited (as purchaser of two aircraft); and Guangrong NO.2 (Tianjin) Aviation Leasing Co., Limited, Guangrong NO.3 (Tianjin) Aviation Leasing Co., Limited, Guangrong NO.4 (Tianjin) Aviation Leasing Co., Limited, Everbright Hongan (Shanghai) Aviation Leasing Co., Limited and Everbright Hongcheng (Shanghai) Aviation Leasing Co., Limited (each as purchaser of one aircraft), which are all incorporated in the PRC with limited liability and wholly-owned special purpose vehicles of CEB Leasing. With prior consent of the Vendors, the Purchasers are entitled to transfer all their rights and obligations under the Aircraft Sale and Purchase Agreements to other wholly-owned special purpose vehicles of CEB Leasing before delivery of the Aircraft
“Qualified Aircraft Leasing Activity”	has the meaning ascribed to it in Rule 14.04(10D) of the Listing Rules

“Qualified Lessor”	Aircraft	has the meaning ascribed to it in Rule 14.04(10E) of the Listing Rules
“Shareholders”		holders of the Shares
“Share(s)”		share(s) with par value of HK\$0.10 each in the share capital of the Company
“Stock Exchange”		The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”		has the meaning ascribed to it under the Listing Rules
“Transaction”		the entering into of the Aircraft Sale and Purchase Agreements and the transactions contemplated thereunder
“US\$”		United States dollars, the lawful currency of the United States of America
“Vendors”		CALC Chunyou Financial Leasing Limited, CALC Chunhua Financial Leasing Limited, CALC Kaiqing Limited, CALC Qianfu Co., Ltd., ZJ Shengwu Leasing (Tianjin) Co., Ltd., CALC Shaoding Financial Leasing Limited and CALC Xianchun Financial Leasing Limited, which are all incorporated in the PRC with limited liability and wholly-owned special purpose vehicles of the Company
“%”		per cent

In this announcement, the amounts denominated in USD are translated into HKD at the exchange rate shown below, but such conversions shall not be construed as representations that amount in USD were or may have been converted into HKD at such rate or any other exchange rates or at all: USD1 = HKD7.80.

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

Hong Kong, 2 July 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 and Mr. CHEOK Albert Saychuan.

** for identification purpose only*