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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 TRANSACTION
IN RELATION TO
THE PURCHASE AND LEASEBACK ARRANGEMENT OF
SEVEN AIRCRAFT**

AIRCRAFT AGREEMENTS

The Board is pleased to announce that on 1 June 2018 (after trading hours), the Company, through seven of its wholly-owned special purpose vehicles, entered into the Aircraft Agreements with CEA respectively, pursuant to which the Company agreed to purchase seven Aircraft from CEA and CEA agreed, among others, to assign to the Company its right to take delivery of the Aircraft from Boeing pursuant to the Original Purchase Contract. The Aircraft will be leased back to CEA subsequently.

IMPLICATION OF THE LISTING RULES

As the applicable percentage ratio under Rule 14.07 of the Listing Rules for the Aircraft Agreements is above 25% but below 100%, the 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 Aircraft Agreements. Written approval of the Aircraft Agreements 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 Aircraft Agreements will be dispatched to Shareholders on or before 25 June 2018.

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Subject to the further negotiations between the Company and CEA, the Company, through another three of its wholly-owned special purpose vehicles, may enter into three additional aircraft purchase and leaseback agreements with CEA respectively to purchase three additional new Boeing 737-800 aircraft.

Date: 1 June 2018

Parties

- (1) the Company, through seven of its wholly-owned special purpose vehicles, as the purchaser; and
- (2) CEA, as the vendor.

Aircraft to be acquired: the Aircraft

Consideration

The aggregate list price of the Aircraft (which comprises the airframe price, optional features price and engine price) is approximately US\$0.714 billion (equivalent to approximately HK\$5.6 billion).

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

Based on the Company's industry understanding, the difference between the 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.

The difference between the list price of the Aircraft and the Consideration is comparable to the discount that the Company has obtained in previous purchases of new aircraft from Boeing. 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 had obtained in previous purchases of new aircraft) and the Consideration is not material. The Company believes that the price difference between the list price of the Aircraft (after the abovementioned discount) and the 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 Consideration for the Aircraft under the Aircraft Agreements. CEA would not have entered into the Aircraft Agreements with the Company if the Company was required to disclose the Consideration, and it is also likely that the Company would not be able to enter into similar future transactions with CEA. 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 CEA to disclose the terms of the Aircraft Agreements other than the Consideration.

In addition, CEA is subject to a strict confidentiality obligation with regard to the purchase price of the Aircraft under the Original Purchase Contract with Boeing, and the Company will become subject to the same confidentiality obligation of not disclosing the pricing information in relation to the Aircraft when it proceeds with the Transaction. Disclosure of the purchase price of the Aircraft under the Original Purchase Contract could result in the loss of the significant discount against the list price that may be granted by Boeing to CEA and the Company for future purchases and could therefore adversely affect the business operation of the Company.

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.

Payment and delivery terms

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

REASONS FOR ENTERING INTO THE TRANSACTION

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

The Directors are of the view that completion of the Transaction will accelerate expansion and diversification of the Group's fleet portfolio. The purchase-and-leaseback 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 Transaction will also strengthen the Group's long-term relationship with quality top-tier airlines in the PRC, a booming aviation market.

The Directors confirm that the Aircraft Agreements have been entered into by the Company in the ordinary and usual course of business and that the Transaction will have no material adverse impact on the Company's operations and financial position. The Directors consider that the Aircraft Agreements 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 AND CEA

The Group is principally engaged in global aircraft leasing business and owns a fleet of 114 aircraft as at the date of this announcement.

To the knowledge of the Directors, CEA is principally engaged in the business of civil aviation services.

To the best of the Director's knowledge, information and belief and having made all reasonable enquiry, CEA 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 Agreements is above 25% but below 100%, the 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 Aircraft Agreements 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 Aircraft Agreements; 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 Aircraft Agreements.

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 Aircraft Agreements. Written approval of the Aircraft Agreements 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 678,183,380 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 Aircraft Agreements will be dispatched to Shareholders on or before 25 June 2018.

Subject to the further negotiations between the Company and CEA, the Company, through another three of its wholly-owned special purpose vehicles, may enter into three additional aircraft purchase and leaseback agreements with CEA respectively to purchase three additional new Boeing 737-800 aircraft. Should the purchase of such additional aircraft materialise, it shall be aggregated with the Transaction in accordance with Rule 14.22 of the Listing Rules. It is expected that the Transaction, after being aggregated with the purchase of such additional aircraft, would still constitute a major transaction on the part of the Company under the Listing Rules. The Company will comply with the applicable requirements under the Listing Rules in due course.

DEFINITIONS

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

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| “Aircraft” | seven new Boeing 737-800 aircraft |
| “Aircraft Agreements” | the seven aircraft purchase and leaseback agreements entered into between the Company (through seven of its wholly-owned special purpose vehicles, as purchaser) and CEA (as vendor) on 1 June 2018, pursuant to which the Company agreed to purchase the Aircraft from CEA and thereafter lease the Aircraft back to CEA |
| “Board” | the board of Directors |
| “Boeing” | The Boeing Company, a company incorporated in the State of Delaware of the United States of America |

“CE Aerospace”	China Everbright Aerospace Holdings Limited, a company incorporated in the Cayman Islands and one of the substantial shareholders of the Company
“CEA”	China Eastern Airlines Corporation Limited, a company established under the laws of the PRC
“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 same meaning ascribed thereto under the Listing Rules
“Consideration”	the actual consideration payable by the Company, through seven of its wholly-owned special purpose vehicles, to CEA for purchase of the Aircraft
“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 PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Purchase Contract”	the aircraft purchase contract in relation to the Aircraft originally entered into between CEA and Boeing prior to the Transaction
“PRC”	The People’s Republic of China
“Share(s)”	share(s) with par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transaction contemplated under the Aircraft Agreements
“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, 1 June 2018

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 Director is Mr. TANG Chi Chun; 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.