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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 DISPOSAL  
AND PROPOSAL FOR THE AIRCRAFT DISPOSAL MANDATE  
IN RELATION TO DISPOSAL OF AIRCRAFT**

**DISPOSAL OF INITIAL AIRCRAFT PORTFOLIO AND ADDITIONAL AIRCRAFT**

The Company proposes to establish a Vehicle with the Mezzanine Financiers, using the fund injected through the mezzanine financing from the Mezzanine Financiers and the shareholder's loan from the Company at a ratio of 80% to 20%, together with a shareholding between the Mezzanine Financiers and the Company at the same ratio, subject to the final terms and conditions, for investing in a portfolio of lease-attached aircraft. The Company will dispose of the Initial Aircraft Portfolio to the Vehicle with a view to facilitate the establishment and to initiate the operations of the Vehicle.

The Initial Aircraft Portfolio is expected to comprise aircraft assets with the Market Appraised Value of approximately US\$826 million (equivalent to approximately HK\$6.44 billion) to be acquired by the Vehicle from the Company. Subject to the Qualifying Aircraft Acquisitions Criteria, the Vehicle may acquire Additional Aircraft from the Company or any aircraft from other aircraft vendors during the Funding Period, but no more than 25 aircraft. The target asset size of the aircraft held by the Vehicle may grow to approximately US\$1.4 billion (equivalent to approximately HK\$10.92 billion) by the end of the Funding Period.

The term of the Vehicle is initially expected to be six years but may be extended for subsequent periods of one year each, subject to agreement between the Company and the board of directors of the Vehicle. Both the duration of the Funding Period and the Consideration of the aircraft held by the Vehicle at the end of the Funding Period, including any Additional Aircraft which may be acquired by the Vehicle from the Company, are subject to agreement upon further negotiations between the Company and the Mezzanine Financiers.

The Company proposes to seek approval from the Shareholders in the EGM for the Transaction and for the Aircraft Disposal Mandate to dispose of the Additional Aircraft, subject to the maximum aggregate amount of the Consideration of the Initial Aircraft Portfolio and the Additional Aircraft of approximately US\$1.75 billion (equivalent to approximately HK\$13.65 billion), such amount being the target asset size of US\$1.4 billion (equivalent to approximately HK\$10.92 billion) of the Vehicle plus an additional 25%, being US\$350 million (equivalent to approximately HK\$2.73 billion), to take into account re-composition of aircraft portfolio by the Vehicle through acquisition of other additional aircraft from the Company following a sale of aircraft by the Vehicle.

## **IMPLICATION OF THE LISTING RULES**

As the applicable percentage ratio under Rule 14.07 of the Listing Rules for the Transaction is over 75%, such Transaction constitutes a very substantial disposal of the Company and is subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

An EGM will be convened and held to consider and, if thought fit, to approve the Transaction and the Aircraft Disposal Mandate. So far as the Directors are aware after making reasonable enquiry, no Shareholder is required to abstain from voting at the EGM for approving the Transaction and the Aircraft Disposal Mandate.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) Rules 14.58(4) and 14.58(7) of the Listing Rules requiring disclosure of the aggregate value of the consideration and net profits attributable to the assets; (ii) Rule 14.58(6) of the Listing Rules requiring disclosure of the net book value of the Aircraft; and (iii) Rule 14.60(3)(a), Rule 14.70(2) and Rule 14.66(5) of the Listing Rules requiring disclosure of details of the gain or loss expected to accrue to the Company from the Transaction and the basis for calculating such gain or loss, and disclosure in the circular of the excess or deficit of the consideration over or under the aggregate net book value of the assets and the effect of the Transaction on the earnings and assets and liabilities of the Company; (iv) Rule 14.68(2)(b) of the Listing Rules requiring inclusion in the circular of a profit and loss statement of the assets and a pro forma profit and loss statement and net assets statement on the remaining group; and (v) Rule 14.68(3) of the Listing Rules requiring inclusion in the circular of the management discussion and analysis of the Group.

## **CIRCULAR**

A circular containing the information required under the Listing Rules in relation to the Aircraft Disposal Mandate and the Transaction, together with a notice convening the EGM, is expected to be despatched to the Shareholders on or before 29 December 2017.

**As the establishment of the Vehicle is subject to further negotiation between the Company and the Mezzanine Financiers, the Transaction may or may not proceed. The issue of this announcement does not in any way imply that the Transaction will be implemented or executed. Shareholders and potential investors of the Company should exercise caution when dealing in the shares.**

## **BACKGROUND**

Since listing on the Stock Exchange in 2014, the Company has expanded rapidly with the principal businesses including acquisition of aircraft, leasing of aircraft to airlines and trading of aircraft. To support the continuing expansion of its business operations, the Company proposes to establish a Vehicle with the Mezzanine Financiers, using the fund injected through the mezzanine financing from the Mezzanine Financiers and the shareholder's loan from the Company at a ratio of 80% to 20%, together with a shareholding between the Mezzanine Financiers and the Company at the same ratio, subject to the final terms and conditions, for investing in a portfolio of lease-attached aircraft, as such the Vehicle will probably not be consolidated into the financial statements of the Company. The Company will dispose of the Initial Aircraft Portfolio to the Vehicle with a view to facilitate the establishment and to initiate the operations of the Vehicle.

The Initial Aircraft Portfolio is expected to comprise aircraft assets with the Market Appraised Value of approximately US\$826 million (equivalent to approximately HK\$6.44 billion) to be acquired by the Vehicle from the Company. Subject to the Qualifying Aircraft Acquisitions Criteria, the Vehicle may acquire Additional Aircraft from the Company or any aircraft from other aircraft vendors during the Funding Period, but no more than 25 aircraft. The target asset size of the aircraft held by the Vehicle may grow to approximately US\$1.4 billion (equivalent to approximately HK\$10.92 billion) by the end of the Funding Period. Other than the funding provided by the Mezzanine Financiers and the Company, the Vehicle will also seek additional debt financing from financial institutions.

The term of the Vehicle is initially expected to be six years but may be extended for subsequent periods of one year each, subject to agreement between the Company and the board of directors of the Vehicle. Both the duration of the Funding Period and the Consideration of the aircraft held by the Vehicle at the end of the Funding Period, including any Additional Aircraft which may be acquired by the Vehicle from the Company, are subject to agreement upon further negotiations between the Company and the Mezzanine Financiers.

The Company proposes to seek approval from the Shareholders in the EGM for the Transaction and for the Aircraft Disposal Mandate to dispose of the Additional Aircraft, subject to the maximum aggregate amount of the Consideration of the Initial Aircraft Portfolio and the Additional Aircraft of approximately US\$1.75 billion (equivalent to approximately HK\$13.65 billion), such amount being the target asset size of US\$1.4 billion (equivalent to approximately HK\$10.92 billion) of the Vehicle plus an additional 25%, being US\$350 million (equivalent to approximately HK\$2.73 billion), to take into account re-composition of aircraft portfolio by the Vehicle through acquisition of other Additional Aircraft from the Company following a sale of aircraft by the Vehicle.

The Company proposes to seek approval from the Shareholders for the Transaction and the Aircraft Disposal Mandate based on the following reasons:

- (1) The structure of the Vehicle is well-established and commonly adopted by aircraft leasing companies in the international aircraft leasing market for the trading of aircraft based on market recognized valuation methodology for comparable aircraft. If the Company were required to enter into definitive documents which are conditional on Shareholders' approval, this would in effect impose uncertainty on the potential co-investors and debt financing providers, and the Company's competitiveness could be seriously impaired as its competitors do not operate under the same restraints, in particular:
  - (i) The Company has approached a number of potential co-investors, some of them have indicated to the Company that they would expect to have substantially completed due diligence before signing any agreement to commit to its investment. Once they have completed their due diligence, they will expect the definitive agreements relating to the Vehicle to be signed relatively quickly given the established documentation standard. They will also expect the Transaction to be completed shortly after signing of the definitive agreements; and
  - (ii) The Company has approached a number of financial institutions for debt financing for its acquisitions and they do not expect the acquisitions to be conditional on Shareholders' approval (similar to comparable structures adopted by other international aircraft leasing companies); and

- (2) Uncertainty due to the change of interest rates environment in the coming future. If the Company were not able to seek approval from the Shareholders for the Transaction and the Aircraft Disposal Mandate, considerable time would be required to obtain such Shareholders' approval after the Vehicle has been established, and the interest rates (and hence the cost of the debt financing mentioned in paragraph (1)(ii) immediately above) at the time may be higher.

## **DISPOSAL OF THE INITIAL AIRCRAFT PORTFOLIO TO THE VEHICLE**

### **Parties**

- (1) The Company, as vendor; and
- (2) The Vehicle, as purchaser.

### **Aircraft to be disposed**

The Initial Aircraft Portfolio consists of 18 aircraft as follows:

- (i) 12 Airbus A320-200 series aircraft;
- (ii) four Airbus A321-200 series aircraft; and
- (iii) two Boeing B737-900 series aircraft.

These 18 aircraft are lease-attached with 10 different commercial airlines with an average remaining lease term of approximately 9.6 years. The average age of the aircraft is approximately 1.2 years as at the date of this Announcement.

The Company will dispose of the Initial Aircraft Portfolio either by way of a transfer of share of the special purpose vehicles which own direct interests in lease-attached aircraft, or by assignment of the aircraft ownership together with the rights and obligations of the underlying leases.

### **Consideration of the Initial Aircraft Portfolio**

The Consideration is above the net book value of the Initial Aircraft Portfolio. As an alternative to disclosing the Consideration for the Initial Aircraft Portfolio, the Company will disclose the Market Appraised Value of the Initial Aircraft Portfolio.

The Market Appraised Value of the Initial Aircraft Portfolio (obtained from three independent appraisers and maintenance support analysis service provider) is approximately US\$826 million (equivalent to approximately HK\$6.44 billion). The valuation reports of the Initial Aircraft Portfolio will be set out in the Circular.

The expected average annual return on assets in respect of the Initial Aircraft Portfolio based on the Market Appraised Value of the Initial Aircraft Portfolio is 2.1%.

The Board considers that the Consideration for the Initial Aircraft Portfolio was determined on an arm's length basis upon negotiation in accordance with the Group's customary business practices, taking into account the Market Appraised Value of the relevant aircraft and the terms and conditions of the Transaction as a whole and with reference to market conditions.

The aggregate net book value, the aggregate gain or loss on the disposal of the Initial Aircraft Portfolio and the excess or deficit of the Consideration over or under the aggregate net book value are commercial sensitive information as are the aggregate net profits (before and after tax) attributable to the Initial Aircraft Portfolio and the effect of the Transaction on the earning and assets and liabilities of the Company.

The gain or loss expected to accrue to the Company from the disposal of the Initial Aircraft Portfolio will be disclosed on an aggregated basis together with any other aircraft disposed of by the Company in the Company's following annual financial statements upon completion of the relevant transactions.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) Rules 14.58(4) and 14.58(7) of the Listing Rules requiring disclosure of the aggregate value of the consideration and net profits attributable to the assets; (ii) Rule 14.58(6) of the Listing Rules requiring disclosure of the net book value of the Aircraft; (iii) Rule 14.60(3)(a), Rule 14.70(2) and Rule 14.66(5) of the Listing Rules requiring disclosure of details of the gain or loss expected to accrue to the Company from the Transaction and the basis for calculating such gain or loss, and disclosure in the circular of the excess or deficit of the consideration over or under the aggregate net book value of the assets and the effect of the Transaction on the earnings and assets and liabilities of the Company; (iv) Rule 14.68(2)(b) of the Listing Rules requiring inclusion in the circular of a profit and loss statement of the assets and a pro forma profit and loss statement and net assets statement on the remaining group; and (v) Rule 14.68(3) of the Listing Rules requiring inclusion in the circular of the management discussion and analysis of the Group.

### **Payment and delivery terms**

It is expected that the Initial Aircraft Portfolio will be delivered to the Vehicle at or before the end of 2018 subject to final terms and conditions or as agreed upon by the Vehicle and the Company.

## **DISPOSAL OF THE ADDITIONAL AIRCRAFT TO THE VEHICLE**

In accordance with the proposed terms and conditions for the establishment of the Vehicle, the Company shall have the exclusive right to originate any aircraft acquisition opportunities for the Vehicle, including any disposal of aircraft to the Vehicle by the Company or any acquisition of aircraft by the Vehicle from third party vendors, subject to the Company (or one of its affiliates) acting as the Vehicle's servicer. Any disposal of the Additional Aircraft will be subject to agreement upon further negotiations between the Company and the Vehicle.

## **AIRCRAFT DISPOSAL MANDATE**

### **Parties**

- (1) The Company, as vendor; and
- (2) The Vehicle, as purchaser.

## Terms and Conditions of the Aircraft Disposal Mandate

The following are the terms and conditions of the Aircraft Disposal Mandate to be proposed at the EGM:

1. The Aircraft Disposal Mandate shall remain in effect during the Mandate Period.
2. The Consideration of the Initial Aircraft Portfolio and the Additional Aircraft shall not exceed US\$1.75 billion (equivalent to approximately HK\$13.65 billion), such amount being the target asset size of US\$1.4 billion (equivalent to approximately HK\$10.92 billion) of the Vehicle plus an additional 25%, being US\$350 million (equivalent to approximately HK\$2.73 billion), to take into account re-composition of aircraft portfolio by the Vehicle through acquisition of other Additional Aircraft from the Company following a sale of aircraft by the Vehicle.
3. The Additional Aircraft to be purchased by the Vehicle shall satisfy all of the Qualifying Aircraft Acquisition Criteria set out in paragraph 6 below at the time of each disposal by the Company and shall not be more than 25 aircraft.
4. The Consideration for an aircraft disposed of by the Company to the Vehicle under the Aircraft Disposal Mandate shall not be lower than 95% of the Market Appraised Value.
5. The terms of each disposal shall be negotiated and entered into by the Company on arm's length basis in accordance with the Group's customary business practices, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.
6. The Qualifying Aircraft Acquisitions Criteria for the Additional Aircraft are:
  - (i) eligible aircraft comprising the following:
    - a. Airbus: A320-CEO Family, A320-NEO Family, A330-300, A350-900, A350-1000; and
    - b. Boeing: B737-NG Family, B737-MAX Family, B777-300ER, B777-X, B787-8, 787-9, 787-10;
  - (ii) at the time of acquisition by the Vehicle, the aircraft must not be greater than seven years of age and the acquisition must not result in the weighted-average age of the aircraft fleet of the aircraft portfolio held by the Vehicle to exceed five years;
  - (iii) at the time of acquisition by the Vehicle, the aircraft must be subject to a lease, the remaining lease term of which must be no less than five years and the acquisition must not result in the weighted average remaining lease term of the aircraft fleet of the aircraft portfolio held by the Vehicle to become less than six years; and
  - (iv) the Consideration for such aircraft does not exceed 115% of the Market Appraised Value.

7. Where an agreement has been entered into to dispose of the Additional Aircraft pursuant to the Aircraft Disposal Mandate, the Company shall make an announcement stating the following:
- (i) the date of the relevant disposal agreement;
  - (ii) the number and the type of the relevant aircraft to be disposed;
  - (iii) the maximum aggregate amount of the consideration for the disposal;
  - (iv) the Market Appraised Value of the relevant aircraft provided by the independent appraisers and the maintenance support analysis service provider;
  - (v) the payment and delivery terms of the relevant aircraft;
  - (vi) the cumulative number of aircraft disposed of under the Aircraft Disposal Mandate; and
  - (vii) a confirmation from the Directors that the terms of each disposal are negotiated and entered into by the Company on arm's length basis in accordance with the Group's customary business practices, and the terms of each disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.
8. The Company will include in its annual and interim reports the information set out in paragraph 7(vi) above.

## **REASONS FOR ENTERING INTO THE TRANSACTION**

The Group is an aircraft full value-chain solutions provider. It offers services covering an aircraft's full life cycle to meet airlines' fleet management requirements, including services for new aircraft, used aircraft and aircraft coming to the end of their life. The Group owns a fleet of 106 aircraft as at 27 December 2017.

Currently most of its fleet comes from direct purchase from manufacturers and that will remain its major source of new aircraft and it plans to continue to strengthen its orderbook. As at 27 December 2017, the Group is in discussions with Airbus regarding the possible purchase of 50 Airbus aircraft. Following this new order, the Group has a further 179 aircraft on backlog. In parallel, the Group continues to seek other opportunities, including purchase and leaseback and aircraft trading, to enlarge its fleet and to optimize its aircraft portfolio in order to advance its value-added one-stop solutions to meet airlines' fleet management requirements.

The Group has expanded its fleet to over 100 aircraft while deepening its global presence in 2017. It considers appropriate to make use of its developed aircraft and client portfolios, its established asset management capability, its expertise in the global aviation value chain and its network of worldwide aviation partners to grow its aircraft trading business further, while launching the Vehicle as an additional financing platform to support its continued expansion. The Vehicle will also enable the Group to progressively adopt an asset-light business model, to scale up the aircraft asset under the Group's management and optimize its aircraft portfolio with risk diversified. In addition, the Vehicle will allow better flexibility and easier access of capital for the Group for better capture aircraft acquisition opportunities.

The disposal plan is intended to facilitate the establishment of the Vehicle and to initiate its operations.

The Group also offers a wide range of investment products spanning diverse requirements throughout its aircraft full value-chain. Through the Vehicle, the Mezzanine Financiers and Shareholders can tap into the stable aviation assets with long term cash flow, while the Group will receive services fees as new revenue stream by providing management and administration services. The Group will keep a minority equity interest in the Vehicle to receive economic benefit.

### **Benefit to the Mezzanine Financiers for establishing the Vehicle**

Set out below are the benefits to the Mezzanine Financiers for establishing the Vehicle:

1. Large supply of liquidity in the market – the market has ample supply of liquidity that is looking opportunities in a low interest rate environment;
2. Stable industry – aviation is an industry which is highly stable, and highly resistant to financial crises. Supply of aircraft is limited with two manufacturers dominating the market, and demand has been steady increasing with developing countries driving the passenger growth;
3. Highly commoditized – aircraft is a commodity that has proven track record of trading activity in the market; and
4. Direct access to manufacturer – the Company has one of the largest orderbooks with the manufacturers, and secures a steady supply of aircraft in a high demand environment.

### **Business Rationale for establishing the Vehicle**

Set out below is the business rationale of the Company for establishing the Vehicle:

1. Lease portfolio management – the Group can allot the geographical risk of its aircraft lease portfolio;
2. Asset value management – the Group can create value to its Shareholders as well as to the Mezzanine Financiers for building a new platform to participate in the asset with stable long term cash flow;
3. Aircraft portfolio adjustment – the Group can undergo fleet management by allocating the right aircraft type, age and mix (e.g. the combination of single-aisle aircraft and twin-aisle aircraft) of its aircraft portfolio as well as the Vehicle;
4. Gaining market share through aircraft trading – the Group can increase its bargaining power for better pricing on OEM purchasing and aircraft leasing against airline customers/aircraft manufacturers and promoting the Group's reputation in the market. Meanwhile, the Vehicle will benefit as well from buying the portfolio from the Group;
5. Diversifying aviation risk while meeting rapid aviation growth demand from airline customers – the Group can reduce gearing/debt ratio and equity/capital requirement while it increases its profits when disposing its aircraft to the Vehicle;



6. Supporting continued expansion - disposal of aircraft by the Group to the Vehicle allows the Group to (a) gain resources for its continuing expansion through acquisition of aircraft from OEM or airline customers (through sale-and-lease back transactions) or secondary market trading; and (b) increase the fleet size managed by the Group to meet strong market demand in the aviation industry;
7. Continuing servicing and administration arrangements - the Group will provide management and administration services to the Vehicle, ensuring that the aircraft assets owned by the co-investment platforms are properly serviced. The Group will receive new source of the recurring income with respect to the servicing fees for providing such services; and
8. Gaining flexibility and access to capital – as the Group holds minor equity interest in the Vehicle, the financial position of the Vehicle will probably not be consolidated into the Company’s accounts. This means that the lending/credit records of the co-investment platforms will be separate from that of the Group, allowing better flexibility and easier access of capital for the Group when it seeks lending from financial institutions.

While the Group is establishing the Vehicle as one of the financing models which has been developed recently, the core business and the business model of the Group, being aircraft leasing and trading, will remain the key focus of the Group going forward.

#### **Use of proceeds**

The Company intends to use the net proceeds received from the disposal of the Initial Aircraft Portfolio and the Additional Aircraft for aircraft acquisitions, business expansion in aircraft and related business and general corporate purposes.

### **INFORMATION ABOUT THE GROUP, THE VEHICLE AND THE MEZZANINE FINANCIERS**

The Group is a one-stop aircraft full-life cycle solutions provider for global airlines. The scope of business of the Group includes regular operations such as aircraft operating leases through OEM orders or aircraft sale and leaseback transactions, structured financing, and other value-added services such as fleet planning, fleet replacement package deals, aircraft disassembling and component sales.

The Vehicle will principally engage in investment of aircraft assets. The Vehicle will be held as to 80% by the Mezzanine Financiers and 20% by the Group primarily by using the form of mezzanine financing and shareholders’ loan, subject to final terms and conditions.

To the best of the Director’s knowledge, information and belief and having made all reasonable enquiry, the Mezzanine Financiers and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

### **IMPLICATION OF THE LISTING RULES**

As the applicable percentage ratio under Rule 14.07 of the Listing Rules for the Transaction is over 75%, such Transaction constitutes a very substantial disposal of the Company and is subject to the reporting, announcement, circular and Shareholders’ approval requirements in Chapter 14 of the Listing Rules.

An EGM will be convened and held to consider and, if thought fit, to approve the Transaction and the Aircraft Disposal Mandate. So far as the Directors are aware after making reasonable enquiry, no Shareholder is required to abstain from voting at the EGM for approving the Transaction and the Aircraft Disposal Mandate.

## **CIRCULAR**

A circular containing the information required under the Listing Rules in relation to the Aircraft Disposal Mandate and the Transaction, together with a notice convening the EGM, is expected to be despatched to the Shareholders on or before 29 December 2017.

## **DEFINITIONS**

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

<b>“Additional Aircraft”</b>	any additional aircraft to be disposed of by the Company to the Vehicle during the Funding Period, as agreed by the Company and the Vehicle from time to time
<b>“Airbus”</b>	Airbus S.A.S., a company created and existing under the laws of France
<b>“Aircraft Disposal Mandate”</b>	the specific mandate granted to the Directors by the Shareholders in the EGM for the disposal of the Additional Aircraft during the Mandate Period
<b>“Board”</b>	the board of Directors
<b>“Boeing”</b>	The Boeing Company, a company incorporated in the State of Delaware of the United States of America
<b>“Company”</b>	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
<b>“connected person(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Consideration”</b>	the actual consideration payable by the Vehicle to the Company for purchase of the Initial Aircraft Portfolio and the Additional Aircraft, as the case may be
<b>“Directors”</b>	the directors of the Company
<b>“EGM”</b>	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Transaction and the Aircraft Disposal Mandate

<b>“Funding Period”</b>	the period commencing from the execution date of debt financing documentation and ending on the second anniversary of the such execution date, such period subject to extension as may be agreed between the Company and the Vehicle from time to time
<b>“Group”</b>	the Company and its subsidiaries
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Initial Aircraft Portfolio”</b>	the portfolio of aircraft proposed to be disposed of by the Company to the Vehicle at its establishment
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Mandate Period”</b>	the period commencing from the date on which the Aircraft Disposal Mandate is approved by the Shareholders and ending on the date on which the Funding Period expires
<b>“Market Appraised Value”</b>	the average of the half-life book value valuations of the aircraft obtained from three independent appraisers on a half-life basis and adjusted for maintenance by the maintenance support analysis service provider
<b>“Mezzanine Financiers”</b>	the mezzanine tranche financiers of the Vehicle, being third parties independent of the Company and its connected persons
<b>“PRC”</b>	the People’s Republic of China, excluding Hong Kong, Macau Special Administration Region and Taiwan for the purpose of this announcement
<b>“Qualifying Aircraft Acquisition Criteria”</b>	the qualifying aircraft acquisition criteria relating to the acquisition of aircraft (other than the Initial Aircraft Portfolio) by the Vehicle
<b>“Shareholder(s)”</b>	shareholder(s) of the Company
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Transaction”</b>	the disposal of the Initial Aircraft Portfolio
<b>“US\$”</b>	United States dollars, the lawful currency of the United States of America

“Vehicle” the aircraft investment vehicle to be incorporated in Bermuda by the Company and the Mezzanine Financiers

“%” 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.*