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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 BOEING AIRCRAFT**

THE AIRCRAFT PURCHASE AGREEMENT

The Board is pleased to announce that on 14 June 2017 (after trading hours), the Company through its wholly-owned subsidiary entered into the Aircraft Purchase Agreement with Boeing, pursuant to which the Company agreed to purchase the Boeing Aircraft from Boeing.

IMPLICATION OF THE LISTING RULES

As the applicable percentage ratio under Rule 14.07 of the Listing Rules for the Transaction is over 100%, the Transaction constitutes a very substantial acquisition of the Company and is therefore subject to 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.

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Date

14 June 2017

Parties

- (1) The company, through its wholly-owned subsidiary, as purchaser; and
- (2) Boeing, as vendor.

Aircraft to be acquired

50 Boeing 737MAX series aircraft

Consideration

The aggregate list price for the Boeing Aircraft (which comprises the airframe price, optional features price and engine price) is approximately US\$5.8 billion (equivalent to approximately HK\$45.3 billion).

The Transaction is the Company's first direct aircraft purchase transaction with Boeing. In accordance with customary business and industry practice, Boeing and the Company negotiated and agreed to certain price concessions with regard to the Boeing Aircraft to be purchased. Such price concessions were determined after arm's length negotiations between the Company and Boeing. As a result, the Consideration for the Boeing Aircraft to be purchased is lower than the list price mentioned above for such Boeing Aircraft. 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 Boeing Aircraft will be reduced due to a lower aircraft purchase price to be financed.

The Company 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 Boeing. 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 Boeing Aircraft will be delivered in stages to the Company up to 2023.

The Consideration for each of the relevant Boeing Aircraft will be paid in accordance with its respective delivery schedule. The Company will pay Boeing advance payment prior to delivery of each Boeing Aircraft (the “**Advance Payment**”) and the balance, being a substantial portion of the Consideration, upon delivery of each of the Boeing Aircraft. The Advance Payment will be made when the construction of each new Boeing Aircraft ordered by the Company reach certain milestones.

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 S.A.S 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 Boeing not exceeding 70 aircraft of certain aircraft types with an aggregate aircraft list price of not exceeding US\$8.3 billion (equivalent to approximately HK\$64.7 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 Boeing Aircraft to be purchased pursuant to the Transaction, the Group has not purchased any other aircraft from Boeing pursuant to the Aircraft Purchase Mandate.

Accordingly, as at the date of this announcement, the Group has purchased a number of 50 aircraft from Boeing with an aggregate list price of approximately US\$5.8 billion (equivalent to approximately HK\$45.3 billion) pursuant to the Aircraft Purchase Mandate during the Mandate Period.

REASONS FOR ENTERING INTO THE AIRCRAFT PURCHASE AGREEMENT

The Group owns a fleet of 87 aircraft as at the date of the announcement.

The Directors are of the view that completion of the Transaction will significantly expand and diversify the Group’s fleet portfolio. The Transaction is the Group’s first direct aircraft purchase with Boeing, through which the Group aims to further strengthen its supplier network by partnering with one of the major aircraft manufacturers in the world. This not only demonstrates the Group’s capability to extend its sources of aircraft to support its business expansion, but also expands its fleet by adding one of the latest and the most popular single-aisle aircraft model to its portfolio, enabling the Group to meet the rising demand for aircraft with greater efficiency. The Transaction has further enhanced the Group’s strength to cater to customers’ varied demand under dynamic market conditions.

In line with the industry practice, the Company undergoes fleet size management and planning far ahead of the delivery of aircraft. The Company is entering into the Aircraft Purchase Agreement primarily for fleet size planning up to 2023. Fleet planning and expansion plan will be monitored by the management and adjusted from time to time based on airline customers' demand of the Group's aircraft and the Group's financial resources and positions to acquire additional aircraft.

The Directors consider that the Aircraft Purchase Agreement is negotiated and entered into by the Company on arm's length terms in accordance with the Group's customary business practices, the actual purchase price of each of the Boeing Aircraft does not exceed the relevant aircraft list price and the terms of the Aircraft Purchase Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

INFORMATION ABOUT THE GROUP AND BOEING

The Group is principally engaged in global aircraft leasing business.

To the knowledge of the Directors, Boeing 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, Boeing 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 Transaction 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.

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DEFINITIONS

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

“Aircraft Purchase Agreement”	the aircraft purchase agreement dated 14 June 2017 entered into between the Company (through its wholly-owned subsidiary) and Boeing, pursuant to which the Company agreed to purchase and Boeing agreed to sell the Boeing Aircraft
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“Aircraft Purchase Mandate”	the general mandate granted to the Directors by the Shareholders in the 2017 annual general meeting of the Company held on 22 May 2017 to purchase new aircraft from Airbus S.A.S. 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
“Boeing Aircraft”	50 Boeing 737MAX series aircraft
“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 Company to Boeing for purchase of the Boeing Aircraft (taking into account the price concession)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, 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)”	shareholder(s) of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the purchase of the Boeing Aircraft pursuant to the terms and conditions of 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, 14 June 2017

As at the date of this announcement, (i) the Executive Directors are Mr. CHEN Shuang, 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.