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INTERNATIONAL ALLIANCE FINANCIAL LEASING CO., LTD.

国际友联融资租赁有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1563)

**DISCLOSEABLE TRANSACTIONS
DISPOSAL OF AIRCRAFT
AND
TERMINATION OF FINANCE LEASE AGREEMENT**

BACKGROUND

On 26 February 2020 (after trading hours):

- (a) the Seller, as owner trustee and for the benefit of the Lessor, an indirect wholly-owned subsidiary of the Company, and the Lessor, entered into the Aircraft Sale and Purchase Agreement with the Buyer, pursuant to which the Seller intends to sell and the Buyer intends to purchase the Aircraft at a consideration of US\$30 million; and
- (b) the Lessor and the Lessee entered into a termination agreement in relation to the Finance Lease Agreement, pursuant to which the Lessor and the Lessee shall terminate the Finance Lease Agreement subject to the terms and conditions as set out therein.

LISTING RULES IMPLICATIONS

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio of the Transactions is over 5% but less than 25%, the Transactions constitute disclosable transactions for the Company. Accordingly, the Transactions are subject to the notification and announcement requirements, but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

BACKGROUND

On 30 August 2016, the Lessor and the Lessee entered into, among others, the Finance Lease Agreement, pursuant to which (i) the Lessee agreed to assign a Gulfstream GV-SP (G550) aircraft (the "Aircraft") under the name of the Lessor; and (ii) the Lessor agreed to lease the Aircraft to the

Lessee for a term of 84 months. As at the date of this announcement, the Overdue Rental Fee was approximately RMB34.9 million in accordance with the terms and conditions of the Finance Lease Agreement.

In view of the recent changes in the market conditions, and following negotiations between the Lessee and Lessor, they agreed to dispose of the Aircraft and that the sale proceeds thereof shall be used to settle, among others, the Outstanding Sum under the Finance Lease Agreement.

Accordingly, on 26 February 2020 (after trading hours):

- (a) the Seller, as owner trustee and for the benefit of the Lessor, and the Lessor, entered into the Aircraft Sale and Purchase Agreement with the Buyer, pursuant to which the Seller intends to sell and the Buyer intends to purchase the Aircraft with details as set out below; and
- (b) the Lessor, entered into the Termination Agreement, with the Lessee, pursuant to which the Lessor and the Lessee shall terminate the Finance Lease Agreement subject to the terms and conditions as set out therein.

Upon the receipt of the Outstanding Sum and subject to the terms and conditions of the Termination Agreement, the Finance Lease Agreement shall be terminated.

AIRCRAFT SALE AND PURCHASE AGREEMENT

The principal terms of the Aircraft Sale and Purchase Agreement are set out as follows:

Date

26 February 2020 (after trading hours)

Parties

- (1) Bank of Utah, as owner trustee and for the benefit of the Lessor (as seller)
- (2) the Lessor
- (3) SMS Trust and Sloan (as buyer)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries:

- (a) Sloan is an investment holding company and SMS Trust is a trust established by the beneficial owner of Sloan; and
- (b) each of Sloan and SMS Trust, and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Asset to be disposed of

A Gulfstream GV-SP (G550) aircraft

Consideration

The Consideration is approximately US\$30 million and shall be payable by the Buyer in the following manner:

- (1) US\$1 million deposit has been deposited by the Buyer to the Escrow Agent prior to or upon signing of the Aircraft Sale and Purchase Agreement; and
- (2) the remaining balance of the Consideration (i.e. US\$29 million) shall be deposited by the Buyer to the Escrow Agent prior to Completion and the Escrow Agent shall release the Consideration to the Seller and/or other party(ies) as designated by the Seller upon Completion.

The Consideration was determined after arm's length negotiation between the parties with reference to (i) the market intelligence as gathered by the Group from aircraft brokers; (ii) the Group's own analysis of recently concluded sale and purchase transactions of aircraft of comparable size and year of build in the market; (iii) the Outstanding Sum; (iv) the terms and conditions of the Disposal as a whole; and (v) changes in the market conditions.

Conditions precedent

The following shall be conditions precedent to the Buyer's obligation to purchase the Aircraft:

- (1) all of the Seller's warranties, covenants and representations made in the Aircraft Sale and Purchase Agreement shall be true, accurate and correct in material aspects on the date of Completion and when made on the date of the execution of the Aircraft Sale and Purchase Agreement;
- (2) the Seller shall have executed and delivered to the Escrow Agent the relevant documents in a form acceptable for filing and recording with FAA conveying free, good, clear, unencumbered and defensible title to the Aircraft;
- (3) the Aircraft will be N-registered with FAA certificate of airworthiness on board at the time the Aircraft will be delivered to the Buyer at Completion;
- (4) the Buyer shall have accepted the Aircraft in accordance with the terms and conditions as set out in the Aircraft Sale and Purchase Agreement; and
- (5) the Buyer shall have received written confirmation from Gulfstream that the applicable manufacturers' warranties in place for the Aircraft as of the date of Completion can be transferred contemporaneous with or after the Completion.

The following shall be conditions precedent to the Seller's obligation to sell and deliver the Aircraft to the Buyer:

- (1) all of the Buyer's warranties, covenants and representations made in the Aircraft Sale and Purchase Agreement shall be true, accurate and correct on the date of Completion and when made on the date of the execution of the Aircraft Sale and Purchase Agreement;
- (2) the Buyer shall have deposited the balance of the Consideration (together with the fee of the Escrow Agent payable by the Buyer) with the Escrow Agent on or prior to the Completion Date in immediately U.S. funds, and the Buyer shall have procured confirmation from the Escrow Agent to the Seller that the Escrow Agent has been instructed and duly authorised by the Buyer to release the Consideration to the Seller at Completion in accordance with the Seller's instructions;
- (3) the Buyer shall have executed (where applicable) and delivered, among others, the documents indicating its acceptance of the Aircraft pursuant to the Aircraft Sale and Purchase Agreement, authorisation documents approving the entering into the Aircraft Sale and Purchase Agreement and certified copy of the insurance certificate and the associated broker's letter of undertaking satisfying the requirement under the Aircraft Sale and Purchase Agreement; and
- (4) the Buyer shall not be in breach or default of any of its obligations arising under the Aircraft Sale and Purchase Agreement.

Completion

Completion shall take place (i) within two (2) business days of any Discrepancies as specified by the Buyer pursuant to the Aircraft Sale and Purchase Agreement being corrected and the return of the Aircraft to service; or (ii) if no such Discrepancies are specified by the Buyer, two (2) business days of the date of the written acceptance by the Buyer pursuant to the Aircraft Sale and Purchase Agreement.

TERMINATION OF FINANCE LEASE AGREEMENT

The principal terms of the Termination Agreement are set out as follows:

Date

26 February 2020 (after trading hours)

Parties

- (1) the Lessor (as lessor)
- (2) the Lessee (as lessee)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries,

- (a) the Lessee is principally engaged in real estate investment; and
- (b) the Lessee and its respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Terms and conditions in relation to the termination

The Finance Lease Agreement shall only be terminated and the liabilities and obligations of the Lessee under the Finance Lease Agreement shall only be released subject to the terms and conditions of the Termination Agreement, including the following:

- (1) the aggregate sum of (i) the Overdue Rental Fee, (ii) the penalty for the Overdue Rental Fee, (iii) the principal of the rental fee for the remaining term, (iv) the purchase price of the Aircraft under the Finance Lease Agreement, (v) the fees of the aircraft broker and escrow agent regarding the Disposal; and (vi) other expenses incurred by the Lessor as a result of the Disposal (collectively the “**Outstanding Sum**”) has been deposited to the bank account designated by the Lessor; and
- (2) the Lessee shall be responsible to indemnify the Lessor for any risks, liabilities, losses, obligations and expenses incurred by the Lessor directly and indirectly from the Disposal.

The aggregate sum for the items under (1) shall be varied depending on the actual date of termination of the Finance Lease Agreement.

For illustrative purpose only, assuming the Finance Lease Agreement will be terminated on 9 March 2020, the amount of the aggregate sum for the items (1)(i) to (v) will be approximately RMB174.8 million.

INFORMATION OF THE AIRCRAFT

The Aircraft is a Gulfstream GV-SP (G550) aircraft, which is currently held by the Seller, as owner trustee, on trust for the benefit of the Lessor.

As the Aircraft is the leased asset under the Finance Lease Agreement, finance lease receivables in relation thereto were booked to the accounts of the Group. As at 31 December 2019, the unaudited finance lease receivables was approximately RMB164.6 million. The table below sets out the net profit (before and after tax) attributable to the finance lease receivables for the financial years ended 31 December 2018 and 31 December 2019:

	For the year ended 31 December 2018 <i>RMB'000</i> (unaudited)	For the year ended 31 December 2019 <i>RMB'000</i> (unaudited)
Net profit before tax	1,484	8,142
Net profit after tax	1,484	8,142

INFORMATION OF THE GROUP

The Company is an investment holding company. The Group is principally engaged in the finance leasing and advisory services to customers mainly in the healthcare, aviation and public infrastructure industries.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

As at the date of the announcement, the Lessee failed to repay the Overdue Rental Fee of approximately RMB34.9 million. In view of the recent changes in the market conditions, and following negotiations between the Lessee and Lessor, they agreed to dispose of the Aircraft and that the sale proceeds thereof shall be used to settle, among others, the Outstanding Sum under the Finance Lease Agreement. As such, the Transactions enable the Group to recover the Outstanding Sum under the Finance Lease Agreement, which enhances and strengthens the financial position and liquidity of the Group. Also, the value of an aircraft is affected by its depreciation and usage. Taking into account of the Aircraft being relatively new and the agreed amount of the Consideration, the Board considers that it is an opportune timing to dispose of the Aircraft.

Furthermore, the net proceeds to be received by the Group under the Transactions shall improve the cash flow of the Group. The sale proceeds of the Disposal will be approximately US\$30 million. For illustrative purpose only, assuming the Transactions will be completed on 9 March 2020, the net proceeds to be received by the Group (i.e. the Outstanding Sum after deducting the expenses in a sum of approximately RMB4.2 million for the negotiation of the Disposal and the Termination Agreement) will be approximately RMB170.6 million. Such net proceeds will be used as repayment of the related bank borrowings, general working capital of the Group and/or for funding of attractive business/investment opportunities which may arise in future.

Subject to audit, it is estimated that the Group would record a pre-tax profit of approximately RMB4.2 million after the completion. Such pre-tax profit is an estimate calculated and provided for illustrative purpose only and the finalised profit as a result of the transactions will be subject to, among other things, the actual finance lease receivables and exchange rate adopted as at the date of Completion and termination of the Finance Lease Agreement and further adjustments (if any) to be made following review by the auditors of the Company.

Based on the above, the Board considers that the terms of the Disposal, the Aircraft Sale and Purchase Agreement, the Termination Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio of the Transactions is over 5% but less than 25%, the Transactions constitute disclosable transactions for the Company. Accordingly, the Transactions are subject to the notification and announcement requirements, but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As Completion is conditional upon fulfillment of the conditions precedent set out in the Aircraft Sale and Purchase Agreement and the termination of the Finance Lease Agreement shall be subject to the terms and conditions of the Termination Agreement, the Transactions may or not may not proceed. Shareholders and potential investors should exercise caution dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless context otherwise requires, capitalised terms used shall have the following meanings:

“Aircraft Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 26 February 2020 entered into between the Buyer (as buyer) and the Seller (as seller) in relation to the Disposal
“Board”	the board of Directors
“Buyer”	collectively Sloan and SMS Trust, a corporation organised and existing under the laws of State of Washington of the United States
“Company”	International Alliance Financial Leasing Co., Ltd. (国际友联融资租赁有限公司), an exempted company incorporated in the Cayman Islands with limited liability, and the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1563)
“Completion”	completion of the Disposal pursuant to the terms and conditions of the Aircraft Sale and Purchase Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules

“Consideration”	US\$30 million, being the consideration to be payable by the Buyer pursuant to the Aircraft Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Discrepancies”	airworthiness discrepancies and discrepancies relating to any equipment, engines, Accelerated Processing Unit (APU) or any systems that are not functioning within manufacturer’s guidelines, specifications and limitations including any and all required parts
“Disposal”	disposal of the Aircraft by the Seller, as owner trustee and for the benefit of the Lessor, to the Buyer at a consideration equal to the Consideration pursuant to the Aircraft Sale and Purchase Agreement
“Escrow Agent”	Insured Aircraft Title Services, LLC., a company incorporated under the laws of the State of Delaware, United States, the escrow agent to receive and deliver funds and/or documents from the respective parties under the Aircraft Sale and Purchase Agreement
“FAA”	The Federal Aviation Administration of the United States
“Finance Lease Agreement”	the finance lease agreement dated 30 August 2016 entered into between the Lessor (as lessor) and the Lessee (as lessee) regarding the assignment and lease of the Aircraft
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Lessee”	Sincere Property Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Lessor”	Baoyin Alliance Limited (友联宝音有限公司) (previously known as Nanshan Baoyin Limited (南山宝音有限公司)), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Overdue Rental Fee”	the overdue rental fee which the Lessee failed to pay to the Lessor pursuant to the Finance Lease Agreement
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macao Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Bank of Utah, a corporation organised and existing under the laws of the State of Utah of United States
“Share(s)”	ordinary share(s) with a nominal or par value of US\$0.000001 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sloan”	Sloan Capital Companies, LLC, a company incorporated in Washington of the United States with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Termination Agreement”	the termination agreement in respect of the Finance Lease Agreement dated 26 February 2020 entered into between the Lessor and the Lessee
“Transactions”	collectively, the Disposal and the termination of the Finance Lease Agreement pursuant to the terms and conditions of the Finance Lease Agreement
“US” or “United States”	United States of America

“US\$” United States dollar(s), the lawful currency of the United States

“%” per cent.

By order of the Board
International Alliance Financial Leasing Co., Ltd.
Li Luqiang
Executive Director and Chief Executive Officer

Hong Kong, 26 February 2020

As at the date of this announcement, the executive Directors are Mr. Li Luqiang, Mr. Li Zhixuan and Ms. Xu Juan; and the independent non-executive Directors are Mr. Liu Changxiang, Mr. Liu Xuwei and Mr. Jiao Jian.