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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)

**(1) UPDATE ON DISCLOSEABLE TRANSACTION IN RELATION TO
DISPOSAL OF AIRCRAFT; AND**

**(2) DISCLOSEABLE TRANSACTIONS
DISPOSAL OF AIRCRAFT AND UPDATE ON FINANCE LEASE
AGREEMENT**

UPDATE ON THE AIRCRAFT SALE AND PURCHASE AGREEMENT

Reference is made to the announcement of the Company dated 26 February 2020 in relation to the disposal of the Aircraft. Unless otherwise indicated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement. Pursuant to the Aircraft Sale and Purchase Agreement, the consideration to be payable by Sloan was approximately US\$30 million. However, since the agreement date, the Lessor received from Sloan a request for lowering of consideration and it had refused the same, but amicable discussion between the Lessor and Sloan was ongoing. Subsequently, on 7 April 2020, the Lessor received from Sloan a notice to terminate the Aircraft Sale and Purchase Agreement with immediate effect. Upon receipt of the said notice, the Termination Agreement had been lapsed while the Finance Lease Agreement remained in effect.

SALE AND PURCHASE AGREEMENT AND UPDATE ON FINANCE LEASE AGREEMENT

After the termination of the Aircraft Sale and Purchase Agreement mentioned above, Sloan, through Avjet Global Sales LLC, has been actively approaching the Lessor seeking opportunity to purchase the Aircraft at a lower price.

After amicable discussion between the Lessor and Sloan, on 22 January 2021 (after trading hours), the Lessor, the Bank of Utah, as owner trustee of an indirect wholly-owned subsidiary of the Company and the Buyer, entered into a Sale and Purchase Agreement, pursuant to which the

Seller intends to sell and the Buyer intends to purchase the Aircraft at a consideration of US\$23.2 million. After signing the Sale and Purchase Agreement and before Closing, a notice will be served to the Lessee to terminate the Finance Lease Agreement.

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.

UPDATE ON THE AIRCRAFT SALE AND PURCHASE AGREEMENT

Reference is made to the announcement of the Company dated 26 February 2020 in relation to, among other things, the disposal of the Aircraft (the “**Announcement**”). Unless otherwise indicated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

Pursuant to the Aircraft Sale and Purchase Agreement, the consideration to be payable by Sloan was approximately US\$30 million. However, after signing of the Aircraft Sale and Purchase Agreement, the Lessor received from Sloan a request for lowering of consideration and it had refused the same, but amicable discussion between the Lessor and Sloan was ongoing. Subsequently, on 7 April 2020, the Lessor received from Sloan a notice to terminate the Aircraft Sale and Purchase Agreement with immediate effect. Each of the parties thereto confirmed that it has no claim against the other parties in respect of any matter under or arising from the Aircraft Sale and Purchase Agreement. The termination of the Aircraft Sale and Purchase Agreement did not have any material adverse impact on the financial and operation of the Company. Upon receipt of the notice, the Termination Agreement had been lapsed while the Finance Lease Agreement remained in effect.

BACKGROUND

After the termination of the Aircraft Sale and Purchase Agreement, Sloan, through Avjet Global Sales LLC, has been actively approaching the Lessor seeking opportunity to purchase the Aircraft at a lower price. After amicable discussion between the Lessor and Sloan, on 22 January 2021 (after trading hours), the Lessor, the Bank of Utah, as owner trustee of an indirect wholly-owned subsidiary of the Company and the Buyer, entered into the Sale and Purchase Agreement, pursuant to which the Seller intends to sell and the Buyer intends to purchase the Aircraft at a consideration of US\$23.2 million.

SALE AND PURCHASE AGREEMENT

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

Date

22 January 2021 (after trading hours)

Parties

- (1) the Lessor
- (2) Bank of Utah, as owner trustee of an indirect wholly-owned subsidiary of the Company (as seller)
- (3) Avjet Global Sales, LLC (as buyer)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Buyer and its ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

Asset to be disposed of

A Gulfstream GV-SP (G550) aircraft

Consideration

The Consideration is approximately US\$23.2 million and shall be payable by the Buyer in the following manner:

- (1) US\$2 million deposit has been deposited by the Buyer to the Escrow Agent prior to or upon signing of the Sale and Purchase Agreement; and
- (2) the remaining balance of the Consideration (i.e. US\$21.2 million) shall be deposited by the Buyer to the Escrow Agent prior to Closing and the Escrow Agent shall release the Consideration to the Seller and/or other party(ies) as designated by the Seller upon Closing.

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) any Overdue Rental Fee; (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 Sale and Purchase Agreement shall be true, accurate and correct in material aspects on the Closing Date and when made on the date of the execution of the 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 is delivered to the Buyer at Closing;
- (4) the Buyer shall have accepted the Aircraft in accordance with the terms and conditions as set out in the 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 Closing can be transferred contemporaneous with or after the Closing.

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 Closing Date and when made on the date of the execution of the Sale and Purchase Agreement;
- (2) the Buyer shall have deposited the balance of the Consideration (together with a sum of money equal to one half of the fees of the Escrow Agent) with the Escrow Agent together with other funds which are required under the Sale and Purchase Agreement to be pre-position with the Escrow Agent on or prior to the Closing Date in immediately available U.S. funds, and the Buyer will 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 Closing in accordance with the Seller's instructions; the Buyer shall have paid all the costs/ expenses/ sums due by it to Seller pursuant to the Sale and Purchase Agreement including among other costs, flight costs;
- (3) the Buyer shall have executed and delivered, among others, the documents indicating its acceptance of the Aircraft pursuant to the Sale and Purchase Agreement, authorisation documents approving the entering into the Sale and Purchase Agreement; and

- (4) the Buyer shall not be in breach or default of any of its obligations arising under the Sale and Purchase Agreement.

Closing

Closing shall take place within one (1) business day (i) in case there is no Airworthiness Discrepancy or (ii) of the correction of such Airworthiness Discrepancy in case of any Airworthiness Discrepancy.

UPDATE ON FINANCE LEASE AGREEMENT

The Lessee has not been repaying rental fee in accordance with the Finance Lease Agreement. As at the date of this announcement, the Overdue Rental Fee amounted to RMB170.4 million. In order to recover the Overdue Rental Fee, the Lessor, in accordance with the Finance Lease Agreement, has on many occasions chased repayment.

After signing the Sale and Purchase Agreement and before Closing, a notice will be served to the Lessee to terminate the Finance Lease Agreement. Any Overdue Rental Fee will be chased after the disposal of the Aircraft. In accordance with the Finance Lease Agreement, any cost incurred during the Transaction shall be borne by the Lessee.

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 2020, the unaudited finance lease receivables was approximately RMB170.4 million (RMB164.6 million as at 31 December 2019). 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 2019 and 31 December 2020:

	For the year ended 31 December 2019 RMB'000 (unaudited)	For the year ended 31 December 2020 RMB'000 (unaudited)
Net profit before tax	8,142	5,101
Net profit after tax	8,142	5,101

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

With reference to the Announcement, the Aircraft Sale and Purchase Agreement was made then, pursuant to which the Seller intended to sell and the Buyer intended to purchase the Aircraft at a consideration of US\$30 million, subject to the fulfilment of all the conditions precedent stated therein. The Aircraft Sale and Purchase Agreement was terminated, with details set out in the paragraph headed “Update on the Aircraft Sale and Purchase Agreement” and “Background” above.

Further to the above, upon the receipt of the notice to terminate the Aircraft Sale and Purchase Agreement, the Termination Agreement had been lapsed accordingly pursuant to terms and conditions therein. At the date of this announcement, the Overdue Rental Fee owed by the Lessee amounted to RMB170.4 million. A notice will be served to the Lessee to terminate the Finance Lease Agreement before Closing. In accordance with the Finance Lease Agreement, the Overdue Rental Fee and any cost incurred in disposing of the Aircraft (the “**Outstanding Fee**”) shall be borne by the Lessee.

In view of the recent changes in the market conditions, the Transactions enables the Group to recover the Outstanding Fee 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, also the recent changes in the market conditions and the uncertainty caused by the outbreak of the COVID-19 epidemic throughout 2020. 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\$23.2 million. For illustrative purpose only, assuming the Transactions will be completed on 29 January 2021, the net proceeds to be received by the Group (i.e. the Overdue Rental Fee after deducting the expenses in a sum of approximately RMB5.7 million for the negotiation of the Disposal) will be approximately RMB145.8 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 loss of approximately RMB39.5 million after the Closing. Such pre-tax loss is an estimate calculated and provided for illustrative purpose only and the finalised loss 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 Closing 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 of the Finance Lease 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 Closing is conditional upon fulfillment of the conditions precedent set out in the Sale and Purchase Agreement, the Disposal may or 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”	one Gulfstream GV-SP (G550) aircraft to be disposed to the Buyer
“Aircraft Sale and Purchase Agreement”	an aircraft sale and purchase agreement entered into between the Seller and the Buyer on 26 February 2020, pursuant to which the Seller agreed to sell and the Buyer agreed to purchase the Aircraft
“Airworthiness Discrepancy”	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
“Board”	the board of Directors
“Buyer”	Avjet Global Sales, LLC, a Delaware limited liability company who acts as an agent for Sloan

“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)
“Closing”	completion of the Disposal pursuant to the terms and conditions of the Sale and Purchase Agreement
“Connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	US\$23.2 million, being the consideration to be payable by the Buyer pursuant to the Sale and Purchase Agreement
“Directors”	the directors of the Company
“Disposal”	disposal of the Aircraft by the Seller, as owner trustee to the Buyer at a consideration equal to the Consideration pursuant to the 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 (友聯寶音有限公司), who is also the Seller
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overdue Rental Fee”	the overdue rental fee which the Lessee failed to pay to the Lessor pursuant to the Finance Lease Agreement
“percentage ratios”	has the meaning ascribed to it in Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	an aircraft sale and purchase agreement entered into between the Seller and the Buyer on 22 January 2021, pursuant to which the Seller agreed to sell and the Buyer agreed to purchase the Aircraft
“Seller”	Baoyin Alliance Limited (友聯寶音有限公司) (previously known as Nanshan Baoyin Limited (南山寶音有限公司)), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) with a nominal or par value of US\$0.000001 each in the issued share capital of the Company
“Shareholders”	the shareholders of the Company
“Sloan”	collectively Sloan and SMS Trust, a corporation organised and existing under the laws of State of Washington of the United States. The ultimate beneficial owner of SMS Trust is Mr. Stuart M. Sloan

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	collectively, the Disposal and the termination of the Finance Lease Agreement pursuant to the Finance Lease Agreement
“US” or “United States”	the United States of America
“US\$”	the lawful currency of the United States of America

By order of the Board
International Alliance Financial Leasing Co., Ltd.
Jiao Jianbin
Non-Executive Director

Hong Kong, 22 January 2021

As at the date of this announcement, the executive Directors are Mr. Li Luqiang and Mr. Li Zhixuan; the non-executive Director is Mr. Jiao Jianbin; and the independent non-executive Directors are Mr. Liu Changxiang, Mr. Liu Xuewei and Mr. Jiao Jian.