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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in BOC Aviation Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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 OF SIX AIRCRAFT**

* For identification purposes only

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DEFINITIONS

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

“Agreement”	the purchase and leaseback arrangement agreement with Qatar Airways 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 to Qatar Airways upon delivery
“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
“Board”	the board of Directors
“BOC”	Bank of China Limited (中國銀行股份有限公司), a joint stock limited company incorporated in the PRC, the H-shares and A-shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively, and the ultimate controlling shareholder of the Company
“Boeing”	The Boeing Company, a corporation organised and existing under the General Corporation Law of the State of Delaware, the United States of America, 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
“Hong Kong Underwriters”	the underwriters of the Company’s Hong Kong public offering, details of which are set out in the Prospectus

DEFINITIONS

“Latest Practicable Date”	11 January 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“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
“Prospectus”	the prospectus of the Company dated 19 May 2016
“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
“Share(s)”	ordinary share(s) in the share capital of the Company
“Sky Splendor”	Sky Splendor Limited, a company incorporated under the laws of the Cayman Islands with limited liability, and a wholly-owned subsidiary of BOC and the immediate controlling shareholder 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

LETTER FROM THE BOARD



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

Executive Directors:

Robert James MARTIN
(Managing Director & Chief Executive Officer)
WANG Genshan
(Vice Chairman & Deputy Managing Director)

Non-executive Directors:

CHEN Siqing *(Chairman)*
GAO Zhaogang
LI Mang
LIU Chenggang
ZHU Lin

Independent non-executive directors:

DAI Deming
FU Shula
Antony Nigel TYLER
YEUNG Yin Bernard

**Registered Office and Principal Place of
Business in Singapore:**

8 Shenton Way, #18-01
Singapore 068811

Place of Business in Hong Kong:

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

17 January 2017

To the Shareholders

Dear Sir or Madam,

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

1. INTRODUCTION

On 22 December 2016, the Company announced that it had entered into an agreement with Qatar Airways pursuant to which the Company has agreed to purchase the Aircraft from Qatar Airways and lease each Aircraft back to Qatar Airways upon delivery.

** For identification purposes only*

LETTER FROM THE BOARD

The Transaction constitutes a major transaction for the Company under the Listing Rules. The purpose of this circular is to provide the Shareholders with further information in relation to the Transaction.

2. DETAILS OF THE AGREEMENT

The key terms of the Agreement are set out below:

(a) **Date of the Agreement**

22 December 2016

(b) **Parties to the Agreement**

(i) BOC Aviation Limited, as purchaser and lessor; and

(ii) Qatar Airways, as seller and lessee.

(c) **Aircraft in the Transaction**

Six new Airbus A350-900 aircraft.

(d) **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

LETTER FROM THE BOARD

Agreement is not materially different, in percentage terms, from the discount against list price of the Aircraft that the Company has obtained in previous purchases of new aircraft from the same manufacturer. 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 the consent of Qatar Airways to disclose the purchase price of the Aircraft under the Agreement.

In addition, 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 actual 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 operations of the Company. Neither Qatar Airways nor the Company has obtained the consent of Airbus to disclose the actual 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 the actual purchase price and the list price of the Aircraft 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.

(e) 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.

(f) 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.

LETTER FROM THE BOARD

(g) **Financial Effects of the Transaction**

The Transaction will increase the Group's fixed assets and liabilities. However, the Company does not expect the Transaction to have a material adverse impact on the Group's cash flow position or its business operations. Save as disclosed above, the Transaction is not expected to result in a material impact on the earnings, assets and liabilities of the Group.

(h) **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.

However, the Transaction does not fall within the scope of the Aircraft Purchase Mandate for the following reasons:

- (i) 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.
- (ii) 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.

3. 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 consider that the terms of the Transaction are fair and reasonable and in the interests of the Shareholders as a whole.

4. INFORMATION ABOUT QATAR AIRWAYS

Qatar Airways is principally engaged in the 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.

LETTER FROM THE BOARD

5. 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.

6. 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 under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval of the Transaction may be given by way of written Shareholders' approval in lieu of holding a general meeting if (i) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreement and (ii) 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 Transaction.

So far as the Directors are aware after making reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Transaction.

Written approval of the Agreement was obtained from Sky Splendor, which holds more than 50% of the voting rights at the general meeting to approve the Transaction on 22 December 2016. The written approval granted by Sky Splendor, which owns 485,807,334 Shares (representing approximately 70% of the issued shares of the Company as at the date of the written approval), can be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

7. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By Order of the Board
BOC Aviation Limited
Chen Siqing
Chairman

1. FINANCIAL INFORMATION OF THE GROUP FOR THE YEARS ENDED 31 DECEMBER 2013, 2014 AND 2015 AND FOR THE SIX MONTHS ENDED 30 JUNE 2016

Financial information of the Company (i) for each of the years ended 31 December 2013, 2014 and 2015 is disclosed on pages I-1 to I-88 of Appendix I of the Prospectus and (ii) for the six months ended 30 June 2016 is disclosed on pages 26 to 57 of the 2016 interim report of the Company published on 29 September 2016, all of which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.bocaviation.com>).

2. INDEBTEDNESS STATEMENT

As at 30 November 2016, which is the last practicable date for the purpose of the indebtedness statement:

- we had loans (not including notes) of US\$4,354 million, of which US\$3,039 million was secured debt and US\$1,315 million was unsecured debt;
- we had 15 series of outstanding notes representing US\$4,462.6 million in aggregate;
- we had secured finance lease payables of US\$67.9 million; and
- we had unutilised committed, unsecured revolving credit facilities of US\$4,150 million, which were committed and without uncommon restrictions on draw-down.

Save as disclosed above and apart from intra-group liabilities, as at 30 November 2016, the Group did not have any other debt securities, borrowings, debts, mortgages, contingent liabilities or guarantees.

3. WORKING CAPITAL

After taking into account the financial resources available to the Group, including cash and bank balances, payments received and expected to be received from lessees and other funds generated from operations, secured borrowings for aircraft, committed, unsecured revolving credit facilities on standby and other borrowings and proceeds from future aircraft sales, in the absence of unforeseeable circumstances, the Directors are of the opinion that the Group will have sufficient working capital for the Group's requirements for at least the next 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company reported US\$579 million in total revenues and other income for the six months ended 30 June 2016, a year-on-year increase of more than 8%, and a net profit after tax of US\$212 million, a 24% increase compared with the six months ended 30 June 2015.

In June 2016, the Company completed its initial public offering and listing on the Stock Exchange, raising net proceeds of US\$550 million in primary equity capital which the Company will invest to grow its business.

Operationally, the Company delivered 27 aircraft to airline customers during the first six months of 2016. Six of these aircraft were acquired by the customer upon delivery. The Company sold a further 22 aircraft, generating aggregate net gains on sale of US\$37 million. This consistent investment in new aircraft and rigorous portfolio management reduced the weighted average fleet age in the Company's owned portfolio to 3.3 years, and the Company now has no aircraft in the owned portfolio that is more than 10 years old.

In August 2016, the Board declared an interim dividend of US\$0.061 per Share.

The Company continues to focus on disciplined, accretive investing to grow the business in line with its current strategy and on delivering a strong performance in the second half of 2016.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited consolidated accounts of the Group were made up.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**(a) Interests of Directors and Chief Executive in Shares, Underlying Shares and Debentures**

As at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interests in the Shares or underlying Shares or debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken to be deemed to have under such provisions of the SFO) or (ii) to be entered in the register kept by the Company under Section 352 of the SFO or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules.

(b) Common Directors

As at the Latest Practicable Date, Mr. Chen Siqing is a director of BOC and Mr. Gao Zhaogang is a supervisor of BOC. BOC has an interest in the Shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(c) Competing Interests

As at the Latest Practicable Date, none of the Directors or their close associates had an interest in any business which competes or is likely to compete, either directly or indirectly, with the Group's business.

(d) Interests in Assets, Contracts or Arrangements of the Group

As at the Latest Practicable Date:

- (i) none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2015, being the date to which the latest published audited consolidated accounts of the Group were made up; and

- (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular and which is significant in relation to the business of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had, or is proposed to have, a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of any compensation (other than statutory compensation)).

4. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or claims of material importance nor, to the best of the Directors' knowledge, is any litigation or claim of material importance pending or threatened against any member of the Group.

5. MATERIAL CONTRACTS

The Group has entered into the following material contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date:

- (a) the Hong Kong Public Offering Underwriting Agreement dated 18 May 2016 and entered into between, among others, the Company and the Hong Kong Underwriters;
- (b) the cornerstone investment agreement dated 13 May 2016 and entered into between, among others, the Company and Beijing Hanguang Investment Corporation pursuant to which Beijing Hanguang Investment Corporation agreed to purchase 18,478,500 Shares for an aggregate price of HK\$776,097,000;
- (c) the cornerstone investment agreement dated 13 May 2016 and entered into between, among others, the Company and CIZJ Limited pursuant to which CIZJ Limited agreed to purchase 18,478,500 Shares for an aggregate price of HK\$776,097,000;
- (d) the cornerstone investment agreement dated 13 May 2016 and entered into between, among others, the Company and China Development Bank International Holdings Limited 國開國際控股有限公司 (“**CDBI**”) pursuant to which CDBI agreed to purchase 11,087,100 Shares for an aggregate price of HK\$465,658,200;
- (e) the cornerstone investment agreement dated 13 May 2016 and entered into between, among others, the Company and China Life Franklin Asset Management Co., Limited (“**China Life Franklin**”) pursuant to which China Life Franklin agreed to purchase 9,239,200 Shares for an aggregate price of HK\$388,046,400;
- (f) the cornerstone investment agreement dated 13 May 2016 and entered into between, among others, the Company and Oman Investment Fund pursuant to which Oman Investment Fund agreed to purchase 9,239,200 Shares for an aggregate price of HK\$388,046,400;

- (g) the cornerstone investment agreement dated 13 May 2016 and entered into between, among others, the Company, Colour Wish Limited (彩望有限公司) (“**Colour Wish**”) and Hony Capital Group, L.P. pursuant to which Colour Wish agreed to purchase 9,239,200 Shares for an aggregate price of HK\$388,046,400;
- (h) the cornerstone investment agreement dated 13 May 2016 and entered into between, among others, the Company and Elion International Investment Limited pursuant to which Elion International Investment Limited agreed to purchase 7,391,400 Shares for an aggregate price of HK\$310,438,800;
- (i) the cornerstone investment agreement dated 13 May 2016 and entered into between, among others, the Company and Fullerton Fund Management Company Ltd. (“**Fullerton**”), acting for and on behalf of certain funds and investment accounts under its management as set out in schedule 1 to the agreement, pursuant to which Fullerton agreed to purchase 7,021,800 Shares for an aggregate price of HK\$294,915,600;
- (j) the cornerstone investment agreement dated 13 May 2016 and entered into between, among others, the Company and Peak Reinsurance Company Limited pursuant to which Peak Reinsurance Company Limited agreed to purchase 6,467,500 Shares for an aggregate price of HK\$271,635,000;
- (k) the cornerstone investment agreement dated 13 May 2016 and entered into between, among others, the Company and The Boeing Company pursuant to which The Boeing Company agreed to purchase 5,543,500 Shares for an aggregate price of HK\$232,827,000; and
- (l) the cornerstone investment agreement dated 13 May 2016 and entered into between, among others, the Company and China South Industries Assets Management Co., Ltd (“**South Industries Assets**”) pursuant to which South Industries Assets agreed to purchase 5,543,500 Shares for an aggregate price of HK\$232,827,000.

6. MISCELLANEOUS

- (a) Mr. Chan Victor Sun Ho is the company secretary of the Company. Mr. Chan is a qualified solicitor of the High Court of Hong Kong.
- (b) The Company’s branch share registrar in Hong Kong is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text in the event of any inconsistency.

7. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the offices of Freshfields Bruckhaus Deringer at 11th Floor, Two Exchange Square, Central, Hong Kong on any weekday (excluding Saturdays, Sundays and public holidays) during the period of 14 days from the date of this circular:

- (1) the Constitution of the Company;
- (2) the interim report of the Company for the six months ended 30 June 2016;
- (3) the Prospectus;
- (4) the material contracts of the Group referred to in “— *Material Contracts*” above; and
- (5) this circular.