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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

The Board of Directors (the “**Board**”) of China Aircraft Leasing Group Holdings Limited (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2019 as follows:

FINANCIAL HIGHLIGHTS

| | For the six months ended 30 June | | Change |
|--|-------------------------------------|-----------------------------|--------|
| | 2019 <i>HK\$'Million</i> | 2018 <i>HK\$'Million</i> | |
| Revenue and other income | 1,675.3 | 1,612.1 | +3.9% |
| Profit for the period | 312.4 | 307.8 | +1.5% |
| EPS (Basic) (<i>HK\$</i>) | 0.461 | 0.454 | +1.5% |
| Interim dividend per share (<i>HK\$</i>) | 0.23 | 0.22 | +4.5% |

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM BUSINESS REVIEW

During the period under review, China Aircraft Leasing Group Holdings Limited (“**CALC**” or the “**Company**”, together with its subsidiaries, the “**Group**”) steadily implemented its aviation ecosystem strategy and integrated the demands of stakeholders in the global aviation industry chain including aircraft original equipment manufacturers (“**OEMs**”), airlines, financiers for aircraft assets, aviation services and financing, in order to create a one-stop aircraft asset management platform that optimizes overall economic efficiency.

OUR FLEET

In the first half of 2019, the Group continued to expand its fleet and optimize its portfolio. The Group delivered five new aircraft to airlines and took redelivery of an aged aircraft which was then sold to its associate company Aircraft Recycling International Limited and its subsidiaries (“**ARI**”). As at 30 June 2019, CALC had 115 owned aircraft, with 227 aircraft in its order book to be delivered by 2023. During the period under review, the Group sold an addition of four aircraft into CAG Bermuda 1 Ltd and its subsidiaries (“**CAG**”), an international aircraft leasing and investment platform, increasing the total number of aircraft the Group managed for CAG to 22. The fleet size including the managed aircraft grew to 137 aircraft as at 30 June 2019 (133 aircraft as at 31 December 2018). During the period under review, CALC signed letters of intent to lease 25 aircraft, and continued to explore versatile channels, including purchase and leasebacks, as well as portfolio acquisition, to expand its fleet.

CALC maintains one of the youngest and most modern fleets with longest average remaining lease terms amongst global operating lessors. As at 30 June 2019, its fleet had an average age of 4.1 years, average remaining lease terms of approximately 7.8 years (as at the end of 2018, its fleet had an average age of 3.7 years and average remaining lease terms of approximately 8.3 years), and an occupancy rate of 99% for its fleet. Of the current fleet of owned and managed aircraft, mainland Chinese airlines and non-Chinese carriers took up 68% and 32% respectively as at 30 June 2019. CALC’s client base spanned across 33 airlines in 15 countries and regions.

ASSET-LIGHT MODEL GAINS MOMENTUM

As of 30 June 2019, the number of aircraft under the Group's management increased to 22, further strengthening its asset management capability. In addition, in moving the multi-facet development of the asset-light model forward, the Group proactively pressed ahead its aircraft portfolio trading business, focusing on investors' high demand for long-term stable cash flow and quality aircraft assets with strong liquidity. The rapid flow of capital is expected to realize efficient operations that maximize the returns of the Group's equity. During the period under review, the Group reached letters of intent for the sale of six aircraft portfolio with three investors, and the transactions are expected to be completed within the year. The sale of aircraft portfolio will become a significant part of the Group's efforts in underscoring asset-light operations in the future.

CARRYING THROUGH THE FULL AVIATION VALUE CHAIN

CALC continued to implement the strategic model of the full aviation value chain. During the period under review, ARI's aircraft disassembly and aircraft components trading business continued to make headway. In April 2019, CALC and ARI collaborated in completing an old aircraft portfolio delivery of three aircraft and one airframe from China Southern Air Leasing Limited Company ("**CSA Leasing**"). This project was the first transaction completed on a public platform run by Guangzhou Enterprises Mergers and Acquisitions Services, as well as the first collaboration between CALC and CSA Leasing on an old aircraft portfolio cross-border transaction. Disassembly of the aircraft portfolio was completed. At the same time, the MRO business of ARI's joint venture obtained a CCAR 145 maintenance permit from Civil Aviation Administration of China for the line maintenance of the Boeing 737NG and Airbus A320 models, with operations expected to commence this year.

EXPLORING FINANCING CHANNELS TO ENLARGE FINANCIAL SCALE

During the period under review, the Group proactively explored financing channels in both China and overseas. In May this year, the Group signed a five-year unsecured revolving syndicated loan to finance its Pre-Delivery Payments ("**PDP**") for new aircraft orders. The loan attracted a total of 17 banks, a number of which took their first step in the aviation financing sector. The syndicated loan, launched at US\$500 million, closed at US\$840 million thanks to overwhelming market response, becoming one of the largest of its kind in the world and boosting the dynamic aviation finance market in the region. It is also CALC's first revolving syndicated loan that enables doubling the number of its aircraft being financed.

CALC's subsidiary, China Asset Leasing Company Limited, issued the Group's first corporate bond in June. With an initial size of RMB500 million, the bond's issued scale went up to RMB1 billion as a result of oversubscription. This was the first corporate bond issued by a domestic operating aircraft lessor in the year of 2019. Both the issuer and the corporate bonds were rated AA+ by China Cheng Xin International Credit Rating Co Ltd. It is also the largest single corporate bond issued by a leasing company with an AA+ rating since 2018.

AWARDS

During the period under review, riding on its exceptional business performance and leading philosophy of development, the Company was named "Aircraft Lessor of the Year" by *Global Transport Finance* for the fourth consecutive year. In addition, the CAG project was awarded the "Editor's Deal of the Year for Innovation 2018" by *Airline Economics*, and also granted the "Asia Finance Editor's Deal of the Year" by Airfinance Journal China Awards 2018, recognizing the strength of the innovation in CALC's projects.

PROSPECT

Entering 2019, the growth of the global economy has been slowing down due to various uncertainties, including the escalating US-China trade dispute and geopolitical tensions. In terms of the aviation industry, the grounding of one of the mainstream aircraft models together with the delivery delay of some other aircraft have resulted in short supply for narrow body aircraft in the short term. Despite the challenges, CALC maintains a prudent and optimistic attitude. CALC will continue to provide high value-added solutions for global airline clients as part of China Everbright Group's implementation of its "Four World-leading" initiatives, and is resolved to spare no effort in building a global aircraft leasing company.

During the period under review, Mr. Zhao Wei succeeded Mr. Chen Shuang as CALC's new Chairman of the Board. The Group warmly welcomes Mr. Zhao joining the Board and appreciates previous Chairman Mr. Chen's precious and outstanding contribution to the Group's development and accomplishments over the past few years, especially in pushing for the Company's listing on the main board of the Stock Exchange of Hong Kong in 2014. With his support for the Group's business model, the Company has implemented its corporate strategy effectively. In addition, thanks to Mr. Chen's resources and experience in the financing and banking sector, the Group has established a strong financing network to further boost its business. The Company would like to express its highest respect and heartfelt gratitude for his outstanding achievements in the Group during his tenure.

1. RESULTS

For the six months ended 30 June 2019, the Group delivered five aircraft and disposed five aircraft, maintaining its fleet size to 115. Revenue and other income was HK\$1,675.3 million, an increase of HK\$63.2 million or 3.9% from the corresponding period last year. Profit for the period ended 30 June 2019 amounted to HK\$312.4 million, an increase of HK\$4.6 million or 1.5% compared with the corresponding period last year.

Total assets were HK\$43,241.4 million as at 30 June 2019, compared with HK\$41,427.1 million as at 31 December 2018, an increase of HK\$1,814.3 million or 4.4%. The increase in assets was mainly due to the increase in PDP made for aircraft acquisition during the current period. Total liabilities amounted to HK\$39,672.9 million as at 30 June 2019, an increment of HK\$2,025.6 million or 5.4% compared with HK\$37,647.3 million as at 31 December 2018. This was mainly due to increased borrowings during the current period, which was in line with the increase in total assets.

2. ANALYSIS OF INCOME AND EXPENSES

| | Unaudited | | |
|---|---------------------------------|---------------------|---------------|
| | Six months ended 30 June | | |
| | 2019 | 2018 | Change |
| | <i>HK\$'Million</i> | <i>HK\$'Million</i> | |
| Finance lease income | 352.2 | 432.4 | -18.5% |
| Operating lease income | 877.2 | 729.7 | 20.2% |
| Total lease income | 1,229.4 | 1,162.1 | 5.8% |
| Contribution from aircraft transactions and aircraft trading | 218.1 | 243.0 | -10.2% |
| Government grants | 121.7 | 118.1 | 3.0% |
| Interest income from loans to an associate | 35.3 | 44.8 | -21.2% |
| Bank interest income | 10.7 | 7.1 | 50.7% |
| Sundry income | 60.1 | 37.0 | 62.4% |
| Other income | 445.9 | 450.0 | -0.9% |
| Total revenue and other income | 1,675.3 | 1,612.1 | 3.9% |
| Total operating expenses | (1,269.4) | (1,200.3) | 5.8% |
| Other gains | 4.0 | 7.1 | -43.7% |
| Profit before income tax | 409.9 | 418.9 | -2.1% |
| Income tax expenses | (97.5) | (111.1) | -12.2% |
| Profit for the period | 312.4 | 307.8 | 1.5% |

2.1 Revenue and Other Income

For the six months ended 30 June 2019, revenue and other income amounted to HK\$1,675.3 million compared with HK\$1,612.1 million for the corresponding period last year, an increase of HK\$63.2 million or 3.9%.

Lease income from finance leases and operating leases for the six months ended 30 June 2019 was totalled HK\$1,229.4 million, compared with HK\$1,162.1 million for the six months ended 30 June 2018, an increase of HK\$67.3 million or 5.8%. The decrease in finance lease income by HK\$80.2 million to HK\$352.2 million was due to the decrease in fleet size under finance lease from 67 aircraft as at 30 June 2018 to 61 aircraft as at 30 June 2019. The growth in operating lease income by HK\$147.5 million to HK\$877.2 million was attributable to the increase in fleet size under operating leases from 42 aircraft as at 30 June 2018 to 53 aircraft as at 30 June 2019.

The Group recognised contribution from aircraft transactions and aircraft trading amounted to HK\$218.1 million during the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$243.0 million). During the period under review, the Group completed disposal of four aircraft to CAG and one aircraft to ARI. During the six months ended 30 June 2018, the Group completed disposal of four aircraft to CAG, one aircraft to ARI and finance lease receivables of one aircraft.

Government grants for the six months ended 30 June 2019 amounted to HK\$121.7 million, compared with HK\$118.1 million for the six months ended 30 June 2018, an increase of HK\$3.6 million or 3.0%. The increase in government grants was mainly due to increase in the number of aircraft that entitled to the government grants.

2.2 Total Operating Expenses

During the six months ended 30 June 2019, the Group had the following operating expenses:

| | Unaudited | | Change |
|--------------------------|--------------------------|---------------------|-------------|
| | Six months ended 30 June | | |
| | 2019 | 2018 | |
| | <i>HK\$'Million</i> | <i>HK\$'Million</i> | |
| Interest expenses | 715.5 | 697.9 | 2.5% |
| Depreciation | 362.2 | 289.9 | 24.9% |
| Other operating expenses | 191.7 | 212.5 | -9.8% |
| Total operating expenses | <u>1,269.4</u> | <u>1,200.3</u> | <u>5.8%</u> |

(a) Interest Expenses

For the six months ended 30 June 2019, interest expenses incurred by the Group amounted to HK\$715.5 million compared with HK\$697.9 million in the corresponding period last year, an increase of HK\$17.6 million or 2.5%.

(b) Depreciation

Depreciation mainly represented aircraft under operating leases. It increased by HK\$72.3 million or 24.9%. This was attributable to an increase in the number of aircraft under operating leases from 42 aircraft as at 30 June 2018 to 53 aircraft as at 30 June 2019.

(c) Other Operating Expenses

Other operating expenses mainly represented salaries and bonuses, professional fees related to the aircraft leasing business, and rentals and office administration expenses. The decrease in other operating expenses is due to the Group perform the cost control on operating expenses during the current period and the new adoption of HKFRS 16, "Leases" to recognise right-of-use assets for lease contracts with lease term greater than 1 year from operating expenses to lease assets and then depreciates throughout its lease period.

3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets

As at 30 June 2019, the Group's total assets amounted to HK\$43,241.4 million compared with HK\$41,427.1 million as at 31 December 2018, an increase of HK\$1,814.3 million or 4.4%.

| | Unaudited As at 30 June 2019 <i>HK\$'Million</i> | Audited As at 31 December 2018 <i>HK\$'Million</i> | Change |
|--|--|--|--------------------|
| Property, plant and equipment | 18,800.6 | 18,886.3 | -0.5% |
| Finance lease receivables – net | 10,042.0 | 10,020.8 | 0.2% |
| Interests in and loans to associates | 908.3 | 959.1 | -5.3% |
| Cash and bank balances | 4,401.7 | 4,166.5 | 5.6% |
| Prepayments and other assets | 8,348.2 | 6,771.9 | 23.3% |
| Aircraft trading assets | 138.2 | – | N/A |
| Derivative financial assets | 30.7 | 123.2 | -75.1% |
| Financial assets at fair value through profit or loss | <u>571.7</u> | <u>499.3</u> | <u>14.5%</u> |
| Total assets | <u><u>43,241.4</u></u> | <u><u>41,427.1</u></u> | <u><u>4.4%</u></u> |

3.1.1 Property, Plant and Equipment, and Finance Lease Receivables – Net

The majority of total assets as at 30 June 2019 represented property, plant and equipment, and finance lease receivables.

Property, plant and equipment mainly included the cost of aircraft classified as operating leases, net of their accumulated depreciation.

Net finance lease receivables represented the present value of minimum lease payments receivable from aircraft classified as finance leases and their residual values.

The total number of aircraft was 115 as at 30 June 2019, which was same as at 31 December 2018. Hence, there is no material changes in Property, plant and equipment, and Finance lease receivables – net during the current period.

3.1.2 Prepayments and Other Assets

Prepayments mainly represented PDP made to aircraft manufacturers for aircraft acquisition. The increase in PDP amounts was due to the increase in aircraft purchase commitment requiring PDP during the current period.

3.2 Liabilities

As at 30 June 2019, the Group's total liabilities amounted to HK\$39,672.9 million compared with HK\$37,647.3 million as at 31 December 2018, an increase of HK\$2,025.6 million or 5.4%.

An analysis is given as follows:

| | Unaudited As at 30 June 2019 <i>HK\$'Million</i> | Audited As at 31 December 2018 <i>HK\$'Million</i> | Change |
|----------------------------------|--|--|-------------|
| Borrowings | 27,533.4 | 24,603.2 | 11.9% |
| Bonds | 7,357.6 | 8,580.4 | -14.3% |
| Medium-term notes | 759.3 | 758.8 | 0.1% |
| Deferred income tax liabilities | 734.4 | 670.4 | 9.5% |
| Interest payables | 282.4 | 269.8 | 4.7% |
| Income tax payables | 23.4 | 29.3 | -20.1% |
| Derivative financial liabilities | 134.1 | – | N/A |
| Other liabilities and accruals | 2,848.3 | 2,735.4 | 4.1% |
| | <u>39,672.9</u> | <u>37,647.3</u> | <u>5.4%</u> |

3.2.1 Borrowings

| | Unaudited As at 30 June 2019 <i>HK\$'Million</i> | Audited As at 31 December 2018 <i>HK\$'Million</i> | Change |
|---|--|--|--------------|
| Bank borrowings | | | |
| Bank borrowings for aircraft acquisition financing | 15,813.1 | 15,634.4 | 1.1% |
| PDP financing | 4,148.9 | 3,455.3 | 20.1% |
| Other unsecured bank borrowings | 2,184.8 | 77.1 | 2,733.7% |
| | <u>22,146.8</u> | <u>19,166.8</u> | <u>15.5%</u> |
| Long-term borrowings | | | |
| Borrowings from trust plans | 5,057.6 | 5,114.3 | -1.1% |
| Other borrowings | 329.0 | 322.1 | 2.1% |
| | <u>5,386.6</u> | <u>5,436.4</u> | <u>-0.9%</u> |
| Total borrowings | <u>27,533.4</u> | <u>24,603.2</u> | <u>11.9%</u> |

3.2.2 Bonds

As at 30 June 2019, the following table summarises the senior unsecured US\$ and RMB bonds issued by the Group:

| Issue date | Terms | Maturity date | Coupon interest per annum | Principal amount (Million) | Carrying amount (HK\$'Million) | Note |
|-------------|-------------|---------------|---------------------------|-------------------------------|-----------------------------------|------|
| May 2016 | Three years | May 2019 | 5.9% | – | – | (a) |
| August 2016 | Five years | August 2021 | 4.9% | US\$300.0 | 2,335.1 | |
| March 2017 | Five years | March 2022 | 4.7% | US\$300.0 | 2,334.1 | |
| March 2017 | Seven years | March 2024 | 5.5% | US\$200.0 | 1,554.5 | |
| | | | | <u>US\$800.0</u> | 6,223.7 | (b) |
| June 2019 | Three years | March 2022 | 5.2% | <u>RMB1,000.0</u> | 1,133.9 | (c) |
| Total bonds | | | | | <u>7,357.6</u> | |

(a) In May 2019, the Group fully repaid the three-year US\$300.0 million (equivalent to approximately HK\$2,352.8 million) senior unsecured bonds, bearing coupon interest at 5.9% per annum at maturity date.

(b) These bonds are listed on the Hong Kong Stock Exchange.

(c) The bond is listed on the Shanghai Stock Exchange.

3.3 Equity

| | Unaudited As at 30 June 2019 <i>HK\$'Million</i> | Audited As at 31 December 2018 <i>HK\$'Million</i> | Change |
|---------------------|--|--|---------------------|
| Share capital | 67.7 | 67.7 | – |
| Reserves and others | 1,604.9 | 1,830.6 | –12.3% |
| Retained earnings | 1,895.9 | 1,881.5 | 0.8% |
| Total equity | <u>3,568.5</u> | <u>3,779.8</u> | <u>–5.6%</u> |

3.3.1 Reserves and others

During the six months ended 30 June 2019, the movements in reserves and others were primarily due to the increase in interest rate swap contracts entered into by the Group and changes in marked-to-market values of the derivative financial instruments as a result of changes in interest rate. Such dropping of interest rate in the current review period would cause a reduction of hedging reserves, which balance as at 30 June 2019 showed an accumulated unrealised loss of HK\$123.3 million as compared with an accumulated unrealised gain of HK\$80.4 million as at 31 December 2018.

4. ANALYSIS OF CASH FLOWS

The following table illustrates the cash position and cash flows for the six months ended 30 June 2019:

| | Unaudited | |
|---|--------------------------|-----------------------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | <i>HK\$'Million</i> | <i>HK\$'Million</i> |
| I: Aircraft in operation | | |
| Lease income | 1,113.4 | 1,085.4 |
| Bank interest and repayment | (865.0) | (779.6) |
| | <u>248.4</u> | <u>305.8</u> |
| II: Aircraft purchase and delivery | | |
| Capital expenditure | (1,775.0) | (3,252.3) |
| Bank borrowings | 1,203.4 | 3,047.9 |
| | <u>(571.6)</u> | <u>(204.4)</u> |
| III: New aircraft not yet delivered | | |
| PDP paid | (2,042.8) | (1,699.3) |
| PDP refunded | 568.7 | 448.9 |
| PDP financing | 2,022.4 | 1,621.0 |
| PDP financing interest and repayment | (1,436.2) | (350.7) |
| Advance payment for aircraft purchase | – | (346.0) |
| | <u>(887.9)</u> | <u>(326.1)</u> |
| IV: Net capital movement | | |
| Dividends paid | (298.0) | (284.8) |
| Disposal of finance lease receivables and aircraft | 1,762.4 | 1,939.9 |
| Early loan repayment on disposal of finance lease receivables and aircraft | (771.8) | (1,195.0) |
| (Placement)/release of deposits pledged in respect of borrowings and derivative financial instruments | (52.5) | 108.0 |
| Purchase of aircraft trading assets | (138.6) | – |
| Net proceeds/(net repayment) from borrowings | 2,191.9 | (1,270.1) |
| Net proceeds from issuance of bonds | 1,151.8 | – |
| Repayment of bonds | (2,352.8) | – |
| Net repayment/(payments) relating to interests in and loans to associates | 89.6 | (14.7) |
| Convertible bonds repurchase, interest and repayment | – | (155.2) |
| Investment to financial assets at fair value through profit or loss | (59.8) | (146.2) |
| Net cash used in other operating activities | <u>(107.0)</u> | <u>(96.5)</u> |
| | <u>1,415.2</u> | <u>(1,114.6)</u> |
| Net increase/(decrease) in cash and cash equivalents | 204.1 | (1,339.3) |
| Cash and cash equivalents at beginning of the period | 3,990.1 | 7,023.4 |
| Currency exchange difference on cash and cash equivalents | (21.9) | 11.0 |
| Cash and cash equivalents at end of the period | <u><u>4,172.3</u></u> | <u><u>5,695.1</u></u> |

5. CAPITAL MANAGEMENT

The primary objective of the Group's capital management policy is to ensure that it maintains a strong credit standing, as well as healthy capital ratios in order to support its business and maximise shareholder value.

Operations and capital expenditure requirements are funded by a combination of cash generated from operating activities, bank borrowings, long-term borrowings, issuance of bonds and medium-term notes, and disposal of finance lease receivables and aircraft. In order to meet the current rapid expansion, the Group will also consider both equity and debt financing opportunities.

For the six months ended 30 June 2019, the objectives, policies and processes for managing capital remained largely unchanged. The Group made full use of capital leverage and the asset-light strategy to keep pace with aircraft delivery.

The Group monitors capital through gearing ratios:

| | Unaudited As at 30 June 2019 HK\$'Million | Audited As at 31 December 2018 HK\$'Million | Change |
|--|--|--|-----------------------|
| Interest-bearing debts included in total liabilities | 35,650.3 | 33,942.4 | 5.0% |
| Total assets | 43,241.4 | 41,427.1 | 4.4% |
| Gearing ratio | <u>82.4%</u> | <u>81.9%</u> | <u>0.5p.p.</u> |

The majority of the Group's cash and bank balances, borrowings and bonds are denominated in US\$, for which the currency exchange risk is not material. The Group has entered into floating-to-fixed interest rate swaps to hedge against interest rate exposure.

6. HUMAN RESOURCES

As at 30 June 2019, staff of the Group numbered 171 (30 June 2018: 172). Total remuneration of employees for the six months ended 30 June 2019 amounted to HK\$74.9 million (six months ended 30 June 2018: HK\$75.7 million).

The Group has established effective employee incentive schemes to link the remuneration of its employees with their overall performance and contributions, and has established a merit-based remuneration awards system. It has also adopted share option schemes for the purpose of recognising the contribution of eligible employees to the growth of the Group.

7. CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

7.1 Contingent Liabilities

The Group had no material contingent liabilities outstanding as at 30 June 2019 (31 December 2018: Nil).

7.2 Capital Commitments for Aircraft Acquisition and Qualified Aircraft Leasing Activity

The Board confirms that the Company is a listed issuer actively engaged in aircraft leasing with aircraft operators as a principal business in its ordinary and usual course of business and the Company is therefore a Qualified Aircraft Lessor (as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited) (the “**Listing Rules**”). Acquisition or disposal of aircraft is a Qualified Aircraft Leasing Activity pursuant to the Listing Rules.

The Group’s total aircraft purchase commitment amounted to HK\$93.9 billion as at 30 June 2019 (31 December 2018: HK\$96.5 billion), representing estimated total purchase costs of the aircraft contracted to be purchased and delivered, net of PDP paid.

As at 30 June 2019, the Group had 227 aircraft in its order book, comprising 127 Airbus A320 aircraft and 100 Boeing B737 aircraft, which will be delivered in stages by the end of 2023.

During the period under review, the Group disposed of a cumulative number of five aircraft including one aircraft to ARI and four additional aircraft (other than the Initial Aircraft Portfolio) to CAG. Please refer to the Company’s announcements dated 15 April 2019 and 12 June 2019 for further details of the disposal of aircraft to CAG.

7.3 Shareholder Loan Commitment for Investment in CAG

The Group committed shareholder loan for investment in CAG amounted to approximately US\$94.7 million (equivalent to approximately HK\$739.8 million). As at 30 June 2019, the Group’s investment in CAG was US\$73.2 million (equivalent to HK\$571.7 million).

Other than the capital commitments stated above, the Group had no material plans for major investment or capital assets acquisition.

INTERIM CONSOLIDATED BALANCE SHEET

| | | Unaudited As at 30 June 2019 <i>HK\$'000</i> | Audited As at 31 December 2018 <i>HK\$'000</i> |
|---|-------------|--|--|
| | <i>Note</i> | | |
| ASSETS | | | |
| Property, plant and equipment | | 18,800,584 | 18,886,288 |
| Interests in and loans to associates | | 908,266 | 959,111 |
| Finance lease receivables – net | 5 | 10,042,023 | 10,020,816 |
| Financial assets at fair value through profit or loss | 6 | 571,741 | 499,323 |
| Derivative financial assets | | 30,711 | 123,174 |
| Aircraft trading assets | | 138,156 | – |
| Prepayments and other assets | | 8,348,223 | 6,771,875 |
| Restricted cash | | 229,326 | 176,451 |
| Cash and cash equivalents | | 4,172,369 | 3,990,107 |
| Total assets | | 43,241,399 | 41,427,145 |
| EQUITY | | | |
| Equity attributable to shareholders of the Company | | | |
| Share capital | | 67,727 | 67,727 |
| Reserves and others | | 1,604,837 | 1,830,609 |
| Retained earnings | | 1,895,921 | 1,881,523 |
| Total equity | | 3,568,485 | 3,779,859 |
| LIABILITIES | | | |
| Deferred income tax liabilities | | 734,446 | 670,401 |
| Borrowings | 7 | 27,533,450 | 24,603,195 |
| Medium-term notes | 8 | 759,263 | 758,831 |
| Bonds | 9 | 7,357,575 | 8,580,407 |
| Derivative financial liabilities | | 134,071 | – |
| Income tax payables | | 23,377 | 29,257 |
| Interest payables | | 282,394 | 269,775 |
| Other liabilities and accruals | | 2,848,338 | 2,735,420 |
| Total liabilities | | 39,672,914 | 37,647,286 |
| Total equity and liabilities | | 43,241,399 | 41,427,145 |

INTERIM CONSOLIDATED STATEMENT OF INCOME

| | | Unaudited | |
|--|--------------|---------------------------------|--------------------|
| | <i>Note</i> | Six months ended 30 June | |
| | | 2019 | 2018 |
| | | HK\$'000 | HK\$'000 |
| Revenue | | | |
| Finance lease income | | 352,165 | 432,421 |
| Operating lease income | | <u>877,194</u> | <u>729,666</u> |
| | <i>10</i> | <u>1,229,359</u> | <u>1,162,087</u> |
| Contribution from aircraft transactions and aircraft trading | <i>11</i> | 218,106 | 243,021 |
| Other income | <i>12</i> | <u>227,794</u> | <u>207,008</u> |
| | | <u>1,675,259</u> | <u>1,612,116</u> |
| Expenses | | | |
| Interest expenses | | (715,553) | (697,938) |
| Depreciation | | (362,181) | (289,907) |
| Other operating expenses | | <u>(191,690)</u> | <u>(212,456)</u> |
| | | <u>(1,269,424)</u> | <u>(1,200,301)</u> |
| Operating profit | | 405,835 | 411,815 |
| Share of loss of an associate | | (488) | – |
| Other gains | <i>13</i> | <u>4,525</u> | <u>7,107</u> |
| Profit before income tax | | 409,872 | 418,922 |
| Income tax expenses | <i>14</i> | <u>(97,475)</u> | <u>(111,077)</u> |
| Profit for the period | | <u>312,397</u> | <u>307,845</u> |
| Profit attributable to shareholders of the Company | | <u>312,397</u> | <u>307,845</u> |
| Earnings per share for profit attributable to shareholders of the Company (expressed in HK\$ per share) | | | |
| – Basic earnings per share | <i>15(a)</i> | <u>0.461</u> | <u>0.454</u> |
| – Diluted earnings per share | <i>15(b)</i> | <u>0.461</u> | <u>0.454</u> |

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Unaudited | |
|--|---------------------------------|------------------------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit for the period | <u>312,397</u> | <u>307,845</u> |
| Other comprehensive income/(expense) for the period: | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | |
| Cash flow hedges | (203,673) | 77,121 |
| Currency translation differences | <u>(22,438)</u> | <u>9,464</u> |
| Total other comprehensive income/(expense) for the period, net of tax | <u>(226,111)</u> | <u>86,585</u> |
| Total comprehensive income for the period | <u><u>86,286</u></u> | <u><u>394,430</u></u> |
| Total comprehensive income for the period attributable to shareholders of the Company | <u><u>86,286</u></u> | <u><u>394,430</u></u> |

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Unaudited | | | |
|---|---|---|---|------------------------------------|
| | Attributable to shareholders of the Company | | | |
| | Share capital <i>HK\$'000</i> | Reserves and others <i>HK\$'000</i> | Retained earnings <i>HK\$'000</i> | Total equity <i>HK\$'000</i> |
| Balance as at 31 December 2017 | 67,818 | 1,861,658 | 1,497,677 | 3,427,153 |
| Change in accounting policy | – | – | (9,785) | (9,785) |
| Restated balance as at 1 January 2018 | <u>67,818</u> | <u>1,861,658</u> | <u>1,487,892</u> | <u>3,417,368</u> |
| Comprehensive income | | | | |
| Profit for the period | – | – | 307,845 | 307,845 |
| Other comprehensive income | | | | |
| Cash flow hedges | – | 77,121 | – | 77,121 |
| Currency translation differences | – | 9,464 | – | 9,464 |
| Total comprehensive income | <u>–</u> | <u>86,585</u> | <u>307,845</u> | <u>394,430</u> |
| Transaction with shareholders | | | | |
| Dividends (<i>Note 16</i>) | – | – | (284,837) | (284,837) |
| Buy-back of shares | – | (3,487) | – | (3,487) |
| Share option scheme: | | | | |
| – Value of services | – | 3,472 | – | 3,472 |
| – Issue of new shares from exercise of share options | – | 7 | – | 7 |
| Transfer of reserves upon maturity of convertible bonds | – | (18,581) | 18,581 | – |
| Total transactions with shareholders | <u>–</u> | <u>(18,589)</u> | <u>(266,256)</u> | <u>(284,845)</u> |
| Balance as at 30 June 2018 | <u>67,818</u> | <u>1,929,654</u> | <u>1,529,481</u> | <u>3,526,953</u> |
| Balance as at 1 January 2019 | <u>67,727</u> | <u>1,830,609</u> | <u>1,881,523</u> | <u>3,779,859</u> |
| Comprehensive income | | | | |
| Profit for the period | – | – | 312,397 | 312,397 |
| Other comprehensive expense | | | | |
| Cash flow hedges | – | (203,673) | – | (203,673) |
| Currency translation differences | – | (22,438) | – | (22,438) |
| Total comprehensive income | <u>–</u> | <u>(226,111)</u> | <u>312,397</u> | <u>86,286</u> |
| Transaction with shareholders | | | | |
| Dividends (<i>Note 16</i>) | – | – | (297,999) | (297,999) |
| Share option scheme: | | | | |
| – Value of services | – | 339 | – | 339 |
| Total transactions with shareholders | <u>–</u> | <u>339</u> | <u>(297,999)</u> | <u>(297,660)</u> |
| Balance as at 30 June 2019 | <u>67,727</u> | <u>1,604,837</u> | <u>1,895,921</u> | <u>3,568,485</u> |

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

| | Unaudited | |
|--|---------------------------------|-----------------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| Cash flows from operating activities | | |
| Profit after income tax | 312,397 | 307,845 |
| Adjustments for: | | |
| – Depreciation | 362,181 | 289,907 |
| – Contribution from aircraft transactions | (216,657) | (243,021) |
| – Impairment loss/(reversal of impairment loss) of finance lease receivables | (956) | 7,367 |
| – Interest expenses | 715,553 | 697,938 |
| – Share-based payments | 339 | 3,472 |
| – Unrealised currency exchange gains | (9,532) | (3,714) |
| – Fair value losses/(gains) on interest rate and currency swaps | 18,886 | (6,944) |
| – Share of loss of an associate | 488 | – |
| – Interest income | (58,638) | (51,911) |
| | 1,124,061 | 1,000,939 |
| Changes in working capital: | | |
| – Finance lease receivables – net | (39,288) | (453,622) |
| – Aircraft trading assets | (138,598) | – |
| – Prepayments and other assets | 28,260 | (137,064) |
| – Other liabilities and accruals | 125,350 | 266,501 |
| – Income tax payables | (5,880) | (8,314) |
| – Deferred income tax liabilities | 64,879 | 98,098 |
| | 1,158,784 | 766,538 |
| Net cash flows generated from operating activities | 1,158,784 | 766,538 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (1,776,232) | (2,887,579) |
| Proceeds from disposal of aircraft | 1,688,819 | 1,610,645 |
| Deposits paid for acquisition of aircraft | (2,042,775) | (1,699,344) |
| Deposits refunded for acquisition of aircraft | 568,707 | 448,949 |
| Investment in an associate | (3,462) | – |
| Interest received | 10,723 | 7,142 |
| Net repayment/(payments) relating to loans to an associate | 89,557 | (14,736) |
| Investment to financial assets at fair value through profit or loss | (59,799) | (146,167) |
| | (1,524,462) | (2,681,090) |
| Net cash flow used in investing activities | (1,524,462) | (2,681,090) |

Unaudited
Six months ended 30 June
2019 **2018**
HK\$'000 *HK\$'000*

Cash flows from financing activities

| | | |
|---|-------------------------|-------------------------|
| Proceeds from issue of new shares from exercise of share options | – | 7 |
| Proceeds from borrowings | 8,559,824 | 6,190,894 |
| Proceeds from termination of derivative financial instruments | 3,961 | – |
| Issue of bonds, net of transaction costs | 1,151,837 | – |
| Repayments of borrowings | (5,587,332) | (4,561,262) |
| Repayment of bonds | (2,352,780) | – |
| Repurchase or repayment of convertible bonds, including transaction costs | – | (155,160) |
| Interest received in respect of derivative financial instruments | 22,550 | 1,666 |
| Interest paid in respect of borrowings, notes and bonds | (877,753) | (720,494) |
| (Increase)/decrease in deposits pledged in respect of borrowings and derivative financial instruments | (52,489) | 107,965 |
| Buy-back of shares, including transaction costs | – | (3,487) |
| Dividends paid to shareholders | (297,999) | (284,837) |
| | <hr/> | <hr/> |
| Net cash flows generated from financing activities | 569,819 | 575,292 |
| | <hr/> | <hr/> |
| Net increase/(decrease) in cash and cash equivalents | 204,141 | (1,339,260) |
| Cash and cash equivalents at beginning of the period | 3,990,107 | 7,023,359 |
| Currency exchange difference on cash and cash equivalents | (21,879) | 10,956 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at end of the period | <u>4,172,369</u> | <u>5,695,055</u> |

NOTES

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 21 December 2012 as an exempted company with limited liability under the Companies Law (2012 Revision) of the Cayman Islands. The address of the Company's registered office is Maples Corporate Services Limited, P.O. Box 309, Umland House, Grand Cayman KY1-1104, Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 11 July 2014 (the "**Listing**").

The Company is an investment holding company and its subsidiaries are principally engaged in the aircraft leasing business. The Company and its subsidiaries (together, "**the Group**") have operations mainly in Mainland China and other countries or regions globally.

The interim condensed consolidated financial information for the six months ended 30 June 2019 ("**Interim Financial Information**") is presented in Hong Kong Dollar ("**HK\$**"), unless otherwise stated.

The Interim Financial Information has been reviewed, not audited.

2 BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**") "Interim financial reporting". The Interim Financial Information should be read in conjunction with the Group's financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and included in the 2018 annual report of the Company.

(a) Going concern

Aircraft leasing is a capital-intensive business. As at 30 June 2019, the Group's current liabilities exceeded its current assets by HK\$2,063.5 million. The Group had total capital commitments of HK\$94,058.0 million mainly relating to acquisition of aircraft, of which HK\$5,794.8 million is payable within one year. The Group will satisfy these capital commitments through the Group's internal resources and may need to raise additional funds through PDP financing, new commercial aircraft bank loans, bonds, other debt and capital financing, and the asset-light strategy including disposal of aircraft. In view of such circumstances, the directors of the Company have given due and careful consideration to the liquidity of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to fulfil its financial obligations and its capital commitments; and thus its ability to continue as a going concern. The directors of the Company adopted a going concern basis in preparing the consolidated financial statements based on the following assessments:

- According to the relevant aircraft purchase agreements, PDP scheduled to be paid in the next twelve months from 30 June 2019 amounted to HK\$3,096.4 million. Up to the approval date of the consolidated financial statements, the Group had signed PDP financing agreements and term sheets with various commercial banks which have agreed to provide financing of HK\$2,763.7 million to the Group in the next twelve months from 30 June 2019. The remaining balance of PDP amounting to HK\$332.7 million is to be funded by internal resources, available banking facilities or additional financing.

- The new commercial aircraft bank borrowings are primarily used for the repayment of the PDP financing and the balance of the aircraft acquisition cost. Such aircraft acquisition borrowing will only be confirmed before delivery of the relevant aircraft. Based on industry practice and prior experience, long-term aircraft borrowings will be granted by the banks if the aircraft can be leased out to airline companies. Lease agreements or letters of intent have already been signed for the aircraft scheduled for delivery in the next twelve months from 30 June 2019. The directors of the Company thus believe that long-term aircraft borrowings can be obtained or financed by other internal resources, issuing bonds and available banking facilities which can be used to settle the PDP financing and the balance payments of the aircraft acquisition costs due in the next twelve months from 30 June 2019.

The directors of the Company have reviewed the Group's cash flow forecasts prepared by management, covering a period of not less than twelve months from 30 June 2019. The forecasts are based on a number of assumptions including aircraft delivery and leasing schedules, planned disposal of finance lease receivables and disposal of aircraft, internal resources, available banking facilities that have been granted or will be granted, other available sources of financing, and the amount of capital commitments.

On this basis, the directors of the Company are of the opinion that, the Group expects to have sufficient working capital to finance its operations and to meet its financial obligations, including those capital commitments in the next twelve months from 30 June 2019. Accordingly, the directors of the Company consider that the Group will be in a position to continue as a going concern and have prepared the consolidated financial statements on a going concern basis.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the Group's consolidated financial statements for the year ended 31 December 2018.

New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2019:

HKFRS 16, 'Leases'

HK (IFRIC) 23, 'Uncertainty over income tax treatments'

Amendments to HKFRS 9, 'Prepayment features with negative compensation'

Amendments to HKAS 19, 'Plan amendment, curtailment or settlement'

Amendment to HKAS 28, 'Long-term interests in associates and joint ventures'

Annual improvements to HKFRS standards 2015 – 2017 cycle

The impact of adoption of HKFRS 16 is disclosed in note 4 below. Other new and revised HKFRSs did not have a material impact on the Group's accounting policies and did not require retrospective adjustments.

4 CHANGES IN ACCOUNTING POLICY

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's consolidated financial statements and also discloses the new accounting policy that has been applied from 1 January 2019, where it is different to that applied in prior periods.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.0%.

| | 2019 |
|--|-----------------|
| | HK\$'000 |
| Operating lease commitments disclosed as at 31 December 2018 | 40,729 |
| Discounted using the lessee's incremental borrowing rate of at the date of initial application | 38,574 |
| Less: short-term leases recognised on a straight-line basis as expense | (9,188) |
| | <hr/> |
| Lease liability recognised as at 1 January 2019 | 29,386 |
| | <hr/> |
| Of which are: | |
| Current lease liabilities | 16,008 |
| Non-current lease liabilities | 13,378 |
| | <hr/> |
| | 29,386 |
| | <hr/> |

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018 and the finance lease receivable on sublease. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets and finance lease receivables – net relate to the following types of assets:

| | 30 June 2019 | 1 January 2019 |
|--|---------------------|-----------------|
| | HK\$'000 | HK\$'000 |
| Right-of-use assets (Properties) | 16,187 | 22,060 |
| Finance lease receivables – net (Properties) | 5,095 | 7,326 |

5 FINANCE LEASE RECEIVABLES – NET

| | Unaudited | Audited |
|--|--------------------------|--------------------|
| | As at | As at |
| | 30 June | 31 December |
| | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Finance lease receivables | 3,521,489 | 3,790,263 |
| Guaranteed residual values | 5,835,492 | 5,849,909 |
| Unguaranteed residual values | <u>6,483,238</u> | <u>6,548,174</u> |
| Gross investment in leases | 15,840,219 | 16,188,346 |
| Less: Unearned finance income | <u>(5,785,089)</u> | <u>(6,153,437)</u> |
| Net investment in leases | 10,055,130 | 10,034,909 |
| Less: Accumulated allowance for impairment | <u>(13,107)</u> | <u>(14,093)</u> |
| Finance lease receivables – net | <u>10,042,023</u> | <u>10,020,816</u> |

Reconciliation between the gross investment in finance leases at the end of each reporting period and the present value of minimum lease payments receivable under such leases at the end of each reporting period is set out below:

| | Unaudited | Audited |
|--|-------------------------|--------------------|
| | As at | As at |
| | 30 June | 31 December |
| | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Gross investment in finance leases | 15,840,219 | 16,188,346 |
| Less: Unguaranteed residual values | <u>(6,483,238)</u> | <u>(6,548,174)</u> |
| Minimum lease payments receivable | 9,356,981 | 9,640,172 |
| Less: Unearned finance income related to minimum lease payments receivable | <u>(3,186,808)</u> | <u>(3,406,188)</u> |
| Present value of minimum lease payments receivable | <u>6,170,173</u> | <u>6,233,984</u> |

The table below analyses the Group's gross investment in finance leases by relevant maturity groupings at the end of each reporting period:

| | Unaudited | Audited |
|--|--------------------------|-------------------|
| | As at | As at |
| | 30 June | 31 December |
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| Gross investment in finance leases | | |
| – Not later than 1 year | 857,929 | 952,009 |
| – Later than 1 year and not later than 5 years | 2,105,352 | 1,955,373 |
| – Later than 5 years | 12,876,938 | 13,280,964 |
| | <u>15,840,219</u> | <u>16,188,346</u> |

The table below analyses the present value of minimum lease payments receivable under finance leases by relevant maturity groupings at the end of each reporting period:

| | Unaudited | Audited |
|--|-------------------------|------------------|
| | As at | As at |
| | 30 June | 31 December |
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| Present value of minimum lease payments receivable | | |
| – Not later than 1 year | 515,712 | 542,839 |
| – Later than 1 year and not later than 5 years | 1,166,100 | 1,112,478 |
| – Later than 5 years | 4,488,361 | 4,578,667 |
| | <u>6,170,173</u> | <u>6,233,984</u> |

The following table sets forth the finance lease receivables attributable to airlines companies:

| | Unaudited | | Audited | |
|--|---------------------------|--------------------|------------------------|-------------|
| | As at 30 June 2019 | | As at 31 December 2018 | |
| | HK\$'000 | % | HK\$'000 | % |
| Categorised by customer in terms of lease receivables: | | | | |
| Five largest airline companies | 8,029,309 | 80% | 8,060,406 | 80% |
| Other companies | 2,012,714 | 20% | 1,960,410 | 20% |
| Finance lease receivables – net | <u>10,042,023</u> | <u>100%</u> | <u>10,020,816</u> | <u>100%</u> |

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Unaudited | Audited |
|----------------------------|------------------|-----------------|
| | As at | As at |
| | 30 June | 31 December |
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| Long term debt investments | <u>571,741</u> | <u>499,323</u> |

CAG are principally engaged in aircraft portfolio investment. CAG uses the fund injected through the shareholder's loan from the Group and the mezzanine financing from other investors at a ratio of 20% to 80%, together with a shareholding between the Group and other investors at the same ratio. Pursuant to shareholders' agreement and shareholder loan agreement, all investors of CAG committed to invest in CAG through shareholder loans according to the shareholding proportion. The Group's committed shareholder loan is approximately US\$94,700,000 (equivalent to approximately HK\$739,787,000).

7 BORROWINGS

| | Unaudited | Audited |
|--|-------------------|-------------------|
| | As at | As at |
| | 30 June | 31 December |
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| Bank borrowings | | |
| Bank borrowings for aircraft acquisition financing (a) | 15,813,085 | 15,634,391 |
| PDP financing (b) | 4,148,949 | 3,455,263 |
| Other unsecured bank borrowings (c) | <u>2,184,750</u> | <u>77,098</u> |
| | <u>22,146,784</u> | <u>19,166,752</u> |
| Long-term borrowings | | |
| Borrowings from trust plans (d) | 5,057,603 | 5,114,323 |
| Other borrowings (e) | <u>329,063</u> | <u>322,120</u> |
| | <u>5,386,666</u> | <u>5,436,443</u> |
| | <u>27,533,450</u> | <u>24,603,195</u> |

Bank borrowings

- (a) Bank borrowings for aircraft acquisition financing are principally based on fixed or floating US\$ LIBOR rates. As at 30 June 2019, certain bank borrowings were secured by, in addition to other legal charges, the related aircraft leased to airline companies under either finance leases or operating leases, pledge of the shares in the subsidiaries owning the related aircraft, guarantees from certain companies of the Group, and pledge of deposits amounting to HK\$59,843,000 (31 December 2018: HK\$128,678,000).
- (b) As at 30 June 2019, PDP financing of HK\$3,050,518,000 (31 December 2018: HK\$2,184,082,000) was unsecured and guaranteed by the Company. Other PDP financing was secured by certain rights and benefits in respect of the acquisition of the aircraft, and guarantees from certain companies of the Group.
- (c) As at 30 June 2019, the Group had other unsecured bank borrowings of HK\$2,184,750,000 (31 December 2018: HK\$77,098,000) which were guaranteed by certain companies of the Group.

The Group has the following undrawn borrowing facilities:

| | Unaudited | Audited |
|----------------------------|------------------|-----------------|
| | As at | As at |
| | 30 June | 31 December |
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| Floating rate: | | |
| – Expiring within one year | 60,340 | 273,309 |
| – Expiring beyond one year | 6,004,359 | 6,133,418 |
| | 6,064,699 | 6,406,727 |

Long-term borrowings

- (d) As at 30 June 2019, 46 borrowings (31 December 2018: 46 borrowings) were provided to the Group by investors under trust plans or an asset-backed securities programme (both are in relation to the disposal of finance lease receivable transactions). The effective average interest rates of the long-term borrowings range from 3.5% to 7.8% (31 December 2018: 3.5% to 7.8%) per annum for remaining terms of five to 11 years (31 December 2018: five to 11 years). These long-term borrowings are secured by the shares of, and the aircraft held by the relevant subsidiaries, guaranteed by certain companies of the Group, and pledge of deposits amounting to HK\$44,198,000 (31 December 2018: HK\$44,296,000).
- (e) As at 30 June 2019, four borrowings (31 December 2018: four borrowings) were obtained through a structured financing arrangement for four aircraft (31 December 2018: four aircraft) delivered to airlines. These borrowings bear an effective interest rate ranging from 3.9% to 5.7% (31 December 2018: 3.9% to 5.7%) per annum for their remaining terms of six to seven years (31 December 2018: six to seven years) and are guaranteed by the Company.

8 MEDIUM-TERM NOTES

In July 2015, the Group issued five-year senior unsecured medium-term notes in a principal amount of RMB340 million due in 2020, bearing coupon interest at 6.50% per annum.

In November 2016, the Group issued five-year senior unsecured medium-term notes in a principal amount of RMB330 million due in 2021, bearing coupon interest at 4.19% per annum.

As at 30 June 2019, after deducting the issuing cost, the total carrying amount of these notes was HK\$759,263,000 (31 December 2018: HK\$758,831,000).

9 BONDS

In May 2016, the Group issued three-year US\$300 million senior unsecured bonds due in May 2019, bearing coupon interest at 5.9% per annum, payable semi-annually. The bond has been fully repaid on maturity.

In August 2016, the Group issued five-year US\$300 million senior unsecured bonds due in 2021, bearing coupon interest at 4.9% per annum, payable semi-annually. These bonds were listed on the Stock Exchange and are guaranteed by the Company.

In March 2017, the Group issued senior unsecured bonds in an aggregate principal amount of US\$500 million, of which US\$300 million are five-year bonds due in 2022 and US\$200 million are seven-year bonds due in 2024. The bonds bear coupon interest at 4.7% and 5.5% per annum, respectively, payable semi-annually. These bonds were listed on the Stock Exchange and are guaranteed by the Company.

In June 2019, one of wholly owned subsidiary in PRC issued three-year RMB1.0 billion unsecured bond due in 2022, bearing coupon rate of 5.2% per annum and is listed on the Shanghai Stock Exchange. Both the issuer and the corporate bonds were rated AA+ by China Cheng Xin International Credit Rating Company Limited.

After deducting the issuing cost, total carrying amount of these bonds as at 30 June 2019 was HK\$7,357,575,000 (31 December 2018: HK\$8,580,407,000).

10 LEASE INCOME AND SEGMENT INFORMATION

During the six months ended 30 June 2019, the Group was engaged in a single business segment, the provision of aircraft leasing services to global airline companies. The Group leases its aircraft to airline companies under finance leases or operating leases under which it receives rentals.

The following table sets forth the amounts of total finance and operating lease income attributable to individual airline companies:

| | Unaudited | | | |
|---|--------------------------|-------------|------------------|-------------|
| | Six months ended 30 June | | 2018 | |
| | 2019 | | 2018 | |
| | HK\$'000 | % | HK\$'000 | % |
| Categorised by customer in terms of lease income: | | | | |
| Airline company – A | 220,874 | 18% | 99,840 | 9% |
| Airline company – B | 127,165 | 10% | 92,015 | 8% |
| Airline company – C | 82,255 | 7% | 63,508 | 5% |
| Airline company – D | 80,296 | 7% | 83,160 | 7% |
| Airline company – E | 77,283 | 6% | 76,127 | 7% |
| Other companies | 641,486 | 52% | 747,437 | 64% |
| Total finance and operating lease income | <u>1,229,359</u> | <u>100%</u> | <u>1,162,087</u> | <u>100%</u> |

11 CONTRIBUTION FROM AIRCRAFT TRANSACTIONS AND AIRCRAFT TRADING

| | Unaudited | |
|---------------------------|--------------------------|-----------------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Aircraft transactions (a) | 216,657 | 243,021 |
| Aircraft trading (b) | 1,449 | – |
| | <u>218,106</u> | <u>243,021</u> |

- (a) The net gain from aircraft transactions for the six months ended 30 June 2019 included disposal of one aircraft to ARI, and the disposal of four aircraft to CAG determined by comparing the net proceeds with the relevant carrying amount of net assets less transaction costs and other expenses.

The net gain from aircraft transactions for the six months ended 30 June 2018 included disposal of the finance lease receivables of one aircraft, the disposal of one aircraft to ARI and the disposal of four aircraft to CAG, determined by comparing the net proceeds with the relevant carrying amount of net assets less transaction costs and other expenses.

- (b) Aircraft trading

| | Unaudited | |
|---------------------------------------|--------------------------|-----------------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Sales from aircraft trading assets | 17,254 | – |
| Less: Cost of aircraft trading assets | (15,805) | – |
| | <u>1,449</u> | <u>–</u> |

12 OTHER INCOME

| | Unaudited | |
|--|--------------------------|-----------------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Government grants (a) | 121,663 | 118,097 |
| Bank interest income | 10,723 | 7,142 |
| Interest income from loans to an associate | 35,296 | 44,769 |
| Servicer fees income from CAG | 10,368 | – |
| Operating lease income on office premises from a related party | – | 638 |
| Operating lease income on other assets from a related party | 1,320 | 1,320 |
| Operating lease income on office premises from an associate | – | 1,420 |
| Others | 48,424 | 33,622 |
| | <u>227,794</u> | <u>207,008</u> |

- (a) Government grants represent the grants and subsidies received from Mainland China government to support the development of aircraft leasing industry.

13 OTHER GAINS

| | Unaudited | |
|--|--------------------------|--------------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| Fair value losses on interest rate swaps | (10,113) | – |
| Unrealised gains/(losses) on a currency swap | 1,282 | (2,445) |
| Realised (losses)/gains on interest rate swaps | (10,055) | 9,389 |
| Currency exchange gains | 10,792 | 163 |
| Interest income from CAG | 12,619 | – |
| | <u>4,525</u> | <u>7,107</u> |

14 INCOME TAX EXPENSES

| | Unaudited | |
|--------------------------------------|--------------------------|----------------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| Current income tax: | | |
| Mainland China, Hong Kong and others | 32,750 | 12,950 |
| Deferred income tax | 64,725 | 98,127 |
| | <u>97,475</u> | <u>111,077</u> |

15 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2018 and 2019.

| | Unaudited | |
|--|--------------------------|----------------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| Profit attributable to shareholders of the Company (HK\$'000) | 312,397 | 307,845 |
| Weighted average number of ordinary shares in issue (number of shares in thousands) | <u>677,269</u> | <u>678,173</u> |
| Basic earnings per share (HK\$ per share) | <u>0.461</u> | <u>0.454</u> |

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. Share options are dilutive where they would result in the issue of ordinary shares for less than the average market price of ordinary shares during the period. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the period) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

| | Unaudited | |
|--|---------------------------------|---------------------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| Earnings | | |
| Profit attributable to shareholders of the Company (<i>HK\$'000</i>) | <u>312,397</u> | <u>307,845</u> |
| Weighted average number of ordinary shares for diluted earnings per share | | |
| Weighted average number of ordinary shares in issue (<i>number of shares in thousands</i>) | 677,269 | 678,173 |
| Adjustment for: | | |
| – Share options (<i>number of shares in thousands</i>) | <u>–</u> | <u>–</u> |
| Weighted average number of ordinary shares for diluted earnings per share (<i>number of shares in thousands</i>) | <u>677,269</u> | <u>678,173</u> |
| Diluted earnings per share (<i>HK\$ per share</i>) | <u><u>0.461</u></u> | <u><u>0.454</u></u> |

16 DIVIDENDS

| | Unaudited | |
|---|---------------------------------|-----------------------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| Interim dividend proposed of HK\$0.23 (2018: HK\$0.22) per ordinary share | <u><u>155,772</u></u> | <u><u>148,999</u></u> |

A final dividend of HK\$0.42 per ordinary share totalling HK\$284.8 million for the year ended 31 December 2017, which was paid in June 2018.

An interim dividend of HK\$0.22 per ordinary share totalling HK\$149.0 million for the six months ended 30 June 2018, which was paid in September 2018.

A final dividend of HK\$0.44 per ordinary share totalling HK\$298.0 million for the year ended 31 December 2018, which was paid in June 2019.

On 27 August 2019, the Board declared an interim dividend of HK\$0.23 per ordinary share totalling HK\$155.8 million which is calculated based on 677,269,380 issued shares as at 27 August 2019. The proposed dividend is not reflected as a dividend payable in the consolidated financial statements as at 30 June 2019, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2019.

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK\$0.23 per share in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$0.22 per share) to shareholders whose names appear on the register of members of the Company on 12 September 2019. The interim dividend will be paid on or about 26 September 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from 11 September 2019 to 12 September 2019, both days inclusive, during which period, no transfer of shares will be registered. The record date on which the shareholders of the Company are qualified to receive the interim dividend is 12 September 2019. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 10 September 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining good corporate governance standards. The Group acknowledges the vital importance of good corporate governance to the Group's success and sustainability.

The Board is also committed to achieving a high standard of corporate governance as an essential component of quality and has applied corporate governance practices appropriate to the conduct and growth of business of the Group.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to formulate its business strategies and policies, and to enhance its transparency, accountability and shareholder value.

The Company has adopted the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules as its corporate governance practices.

The Company has complied with all Code Provisions as set out in the CG Code during the six months ended 30 June 2019.

The Company will continue to enhance its corporate governance practices as appropriate to the conduct and growth of its business and to review and evaluate such practices from time to time to ensure that it complies with the CG Code and aligns with the latest developments.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its Directors. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2019.

AUDIT COMMITTEE AND REVIEW OF THE FINANCIAL STATEMENTS

As at the date of this announcement, the Company’s Audit Committee consisted of Mr. CHOW Kwong Fai, Edward (chairman of the Audit Committee), Mr. FAN Yan Hok, Philip, Mr. NIEN Van Jin, Robert and Mr. CHEOK Albert Saychuan, all of them are independent non-executive Directors. During the period under review, the Audit Committee has reviewed with the management team and the external auditor of the Company, PricewaterhouseCoopers (“**PwC**”), the accounting principles and practices adopted by the Group and discussed matters regarding auditing, internal control, risk management and financial reporting, including the review of the unaudited consolidated financial statements of the Group for the six months ended 30 June 2019.

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2019 have been reviewed by PwC in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of Interim Financial Information performed by the Independent Auditor of the Entity*” issued by the Hong Kong Institute of Certified Public Accountants. PwC’s review report is included in the 2019 interim report to be sent to the shareholders of the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company at www.calc.com.hk and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The 2019 interim report will be dispatched to the shareholders of the Company and available on the same websites in due course.

By order of the Board
China Aircraft Leasing Group Holdings Limited
POON HO MAN
Executive Director and Chief Executive Officer

Hong Kong, 27 August 2019

As at the date of this announcement, (i) the Executive Directors are Mr. ZHAO Wei, 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.