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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)

**VERY SUBSTANTIAL ACQUISITION
IN RELATION TO THE PURCHASE OF 50 AIRBUS AIRCRAFT**

AIRCRAFT PURCHASE AGREEMENT

The Board is pleased to announce that on 28 December 2017 (after trading hours), CALC (BVI), a wholly-owned subsidiary of the Company, and Airbus entered into the Aircraft Purchase Agreement, pursuant to which CALC (BVI) agreed to purchase the Airbus Aircraft from Airbus. The Aircraft Purchase Agreement was executed in the form of an amendment agreement to the 2014 Aircraft Purchase Agreement.

IMPLICATION OF THE LISTING RULES

As the applicable percentage ratio under Rule 14.07 of the Listing Rules for the Aircraft Purchase Agreement entered into pursuant to the Aircraft Purchase Mandate is over 100%, the Transaction constitutes a very substantial acquisition of the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

WAIVER

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14.58(4) of the Listing Rules in respect of disclosure of the Consideration.

The Company has also applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 14.38A, 14.48 and 14.49 of the Listing Rules with respect to the circular and the Shareholders' approval requirements. Accordingly, no circular containing details of the Aircraft Purchase Agreement will be despatched to the Shareholders.

AIRCRAFT PURCHASE AGREEMENT

The Board is pleased to announce that on 28 December 2017 (after trading hours), CALC (BVI), a wholly-owned subsidiary of the Company, and Airbus entered into the Aircraft Purchase Agreement, pursuant to which CALC (BVI) agreed to purchase the Airbus Aircraft from Airbus. The Aircraft Purchase Agreement was executed in the form of an amendment agreement to the 2014 Aircraft Purchase Agreement. Subject to the fulfilment of certain conditions, CALC (BVI) shall purchase 15 additional Airbus A320neo series aircraft in January 2018 with the similar terms and conditions under the Aircraft Purchase Agreement.

Date

28 December 2017

Parties

- (1) CALC (BVI), as purchaser; and
- (2) Airbus, as vendor.

Aircraft to be acquired

50 Airbus A320neo series aircraft

Consideration

The aggregate list price for the Airbus Aircraft (which comprises the airframe price, optional features price and engine price) is approximately US\$5.42 billion (equivalent to approximately HK\$42.28 billion).

In accordance with customary business and industry practice, Airbus granted CALC (BVI) significant price concessions with regard to the Airbus Aircraft to be purchased. Such price concessions were determined after arm's length negotiations between CALC (BVI) and Airbus. As a result, the Consideration for the Airbus Aircraft to be purchased is lower than the list price mentioned above for such Airbus Aircraft. The Directors confirm that the extent of the price concessions granted to CALC (BVI) under the Aircraft Purchase Agreement is comparable to the price concessions that CALC (BVI) had obtained under the 2014 Aircraft Purchase Agreement. The Company believes that there is no material impact of the price concessions obtained under the Aircraft Purchase Agreement on the operating costs of its fleet and the aircraft financing amount of the Airbus Aircraft will be reduced due to the lower aircraft purchase price to be financed.

CALC (BVI) is subject to a confidentiality obligation under which none of the terms of the Aircraft Purchase Agreement can be disclosed to any third party without the written consent of Airbus. For the purpose of the disclosure obligations of the Company normally required under Chapter 14 of the Listing Rules, the Company has obtained such consent save for the Consideration.

It is normal business practice in the global airline industry to disclose the aircraft list price instead of the consideration for aircraft acquisitions. Disclosure of the Consideration will result in the loss of the price concessions and hence will have a significant negative impact on the costs of the Company incurred in undertaking the purchase and will therefore not be in the interests of the Company and the Shareholders as a whole.

Payment and delivery terms

It is estimated that the Airbus Aircraft will be delivered in stages to the Company in 2023.

The Consideration for each of the relevant Airbus Aircraft will be paid in accordance with its respective delivery schedule. The Company will pay Airbus pre-delivery payment prior to delivery of each of the Airbus Aircraft (the “**Pre-delivery Payment**”) and the balance, being a substantial portion of the Consideration, upon delivery of each of the Airbus Aircraft. The Pre-delivery Payment is a progress payment to be made by the Company to Airbus at different milestones when the Airbus Aircraft are being built.

Source of funding

The Consideration will be settled from the Group’s internal resources and the proceeds from loans or other borrowings by the Group.

AIRCRAFT PURCHASE MANDATE

The Shareholders have granted the Aircraft Purchase Mandate to the Directors to purchase new aircraft from Airbus and Boeing at the 2017 annual general meeting of the Company held on 22 May 2017, pursuant to which the Directors are authorised to purchase from Airbus not exceeding 70 aircraft of certain aircraft types with an aggregate aircraft list price of not exceeding US\$8.9 billion (equivalent to approximately HK\$69.4 billion). Further details of the Aircraft Purchase Mandate are set out in the circular of the Company dated 19 April 2017.

The Transaction is made pursuant to and in accordance with the terms of the Aircraft Purchase Mandate.

As at the date of this announcement, save for the Airbus Aircraft to be purchased pursuant to the Transaction, the Group committed to purchase (i) a cumulative number of 50 aircraft from Boeing; and (ii) a cumulative number of 5 aircraft from Airbus pursuant to the Aircraft Purchase Mandate since the beginning of the Mandate Period.

Accordingly, as at the date of this announcement, the Group has committed to purchase (i) a cumulative number of 50 aircraft from Boeing with an aggregate list price of approximately US\$5.8 billion (equivalent to approximately HK\$45.3 billion); and (ii) a number of 55 aircraft from Airbus with an aggregate list price of approximately US\$5.915 billion (equivalent to approximately HK\$46.14 billion) pursuant to the Aircraft Purchase Mandate since the beginning of the Mandate Period.

REASONS FOR ENTERING INTO THE AIRCRAFT PURCHASE AGREEMENT

The Directors are of the view that completion of the Transaction will significantly expand the Group's fleet portfolio and further solidify its position as the aircraft full-value chain solutions provider. With this Transaction, the Group's total order book will be increased to 252 aircraft: 202 from Airbus and 50 from Boeing. Backed by its strong order book and long-term relationship with the manufacturers, the Group has developed into a key player in the global aircraft leasing industry.

The Group undergoes fleet planning and management far ahead of the delivery of aircraft. It is entering into the Aircraft Purchase Agreement primarily for its fleet planning up to 2023. Fleet expansion plan will be monitored by the management and adjusted from time to time based on airline customers' demand of the Group's aircraft, as well as the Group's financial resources and position for acquisition of additional aircraft.

All principal terms and conditions of the 2014 Aircraft Purchase Agreement shall apply to the Aircraft Purchase Agreement, unless otherwise agreed by the parties. The Directors consider that the Aircraft Purchase Agreement is negotiated and entered into by the Group on arm's length terms in accordance with the Group's customary business practices. The actual purchase price of each of the Airbus Aircraft does not exceed the relevant aircraft list price and the terms of the Aircraft Purchase Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE GROUP AND AIRBUS

The Group is principally engaged in global aircraft leasing business and owns a fleet of 107 aircraft as at the date of this announcement.

To the knowledge of the Directors, Airbus is principally engaged in the business of aircraft manufacturing and selling aircraft.

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

IMPLICATIONS OF THE LISTING RULES

As the applicable percentage ratio under Rule 14.07 of the Listing Rules for the Aircraft Purchase Agreement entered into pursuant to the Aircraft Purchase Mandate is over 100%, the Transaction constitutes a very substantial acquisition of the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

WAIVER

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DEFINITIONS

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

“2014 Aircraft Purchase Agreement”	the two aircraft purchase agreements each entered into between Airbus and CALC (BVI) on 1 December 2014, pursuant to which CALC (BVI) agreed to purchase and Airbus agreed to sell certain Airbus aircraft, details of which are disclosed in the announcement of the Company dated 1 December 2014
“Airbus”	Airbus S.A.S., a company created and existing under the laws of France
“Airbus Aircraft”	50 Airbus A320neo series aircraft
“Aircraft Purchase Agreement”	the amendment to the 2014 Aircraft Purchase Agreement entered into between Airbus and CALC (BVI) on 28 December 2017, pursuant to which CALC (BVI) agreed to purchase and Airbus agreed to sell the Airbus Aircraft
“Aircraft Purchase Mandate”	the general mandate granted to the Directors by way of ordinary resolution of the Shareholders in the 2017 annual general meeting of the Company held on 22 May 2017 to purchase new aircraft from Airbus and Boeing during the Mandate Period, the terms of which are set out in the circular of the Company dated 19 April 2017
“Board”	the board of Directors
“Boeing”	The Boeing Company, a company incorporated in the State of Delaware of the United States of America

“CALC (BVI)”	China Aircraft Leasing Company Limited, a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of the Company
“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 CALC (BVI) to Airbus for purchase of the Airbus Aircraft (taking into account the price concession)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mandate Period”	the period from 22 May 2017, being the date of the 2017 annual general meeting of the Company, until the earliest of (a) the conclusion of the next annual general meeting of the Company, or (b) the end of the period within which the Company is required by its Articles of Association or any applicable laws to hold its next annual general meeting, or (c) the date on which the Aircraft Purchase Mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transactions contemplated under the Aircraft Purchase Agreement
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	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, 28 December 2017

As at the date of this announcement, (i) the Executive Directors are Mr. CHEN Shuang, JP, Mr. POON Ho Man 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. NIEN Van Jin, Robert, Mr. CHEOK Albert Saychuan and Mr. CHOW Kwong Fai, Edward, JP.