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BOC AVIATION LIMITED

中銀航空租賃有限公司*

(Incorporated in the Republic of Singapore with limited liability)

Stock Code: 2588

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

The Board is pleased to announce that the Company has entered into the Agreement with Qatar Airways on 22 December 2016 pursuant to which the Company has agreed to purchase six new Airbus A350-900 aircraft and to lease each aircraft back to Qatar Airways upon delivery.

Listing Rules Implications of the Transaction

As one of the relevant percentage ratios under Rule 14.07 of the Listing Rules for the Transaction is above 25% but all of them are below 100%, the Transaction constitutes a major transaction of the Company and is therefore subject to the notification, announcement, circular and Shareholders' approval requirements in Chapter 14 of the Listing Rules.

**For identification purpose only*

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 Agreement. Written approvals of the Agreement have been obtained from Sky Splendor Limited, which holds more than 50% of the voting rights at the general meeting to approve the Transaction. The written approval granted by Sky Splendor Limited can be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

Circulars to Shareholders

A circular containing the information required under the Listing Rules in relation to the Agreement will be dispatched to Shareholders on or before 17 January 2017.

1. Introduction

The Board is pleased to announce that the Company has entered into the Agreement with Qatar Airways on 22 December 2016 pursuant to which the Company has agreed to purchase six new Aircraft and to lease each Aircraft back to Qatar Airways upon delivery.

2. Details of the Agreement

(a) Aircraft in the Transaction

Six new Airbus A350-900 aircraft.

(b) Consideration

The aggregate list price of the Aircraft is approximately US\$1,848.6 million. The aircraft list price comprises the airframe price, optional features price, engine price and forecast escalation. Such information is generally publicly available.

There is a significant difference between the list price of the Aircraft and the actual purchase price of the Aircraft under the Agreement. The actual purchase price of the Aircraft under the Agreement was established in an arm's length transaction between the Company and Qatar Airways, 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 price of the Aircraft under the Agreement 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 list price by the manufacturer. Based on the Company's industry understanding, the discount against 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 and the actual purchase price of the Aircraft under the Agreement is not materially different, in percentage terms, from the discount against list price that the Company has obtained in previous purchases of new aircraft. The actual purchase price of the Aircraft under the Agreement is lower than the list price of such Aircraft.

The Company is subject to a strict confidentiality obligation with regard to the purchase price of the Aircraft under the Agreement with Qatar Airways. Qatar Airways would not have entered into the Agreement with the Company if the Company were required to disclose the purchase price of the Aircraft under the Agreement, and it is also likely that the Company would not be able to enter into similar future transactions with Qatar Airways. Any such disclosure would therefore not be in the interests of the Company and the Shareholders as a whole. The Company has not obtained consent from Qatar Airways to disclose the purchase price of the Aircraft under the Agreement.

Qatar Airways is subject to a strict confidentiality obligation with regard to the purchase price of the Aircraft under the Original Purchase Contract with Airbus, 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 list price that may be granted by Airbus to Qatar Airways and the Company for future purchases and could therefore adversely affect the business operation of the Company. Neither Qatar Airways nor the Company has obtained consent from Airbus to disclose the purchase price of the Aircraft under the Original Purchase Contract.

It is normal business practice in the global aviation industry for the aircraft list price, instead of the actual purchase price, to be disclosed for the acquisition of new aircraft.

The difference between actual price and list price will mainly affect the depreciation of the Aircraft in the future operating costs of the Company. The Company believes that the price difference will have no material adverse impact on the Company's future operating costs taken as a whole.

In view of the above, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 14.58(4) and 14.66(4) of the Listing Rules in relation to the requirement to disclose the actual aggregate purchase price of the Aircraft.

(c) Payment and delivery terms

The purchase price for each Aircraft is payable upon delivery of such Aircraft. The Company expects to take delivery of the Aircraft during 2017.

(d) Source of funding

The Transaction will be funded through cash on hand, the proceeds of loans or other borrowings by the Company and/or cash generated from the Company's business operations.

3. Aircraft Purchase Mandate

The Directors have been granted the Aircraft Purchase Mandate to enter into commitments to purchase new aircraft from Airbus and Boeing during the Mandate Period, further details of which are set out in the prospectus of the Company dated 19 May 2016. However, this Transaction does not fall within the scope of the Aircraft Purchase Mandate for the following reasons:

- The Transaction is a purchase-and-leaseback transaction with Qatar Airways. Qatar Airways had originally agreed to purchase the Aircraft from Airbus under the Original Purchase Contract. Under the Transaction, instead of purchasing the Aircraft itself from the manufacturer, Qatar Airways will assign to the Company its right to purchase and take delivery of the Aircraft from Airbus as the agreed method of transferring ownership of the Aircraft to the Company.

- The Aircraft Purchase Mandate applies to direct purchase commitments entered into by the Company and the manufacturers. Under the Transaction, the Company's obligation to purchase the Aircraft arises under the Agreement with Qatar Airways. As between the Company and Airbus, there is no commitment by the Company to purchase the Aircraft.

As a result, the Aircraft Purchase Mandate is not applicable to the Transaction.

4. Reasons for, and Benefits of, the Transaction

The Directors are of the view that the Transaction is in line with the growth strategy of the Company. The Transaction will enable the Company to build its balance sheet and its core lease rental contribution by investing in modern, efficient, in-demand aircraft on long-term lease to one of the world's top airlines. The Transaction is conducted in the ordinary course of business of the Group.

The Directors confirm that the terms of the Transaction are fair and reasonable and in the interests of the Shareholders as a whole and the Transaction will have no material adverse impact on the Company's operations and financial position.

5. Information About Qatar Airways

Qatar Airways is principally engaged in the business of operation of scheduled airline services.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Qatar Airways and its ultimate beneficial owner are third parties independent of the Company and of connected persons of the Company.

6. Information About the Company

The Company is a leading global aircraft operating leasing company with a fleet of 484 aircraft owned, managed or on order as at 30 September 2016.

7. Listing Rules Implications of the Transaction

As one of the relevant percentage ratios under Rule 14.07 of the Listing Rules for the Transaction is above 25% but all of them are below 100%, the Transaction constitutes a major transaction of the Company and is therefore subject to the notification, announcement, circular and Shareholders' approval requirements in Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval of the 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 Agreement; and (2) the written Shareholder's 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 issued share capital of the Company giving the right to attend and vote at that general meeting to approve the 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 Agreement. Written approval of the Agreement has been obtained from Sky Splendor Limited, which holds more than 50% of the voting rights at the general meeting to approve the Transaction. The written approval granted by Sky Splendor Limited which owns 485,807,334 (approximately 70%) of the issued shares of the Company can be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

8. Circulars to Shareholders

A circular containing the information required under the Listing Rules in relation to the Agreement will be dispatched to Shareholders on or before 17 January 2017.

9. Definitions

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Agreement”	the commitment agreement in respect of the Aircraft entered into by the Company and Qatar Airways on 22 December 2016 pursuant to which the Company has agreed to purchase the Aircraft and thereafter to lease the Aircraft back to Qatar Airways
“Airbus”	Airbus S.A.S., a société par actions simplifiée duly created and existing under French law
“Aircraft”	six Airbus A350-900 aircraft to be purchased by the Company pursuant to the Agreement and thereafter to be leased back to Qatar Airways by the Company
“Aircraft Purchase Mandate”	the general mandate granted to the Directors by way of written resolutions of the then sole shareholder of the Company on 12 May 2016 to purchase aircraft from Airbus and Boeing during the Mandate Period, the terms of which are set out in the prospectus of the Company dated 19 May 2016
“Board”	the board of Directors
“Boeing”	The Boeing Company, a corporation organised and existing under the General Corporation Law of the State of Delaware, U.S.A., the principal activity of which is aircraft manufacturing.
“Company”	BOC Aviation Limited, a company incorporated under the laws of Singapore with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company

“Group”	the Company and its subsidiaries
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mandate Period”	the period from 12 May 2016 until the earliest of (a) the conclusion of the next annual general meeting of the Company, (b) the end of the period within which the Company is required by its constitution or any applicable laws to hold its next annual general meeting and (c) the date on which the Aircraft Purchase Mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting
“Original Purchase Contract”	the aircraft purchase contract in relation to the Aircraft originally entered into between Qatar Airways and Airbus prior to the Transaction
“Qatar Airways”	Qatar Airways Q.C.S.C., an airline principally engaging in the business of operation of scheduled airline services with its headquarters in Doha
“Shareholder(s)”	shareholders(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the purchase and leaseback of the Aircraft pursuant to the Agreement

“US\$” United States dollars, the lawful currency of the United States of America

By Order of the Board
BOC Aviation Limited
Chan, Victor Sun Ho
Company Secretary

Hong Kong, 22 December 2016

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Chen Siqing as Chairman and Non-executive Director, Mr. Robert James Martin and Mr. Wang Genshan as Executive Directors, Mr. Gao Zhaogang, Mr. Li Mang, Mr. Liu Chenggang and Ms. Zhu Lin as Non-executive Directors and Mr. Dai Deming, Mr. Fu Shula, Mr. Antony Nigel Tyler and Dr. Yeung Yin Bernard as Independent Non-executive Directors.