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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 TRANSACTIONS
IN RELATION TO THE PURCHASE OF FIVE AIRBUS AIRCRAFT**

**AIRBUS PURCHASE AGREEMENT AND VIVA SALE AND
PURCHASE AGREEMENT**

The Board is pleased to announce that on 21 December 2017 (after trading hours):

- the Company, through CALC (BVI), entered into the Airbus Purchase Agreement with Airbus, pursuant to which CALC (BVI) agreed to purchase the Aircraft from Airbus. The Airbus Purchase Agreement was executed in the form of an amendment agreement to the 2014 Aircraft Purchase Agreement; and
- the Company, through its wholly-owned special purpose vehicle, also entered into the Viva Sale and Purchase Agreement with Viva Air Group, pursuant to which the Company agreed to purchase the Aircraft from Viva Air Group under certain circumstances.

The Company entered into the Transactions as part of an aircraft purchase and leasing arrangement.

IMPLICATION OF THE LISTING RULES

Airbus Transaction

As the applicable percentage ratio under Rule 14.07 of the Listing Rules for the Airbus Purchase Agreement entered into pursuant to the Aircraft Purchase Mandate is above 25% but below 100%, the Airbus Transaction constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 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 Rules 14.38A and 14.40 of the Listing Rules with respect to the circular and the Shareholders' approval requirements. Accordingly, no circular containing details of the Airbus Purchase Agreement will be despatched to the Shareholders.

Viva Transaction

As the applicable percentage ratio under Rule 14.07 of the Listing Rules for the Viva Sale and Purchase Agreement is above 25% but below 100%, the Viva Transaction constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

So far as the Directors are aware after making reasonable enquiry, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Viva Sale and Purchase Agreement. Written approval of the Viva Sale and Purchase Agreement has been obtained from CE Aerospace and FPAM, which together hold more than 50% in nominal value of the Shares giving the right to attend and vote at general meetings of the Company. On the basis that CE Aerospace and FPAM form a closely allied group of Shareholders, their written approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

A circular containing the information required under the Listing Rules in relation to the Viva Sale and Purchase Agreement will be dispatched to Shareholders on or before 16 January 2018.

The Board is pleased to announce that on 21 December 2017 (after trading hours):

- the Company, through CALC (BVI), entered into the Airbus Purchase Agreement with Airbus, pursuant to which CALC (BVI) agreed to purchase the Aircraft from Airbus. The Airbus Purchase Agreement was executed in the form of an amendment agreement to the 2014 Aircraft Purchase Agreement; and
- the Company, through its wholly-owned special purpose vehicle, also entered into the Viva Sale and Purchase Agreement with Viva Air Group, pursuant to which the Company agreed to purchase the Aircraft from Viva Air Group under certain circumstances.

The Company entered into the Transactions as part of an aircraft purchase and leasing arrangement.

AIRBUS PURCHASE AGREEMENT

All principal terms and conditions of the 2014 Aircraft Purchase Agreement shall apply to the Airbus Purchase Agreement, unless otherwise agreed by the parties. The Directors consider that the Airbus 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 Airbus Purchase Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Date

21 December 2017

Parties

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

Aircraft to be acquired

The Aircraft

Airbus Consideration

The aggregate list price of the Aircraft (which comprises the airframe price, optional features price and engine price) is approximately US\$495 million (equivalent to approximately HK\$3.9 billion).

In accordance with customary business and industry practice, Airbus granted CALC (BVI) significant price concessions with regard to the Aircraft to be purchased. Such price concessions were determined after arm's length negotiations between CALC (BVI) and Airbus. As a result, the Airbus Consideration for the Aircraft to be purchased is lower than the list price mentioned above for such Aircraft. The Directors confirm that the extent of the price concessions granted to CALC (BVI) under the Airbus 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 Airbus Purchase Agreement on the operating costs of its fleet and the aircraft financing amount of the 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 Airbus 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 Airbus 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 Airbus 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.

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 Airbus Consideration.

Payment and delivery terms

It is estimated that the Aircraft will be delivered in stages between 2018 and 2019.

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

Source of funding

The Airbus Consideration will be partly settled from the Group’s internal resources and partly by financing arrangements with banking institutions.

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 Airbus 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 Aircraft to be purchased pursuant to the Airbus Transaction, the Group committed to purchase a cumulative number of 50 aircraft from Boeing 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 5 aircraft from Airbus with an aggregate list price of approximately US\$495 million (equivalent to approximately HK\$3.9 billion) pursuant to the Aircraft Purchase Mandate since the beginning of the Mandate Period.

VIVA SALE AND PURCHASE AGREEMENT

Should Viva Air Group fulfill all the delivery conditions precedent contemplated by the Viva Sale and Purchase Agreement within the specified timeframe, the Company shall acquire title to the Aircraft and Viva Air Group shall lease the Aircraft from the Company based upon the arrangements contemplated by the Viva Sale and Purchase Agreement. Should Viva Air Group not fulfill all the delivery conditions precedent contemplated by the Viva Sale and Purchase Agreement within the specified timeframe, the Company will take delivery of the Aircraft based upon the arrangements contemplated by the Airbus Purchase Agreement and the Aircraft will not be leased to Viva Air Group.

Date

21 December 2017

Parties

- (1) the Company, through its wholly-owned special purpose vehicle, as the purchaser; and
- (2) Viva Air Group, as the vendor.

Aircraft to be acquired

The Aircraft (same Aircraft to be acquired under the Airbus Purchase Agreement)

Viva Consideration

As disclosed in the Airbus Consideration above, the aggregate list price of the Aircraft is approximately US\$495 million (equivalent to approximately HK\$3.9 billion).

In accordance with customary business and industry practice, there is a significant difference between the list price of the Aircraft and the Viva Consideration. The Viva Consideration was determined on an arm's length basis between the Company and Viva Air Group, taking into account the terms and conditions of the Viva Transaction as a whole and with reference to market conditions.

Based on the Company's industry understanding, the difference between the Viva Consideration and the list price of the Aircraft is a result of many different factors, the most important of which is that a purchaser of a new aircraft from a manufacturer would usually be granted a significant discount against the list price by the manufacturer. Based on the Company's industry understanding, the discount against the list price granted by a manufacturer to an aircraft purchaser is commercially sensitive information and is usually determined on the basis of certain variables and after arm's length negotiations between the aircraft purchaser and the manufacturer.

Based on the Company's industry understanding, the Company believes that the difference between the list price of the Aircraft (after discount against the list price that the Company has obtained in previous purchases of new aircraft) and the Viva Consideration is not material. The Company believes that the price difference between the list price of the Aircraft (after the abovementioned discount) and the Viva Consideration has no material adverse impact on the Company's future operating costs taken as a whole.

The Company is subject to a strict confidentiality obligation with regard to the Viva Consideration for the Aircraft under the Viva Sale and Purchase Agreement. Viva Air Group would not have entered into the Viva Sale and Purchase Agreement or the leasing agreements with the Company if the Company was required to disclose the Viva Consideration, and it is also likely that the Company would not be able to enter into similar future transactions with Viva Air Group. Any such disclosure would therefore not be in the interests of the Company and the Shareholders as a whole. For the purpose of the Company's compliance with its disclosure obligations normally required under Chapter 14 of the Listing Rules, the Company has sought and obtained consent from Viva Air Group to disclose the terms of the Viva Sale and Purchase Agreement other than the Viva Consideration.

The Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.58(4) and Rule 14.66(4) of the Listing Rules in respect of disclosure of the Viva Consideration. Further announcement(s) will be made by the Company in accordance with the Listing Rules where necessary.

Payment and delivery terms

The Viva Consideration (after netting off the Pre-delivery Payment being part of the Airbus Consideration and other amount due by Viva Air Group to the Company) for each of the Aircraft will be paid upon completion of the purchase of such Aircraft, which is estimated to occur between 2018 and 2019.

Source of funding

The Viva Consideration will be partly settled from the Group's internal resources and partly by financing arrangements with banking institutions.

REASONS FOR ENTERING INTO THE TRANSACTIONS

The Company entered into the Transactions as part of an aircraft purchase and leaseing arrangement.

The Directors are of the view that completion of the Transactions is in line with the Group's business expansion plan and globalisation strategy. The purchase and leasing arrangement enables the Group to expand its fleet while securing long-term leases, through which the Group provides flexible solutions to cater to airline customers' fleet plan. The Transactions not only enlarge the Group's fleet portfolio, it also extends its global footprints in the western South America.

The Directors confirm that the Airbus Purchase Agreement and the Viva Sale and Purchase Agreement have been negotiated and entered into by the Company on arm's length terms in the ordinary and usual course of business and that the Transactions will have no material adverse impact on the Company's operations and financial position. The Directors consider that the Airbus Purchase Agreement and the Viva Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE GROUP, AIRBUS AND VIVA AIR GROUP

The Group is principally engaged in global aircraft leasing business and owns a fleet of 105 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 knowledge of the Directors, Viva Air Group is principally engaged in the business of civil aviation services.

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

IMPLICATIONS OF THE LISTING RULES

Airbus Transaction

As the applicable percentage ratio under Rule 14.07 of the Listing Rules for the Airbus Purchase Agreement entered into pursuant to the Aircraft Purchase Mandate is above 25% but below 100%, the Airbus Transaction constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 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 Rules 14.38A and 14.40 of the Listing Rules with respect to the circular and the Shareholders' approval requirements. Accordingly, no circular containing details of the Airbus Purchase Agreement will be despatched to the Shareholders.

Viva Transaction

As the applicable percentage ratio under Rule 14.07 of the Listing Rules for the Viva Sale and Purchase Agreement is above 25% but below 100%, the Viva Transaction constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval of the Viva Sale and Purchase Agreement may be given by way of written Shareholders' approval in lieu of holding a general meeting if (1) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Viva Sale and Purchase Agreement; and (2) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% in nominal value of the Shares giving the right to attend and vote at that general meeting to approve the Viva Sale and Purchase Agreement.

So far as the Directors are aware after making reasonable enquiry, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Viva Sale and Purchase Agreement.

Written approval of the Viva Sale and Purchase Agreement has been obtained from the following Shareholders:

Name	Number of Shares held	Approximate Percentage of shareholding <i>(Note)</i>
CE Aerospace	208,979,479	30.81%
FPAM	182,554,589	26.92%
Total:	391,534,068	57.73%

Note: Based on 678,179,360 Shares in issue as at the date of this announcement.

CE Aerospace and FPAM constitute "a closely allied group of Shareholders" under Rule 14.45 of the Listing Rules for the reasons set out below:

- (1) CE Aerospace and FPAM became a strategic investor of the Group since June 2011 and May 2007 respectively;

- (2) as at the date of this announcement, CE Aerospace has not disposed of any of its shares in the Company. The Directors consider that CE Aerospace’s investment in the Company and the Group is of a long-term and strategic nature and that CE Aerospace and FPAM have established and will maintain a stable business relationship with each other; and
- (3) although they are not parties acting in concert within the meaning of the Code on Takeovers and Mergers, CE Aerospace and FPAM have voted unanimously on all Shareholders’ resolutions since inception of the Group (other than routine resolutions at annual general meetings).

On the basis that CE Aerospace and FPAM form a closely allied group of Shareholders, their written approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

A circular containing the information required under the Listing Rules in relation to the Viva Sale and Purchase Agreement will be dispatched to Shareholders on or before 16 January 2018.

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 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 Consideration”	the actual consideration payable by CALC (BVI) to Airbus for purchase of the Aircraft (taking into account the price concession)
“Airbus Purchase Agreement”	the amendment to the 2014 Aircraft Purchase Agreement entered into between Airbus and CALC (BVI) on 21 December 2017, pursuant to which CALC (BVI) agreed to purchase and Airbus agreed to sell the Aircraft
“Airbus Transaction”	the purchase of the Aircraft pursuant to the terms and conditions of the Airbus Purchase Agreement
“Aircraft”	five Airbus A320-200 CEO series 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
“CE Aerospace”	China Everbright Aerospace Holdings Limited, a company incorporated in the Cayman Islands and one of the substantial shareholders 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
“Directors”	the directors of the Company
“FPAM”	Friedmann Pacific Asset Management Limited, a company incorporated in the British Virgin Islands and one of the substantial shareholders 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

“Share(s)”	share(s) with par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the Airbus Transaction and the Viva Transaction
“US\$”	United States dollars, the lawful currency of the United States of America
“Viva Air Group”	Viva Procurement S.A., a Panamanian company, and Viva Air Columbia, a Colombian airline
“Viva Consideration”	the actual consideration payable by the Company, through its wholly-owned special purpose vehicle, to Viva Air Group for purchase of the Aircraft
“Viva Sale and Purchase Agreement”	an aircraft sale and purchase agreement entered into between the Company (through its wholly-owned special purpose vehicle, as purchaser) and Viva Air Group (as vendor) on 21 December 2017, pursuant to which the Company agreed to purchase and Viva Air Group agreed to sell the Aircraft
“Viva Transaction”	the purchase of the Aircraft pursuant to the terms and conditions of the Viva Sale and Purchase Agreement
“%”	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, 21 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.