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**国银租赁**

CHINA DEVELOPMENT BANK LEASING

國銀金融租賃股份有限公司\*

**CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.\***

*(A joint stock limited company incorporated in the People's Republic of China)*

**(Stock Code: 1606)**

**VERY SUBSTANTIAL ACQUISITIONS  
SUPPLEMENTAL AGREEMENTS TO THE BOEING AIRCRAFT  
PURCHASE AGREEMENTS IN RELATION TO THE PURCHASE  
OF 60 BOEING AIRCRAFT**

**THE SUPPLEMENTAL AGREEMENTS**

References are made to (1) the announcement of the Company dated 22 September 2017; (2) the circular of the Company dated 17 October 2017; and (3) the poll results announcement of the Company dated 8 November 2017 (the “**Announcements and Circular**”), in relation to, among others, the Company’s acquisition of 60 Boeing Aircraft (comprising 42 Boeing 737 MAX 8 aircraft, 10 Boeing 737 MAX 10 aircraft and eight Boeing 787-9 aircraft) (the “**Boeing Transaction**”), which constituted a very substantial acquisition of the Company and which was approved by the shareholders of the Company on 8 November 2017. Capitalised terms used herein shall have the same meanings as ascribed to them in the Announcements and Circular unless the context otherwise requires.

The Board hereby announces that, the Company, CDBALF and Boeing have entered into the supplemental agreements in relation to the Boeing Aircraft Purchase Agreements (the “**Supplemental Agreements**”), pursuant to which CDBALF proposed to convert the order to purchase eight Boeing 787-9 aircraft under the Boeing Aircraft Purchase Agreements into 22 737 MAX 8 aircraft (the “**Proposed Conversions**”).

\* *CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD. is (a) not an authorized institution within the meaning of the Banking Ordinance; (b) not authorized to carry on banking/ deposit-taking business in Hong Kong; and (c) not subject to the supervision of the Hong Kong Monetary Authority.*

## **IMPLICATIONS OF THE LISTING RULES**

As the Proposed Conversions constitute material variation to the Boeing Transaction under Rule 14.36 of the Listing Rules and the highest applicable percentage ratio for the amended transaction exceeds 100%, the Supplemental Agreements are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

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

### **GENERAL**

A circular containing the information required under the Listing Rules in relation to the Supplemental Agreements is expected to be dispatched to Shareholders on or before 29 August 2018.

## **BACKGROUND**

References are made to the Announcements and Circular, in relation to, among others, the Boeing Transaction, which constituted a very substantial acquisition of the Company and which was approved by the shareholders of the Company on 8 November 2017.

The Board hereby announces that, the Company, CDBALF and Boeing have entered into the Supplemental Agreements, pursuant to which CDBALF proposes to convert the order to purchase eight Boeing 787-9 aircraft under the Boeing Aircraft Purchase Agreements into 22 737 MAX 8 aircraft.

## **THE SUPPLEMENTAL AGREEMENTS**

### **Parties**

- (1) the Company and CDBALF, as purchasers; and
- (2) Boeing, as vendor.

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

## Aircraft

The aircraft to be acquired before and after the Proposed Conversions is listed as follows:

	<b>Before the Proposed Conversions</b>	<b>After the Proposed Conversions</b>
Boeing 737 MAX 8 aircraft	42	64
Boeing 737 MAX 10 aircraft	10	10
Boeing 787-9 aircraft	8	0
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<b>Total</b>	<b>60</b>	<b>74</b>
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## Consideration

The total list price for the Aircraft is US\$8,793.4 million (equivalent to approximately HK\$69,013 million).

In accordance with customary business and industry practice, Boeing granted the Company and CDBALF significant price concessions with regard to the Aircraft. Such price concessions were determined after arm's length negotiations among the Company, CDBALF and Boeing. As a result, the actual purchase price of the Aircraft is lower than the list price mentioned above for such 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 Directors confirm that the price concessions granted by Boeing to the Company and CDBALF under the Supplemental Agreements are not less favorable to the Company and CDBALF than those price concessions obtained in the previous purchases of new aircraft from Boeing. The Company believes that there is no material adverse impact of the price concessions obtained under the Supplemental Agreements on the Company's future operating costs taken as a whole.

Both the Company and CDBALF are subject to confidentiality obligations under which the terms of the Supplemental Agreements generally cannot 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 of the Aircraft.

It is also 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 aircraft list price comprises the airframe price, optional features price, engine price and forecast escalation and such information is generally publicly available. There is a significant price difference between the list price of the Aircraft and the actual purchase price of the Aircraft. The adjustments to aircraft list prices granted by the respective manufacturers to aircraft purchasers are highly commercially sensitive and are determined based on numerous variables, including market conditions, and after arm's length negotiations between the aircraft purchasers and the manufacturers. Therefore, any disclosure of the actual purchase price of the Aircraft will result in a breach of the Company's confidentiality obligation and will expose the Company to material litigation risk and irreparable reputational damage, meanwhile it could result in the loss of the significant price concessions to be granted by Boeing to the Group and future purchases. It is also likely that the Company would not be able to enter into similar future transactions with other aircraft manufactures.

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 Rule 14.58(4) and Rule 14.69(2) of the Listing Rules in respect of the disclosure of the actual purchase price of the Aircraft.

### **Payment and delivery terms**

The Aircraft in relation to the Proposed Conversions is scheduled to be delivered from February 2023 to May 2025.

The additional consideration for the Aircraft will be paid according to the Supplemental Agreements, with advance payments to be paid before delivery of each of the Aircraft, in line with the relevant advance payments schedule, and the balance, being a substantial portion of the consideration, to be paid upon delivery of each of the Aircraft.

### **Source of funding**

The consideration for the Aircraft will be funded through a mix of sources which may include interbank borrowing, the issue of bonds, commercial bank loans, pre-delivery payment financing, other debt and equity financing and the Group's working capital.

### **Conditions precedent**

Completion of the Supplemental Agreements is conditional upon, among other things, the approval of the Proposed Conversions contemplated hereunder by the Shareholders.

## **Long stop date**

There is no exact long stop date for the Supplemental Agreements. The long stop date is generally 12 months after the last delivery position, but Boeing has rights based on industrial production constraints to push this out longer.

## **Right to purchase incremental aircraft**

Subject to the terms and conditions contained in the Supplemental Agreements, the Company will have the right to purchase (“**Purchase Right**”) six additional Boeing 787-9 aircraft as purchase right aircraft (“**Purchase Right Aircraft**”). The Purchase Right may be exercised one or more times and, each time, in respect of one or more Purchase Right Aircraft provided that no more than six Purchase Right Aircraft are added to the Boeing Transaction in total. No option premium is attached to the Purchase Right. The exercise price and exercise period of Purchase Right will be further negotiated by the Company, CDBALF and Boeing, and is subject to further approval by the Board under the authorization from the shareholders’ general meeting. The Company will comply with the announcement, reporting and shareholders’ approval requirements (if applicable) under the Listing Rules at the time of exercise of the Purchase Right.

## **Further Conversion Rights**

Subject to the terms and conditions contained in the Boeing Aircraft Purchase Agreements and Supplemental Agreements, the Company and CDBALF have certain rights to convert between Boeing 737 MAX 8 aircraft and Boeing 737 MAX 10 aircraft. The conversion between Boeing 737 MAX 8 aircraft and Boeing 737 MAX 10 aircraft is one for one. The purchase price of the converted aircraft will be the price for such aircraft under the Boeing Aircraft Purchase Agreements and Supplemental Agreements. Assuming the 64 Boeing 737 MAX 8 aircraft were all converted into Boeing 737 MAX 10 aircraft, the total list price of the aircraft will increase by 9.32% to US\$9,612.6 million; assuming the 10 Boeing 737 MAX 10 aircraft were all converted into Boeing 737 MAX 8 aircraft, the total list price of the aircraft will decrease by 1.46% to US\$8,665.4 million. The Company and CDBALF must give Boeing sufficient advance notice of their intent to convert. The delivery positions for the converted aircraft are subject to agreement with Boeing.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENTS**

The Directors are of the view that the execution of the Supplemental Agreements is beneficial for the Company, allowing it to increase its fleet of modern, fuel efficient and in-demand aircraft. It is also customary and in line with general industry practice for aircraft leasing companies to regularly adjust their portfolio of aircraft on order to meet the demand by its customers to lease particular types of aircraft and the conversion right is being exercised in the ordinary course of business. The Proposed Conversions under the Supplemental Agreements are consistent with the Company's business development strategy.

The Directors consider that the terms of the Supplemental Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

## **INFORMATION ABOUT THE PARTIES**

The principal business of the Company includes providing comprehensive leasing services to high-quality customers in industries including aviation, infrastructure, shipping, commercial vehicle and construction machinery.

To the knowledge of the Directors, Boeing is principally engaged in the business of aircraft manufacturing and selling aircraft.

## **IMPLICATIONS OF THE LISTING RULES**

As the Proposed Conversions constitute material variation to the Boeing Transaction under Rule 14.36 of the Listing Rules and the highest applicable percentage ratio for the amended transaction exceeds 100%, the Supplemental Agreements are therefore subject to the reporting, announcement and Shareholders' approval requirements as required under Chapter 14 of the Listing Rules.

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

## **GENERAL**

A circular containing the information required under the Listing Rules in relation to the Supplemental Agreements is expected to be dispatched to Shareholders on or before 29 August 2018.

## DEFINITIONS

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

- “Aircraft” the 74 aircraft under the Boeing Aircraft Purchase Agreements and the Supplemental Agreements
- “Supplemental Agreements” the supplemental agreement entered into among the Company, CDBALF and Boeing on 13 April 2018 with respect to the conversion of two Boeing 787-9 aircraft under the Boeing Aircraft Purchase Agreements into four 737 MAX 8 aircraft; and the supplemental agreement dated 8 August 2018 with respect to the conversion of six Boeing 787-9 aircraft under the Boeing Aircraft Purchase Agreements into 18 737 MAX 8 aircraft
- “EGM” the extraordinary general meeting of the Company proposed to be convened and held to consider and approve the Supplemental Agreements

*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\$7.8483.*

*By order of the Board*  
**CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.**  
**WANG Xuedong**  
*Chairman*

Shenzhen, the PRC  
8 August 2018

*As at the date of this announcement, the executive Directors are Mr. WANG Xuedong and Mr. HUANG Min; the non-executive Director is Mr. LI Yingbao; and the independent non-executive Directors are Mr. ZHENG Xueding, Mr. XU Jin and Mr. ZHANG Xianchu.*