

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

The Board of Directors (the “**Board**”) of China Aircraft Leasing Group Holdings Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2019 as follows:

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change
	2019	2018	
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Revenue and other income	3,523.2	3,341.5	+5.4%
Profit for the year	896.0	808.9	+10.8%
EPS (Basic) (<i>HK\$</i>)	1.323	1.194	+10.8%
Final dividend per share (<i>HK\$</i>)	0.48	0.44	+9.1%
Full year dividend per share (<i>HK\$</i>)	0.71	0.66	+7.6%
Dividend payout ratio (<i>Note 1</i>)	53.7%	55.3%	-1.6p.p.
Gearing ratio (<i>Note 2</i>)	81.9%	81.9%	—

Note:

1. Full year dividend per share/EPS (Basic)
2. Interest-bearing debts/Total assets

CHAIRMAN'S STATEMENT

On behalf of China Aircraft Leasing Group Holdings Limited (“**CALC**” or the “**Company**”, together with its subsidiaries, the “**Group**”), I am pleased to present the Group's 2019 consolidated results for the year ended 31 December 2019.

PERFORMANCE AND DIVIDENDS

CALC experienced another solid year in 2019, making impressive progress across various sectors. During the year, total lease income and other income of the Group reached HK\$3,523.2 million, representing a year-on-year increase of 5.4%. Profit for the year grew by 10.8% year-on-year, amounting to HK\$896.0 million. Earnings per share was HK\$1.323 (2018: HK\$1.194).

The Board recommended a final dividend of HK\$0.48 (2018: HK\$0.44) per ordinary share totaling HK\$325.1 million. Together with the 2019 interim dividend of HK\$0.23 (2018: HK\$0.22) per share, the full-year dividend will amount to HK\$0.71 per share for 2019 (2018: HK\$0.66), with the dividend pay-out ratio standing at 53.7% (2018: 55.3%).

BUSINESS AND STRATEGY DEVELOPMENT

Building a world-leading aircraft full value chain service provider

CALC continued to advance the Company's solid infrastructure established over the years to support a larger scale of business, making far strides in developing itself into a global aircraft asset manager that provides high value-added solutions for global aviation partners.

During the year, CALC continued to maintain a fleet comprising of the most advanced and energy efficient aircraft with an optimized mix. Meanwhile, CALC further bolstered its order book with aircraft that are highly sought after in the market. The strong order book has put CALC in the league of top global lessors worldwide, and is an important asset for the Group to consolidate its market leadership going forward.

Over the years, the Group has observed a rising demand for quality aircraft portfolios in the secondary market. As such, CALC has put its portfolio trading business as a strategic priority to tap into interest from the aviation investment community, who see the unique value of aircraft with its attractive long-term returns and strong asset liquidity. The past year saw CALC's remarkable achievements made in the opening up of numerous aircraft investment platforms, allowing its asset-light model to further evolve, and facilitate enlarged business capacity.

Furthermore, the Group made steady growth in its business segments along the aviation industry chain, including aircraft maintenance, repair and overhaul (“MRO”), disassembly and components support. CALC will continue to work towards improving its stub-life asset management capability through providing comprehensive and tailored aftermarket services that serve customers’ specific requirements.

Reinforcing asset management capability via proactive fund deployment

Leveraging its professional expertise along aviation value chain operations, together with the relationships with all aviation stakeholders that were gained and deepened over the past decade, CALC has a well-established one-stop aircraft solutions platform that serves to maximize value for all.

Riding on its consolidating role as an asset manager for this one-stop aircraft solutions platform, CALC is reinforcing its core competency to set up specialized aviation-related funds in collaboration with China Everbright Limited (“CEL”), capitalizing on the latter’s proven fund management capability. With a common vision to nourish the growth of an aviation ecosystem, it will be a concerted effort of CALC and CEL in connecting aviation, a traditional capital-intensive industry, with a modern fund management approach, while maximizing returns for its investors.

CALC intends to set up funds specializing in aircraft leasing, used aircraft portfolio management, aviation aftermarket services, component sales and airline operations in order to extend economic benefits to the fullest through proactive fund management. Beyond that, CALC is also accelerating the process of increasing connectivity to the Belt and Road Initiative by establishing the Air Silk Road Fund. Through this Fund, the Group will mull opportunities in aviation in countries and regions along the Belt and Road, and contribute to China’s aviation industry.

These initiatives will sharpen CALC’s core competitiveness in aircraft servicing and management, and at the same time open up more opportunities to fuel its further global expansion, moving towards building a “world-leading aircraft leasing company”. This will also further support CEL in pursuing a “world-leading cross-border asset management company”, another essential pillar under CE Group’s “Four World-leading” master blueprint.

The aviation industry is facing challenges in the upcoming year, with pressure building given that the industry has been tackling geopolitical, macroeconomic and industry headwinds as well as the recent Coronavirus Disease 2019 (“COVID-19”) outbreak. While it will remain prudent in its business operations and be cautious of factors that are causing uncertainties in the market, CALC will continue to make solid preparations and strengthen its extended business fundamentals for growth in the future.

ACKNOWLEDGEMENTS

I would like to express my sincere appreciation to my fellow Board members and the management team for their commitment and instrumental input in getting CALC to where it is today. On behalf of the Board, I would also like to extend the greatest appreciation to all the staff. Finally, allow me to thank our business partners and other stakeholders for their continuing support and trust in CALC.

ZHAO Wei

Chairman of the Board

Hong Kong, 4 March 2020

CEO'S STATEMENT

Forging Ahead to Transform as a Full Life Cycle Aircraft Solutions Provider

China Aircraft Leasing Group Holdings Limited (“CALC” or the “Company”, together with its subsidiaries, the “Group”) is pleased to announce another year of steady growth, despite global market uncertainties and headwinds in the aviation industry.

Underscoring CALC's success is its ability to adapt to ever-changing market conditions. The Company has put continuous endeavors to implement its special expertise as a full life cycle aircraft solutions provider, putting it in a unique market position that spearheads other global aircraft lessors through the establishment of its aviation ecosystem strategy, which optimizes and integrates the demands of its stakeholders in the global aviation industry.

During the year, CALC proactively explored various channels for aircraft acquisition and numerous aircraft investment platforms to refine its business cycle. Moreover, CALC continued to diversify its financing channels in both onshore and offshore markets, in order to power its asset-light model and support its growing business volume — hence ensuring the Group's long-term business growth with promising prospects.

2019 Business Review

(1) Fleet Optimization

CALC continued to identify market opportunities for fleet portfolio optimization, backed by a diverse range of sourcing channels, including its new aircraft order book, purchase and leaseback arrangements, and aircraft acquisitions from the secondary market. During the year under review, the Group delivered 11 aircraft. As of 31 December 2019, CALC has 134 aircraft in its fleet, including 111 owned and 23 managed aircraft.

CALC maintained one of the youngest and most modern fleets in the industry. Its self-owned fleet has an average age of 4.6 years and average remaining lease period of 8.2 years as at 31 December 2019, and a high utilization rate with 99.1% of our aircraft in operation. During the year under review, CALC's aircraft were on lease to 35 airlines in 15 countries and regions, with overseas airlines taking up 32% of the leased fleet.

A strong order book has been the driving force behind CALC's sustainable business growth. As of 31 December 2019, CALC had 218 aircraft in its order book, including 125 Airbus and 93 Boeing aircraft, the majority of which are narrow body models that see enormous market appetite. It is worth mentioning that the Company delivered two Boeing 787 Dreamliner passenger jets from its order book to an Asian airline customer in December 2019 and January 2020, marking the Group's first wide body aircraft in its fleet from a direct order, and kicking off the Group's supplying of a new type of aircraft for its clients.

In addition, CALC announced its order for 40 new Airbus A321neo aircraft in January 2020. Such a strong position is a remarkable achievement underpinned by the Company's decade-long strategic partnership with aircraft manufacturers and its growing influence in the global aviation industry. It is also a strong endorsement of CALC's active development as an asset manager in the aircraft value chain. Together with its asset-light model, CALC is well-equipped to further strengthen its order book, which is expected to drive business growth in the long run.

(2) *Enduring Asset-light Model and Asset Lifecycle Management*

CALC continued to press ahead with the multi-faceted development of its asset-light business model through the management of aviation-related funds and establishment of new investment platforms. This model allows higher capital efficiency by ensuring a reasonable debt level while the Company increases its aircraft leasing and trading volume.

In 2018, CALC joined hands with four leading state-owned enterprises as mezzanine financiers, held at a ratio of 20% and 80%, to roll out the global aircraft investment vehicle — CAG Bermuda 1 Limited and its subsidiaries (“CAG”). The total asset size of CAG is around US\$1.34 billion. During the year, CALC injected seven aircraft into its CAG fund. As its servicer, the Company arranged the disposal of two aircraft from its CAG portfolio. The total number of aircraft under the Group's management was 23 as of 31 December 2019.

In December 2019, CALC joined hands with Aircraft Recycling International Limited (“ARI”), an associate company of CALC, and with some other investors to set up an investment vehicle ARG Cayman 1 Limited (“ARG”). ARG will invest in old aircraft portfolios on lease to airlines and trading of parts component while CAG is investing in younger aircraft portfolios on lease to global airlines. ARG is expected to have an asset size around US\$350 million and ARI will be a servicer to ARG.

The Group also further developed its aircraft portfolio investment business, responding to investors' high demand for quality aircraft assets with long-term and stable cash flow and strong liquidity. In 2019, CALC sold eight aircraft from its portfolio (seven to third party, and one to ARI). The sale of aircraft from the Company's portfolio will be another important approach in aircraft asset management when implementing the Group's asset-light strategy in the future.

(3) *Creating Synergy in Full Aviation Value Chain Operation*

During the year, the Group continued to garner the respective advantages of its member companies to maximize operating synergy. As of 31 December 2019, ARI had five engines and five mid-aged aircraft on lease.

Leveraging CALC's flexible aircraft asset management capabilities and ARI's established used aircraft solutions platforms, the Group completed its first cross-border transaction between CALC and China Southern Air Leasing Limited Company with the purchase of an old aircraft portfolio including three A320 aircraft and one A320 airframe.

In October 2019, the Group's MRO (maintenance, repair and overhaul) arm, FL ARI Aircraft Maintenance & Engineering Company Ltd, became China's first accredited disassembler to obtain accreditations for aircraft disassembly from Civil Aviation Administration of China ("CAAC") and officially launched its MRO service during the year. This will further render operating synergy to the Group's other business segments as part of its push to implement its full value chain strategy.

(4) Exploring Channels to Enlarge Financing Scale

To further strengthen its financing capabilities, the Group further explored financing channels in China, as well as overseas. In May 2019, the Group completed a five-year unsecured revolving syndicated loan to finance its Pre-Delivery Payments ("PDP"), the first revolving type of its syndicated loan for new aircraft orders, attracting a total of 17 banks — a number of which were taking their first foray into the aviation financing sector. Thanks to overwhelming market response, the syndicated loan which was launched at US\$300 million closed at US\$840 million, making it one of the largest deals of its kind globally. The revolving nature of such facilities allows CALC to substantially increase the number of its aircraft under order book being financed.

In June, the Group issued first three-year senior unsecured RMB bond in China. As a result of oversubscription, the bond's issued scale rose from its initial size of RMB500 million, to RMB1 billion. In August, the Group issued three-year senior unsecured RMB800 million medium-term notes with a term of three years.

Strategic Outlook

2019 saw a tougher-than-expected business environment for the aviation industry, amid slowing global economic growth and market uncertainty surrounding geopolitical tensions. The commercial aviation sector also experienced a decline in deliveries in 2019 due to delays in the supply of narrow body aircraft.

Looking into 2020, the global economy is projected to grow at a modest pace with signs of slowdown in China, which has been further dented by the recent outbreak of COVID-19. Although the crisis is widely expected to be temporary, the effects are still spilling into the aviation industry amidst uncertainty over the Boeing 737 Max's return to service. Despite these challenges, industry consensus still holds that the long-term demand for commercial aircraft will continue to remain robust, with 40,000 units to be required by airlines around the world over the next two decades as Asia Pacific eventually dominates the global airline industry. This will provide fertile soil for the Group's consistent growth for years to come.

With its vision of carrying through our full aviation value chain operation and a well-positioned asset-light model, CALC is committed to offer tailored services that cater to clients' specific fleet planning and management requirements, specializing in bundled transactions including new deliveries, fleet trade-ins, disposals and forward commitments. CALC will also leverage on its major shareholder, China Everbright Limited's proven fund management track record, combined with its aviation operation expertise, to launch aviation-related funds. Looking forward, CALC will continue to connect various stakeholders such as aircraft OEMs, airlines and aviation investors along the full aviation value chain, and deliver turnkey solutions to maximize value for all.

POON Ho Man

Executive Director and Chief Executive Officer

Hong Kong, 4 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

1. RESULTS

Total revenue and other income of the Group was HK\$3,523.2 million in 2019, an increase of HK\$181.7 million or 5.4% from HK\$3,341.5 million in 2018. Profit for the year in 2019 amounted to HK\$896.0 million, an increase of HK\$87.1 million or 10.8% compared with HK\$808.9 million in 2018. For the year ended 31 December 2019, the fleet size of the Group was 134 aircraft, including 111 owned aircraft and 23 managed aircraft (2018: the fleet size of the Group was 133 aircraft, including 115 owned aircraft and 18 managed aircraft).

Total assets amounted to HK\$43,651.3 million as at 31 December 2019, compared with HK\$41,427.1 million as at 31 December 2018, an increase of HK\$2,224.2 million or 5.4%. The increase in assets was mainly due to the increase in Pre-Delivery Payment (“PDP”) made to aircraft manufacturers for aircraft acquisition from order book. Total liabilities amounted to HK\$39,681.6 million, an increment of HK\$2,034.3 million or 5.4% compared with HK\$37,647.3 million as at 31 December 2018.

The equity attributable to shareholders of the Company was HK\$3,969.7 million as at 31 December 2019 compared with HK\$3,779.9 million as at 31 December 2018, an increase of HK\$189.8 million or 5.0%.

2. ANALYSIS OF INCOME AND EXPENSES

	Year ended 31 December		Change
	2019	2018	
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Finance lease income	664.3	792.5	-16.2%
Operating lease income	1,796.2	1,541.6	16.5%
	2,460.5	2,334.1	5.4%
Net income from aircraft transactions and aircraft trading	594.9	625.7	-4.9%
Government grants	265.1	222.1	19.4%
Interest income from loans to associates and a joint venture	74.4	85.9	-13.4%
Bank interest income	24.2	18.9	28.0%
Other income	104.1	54.8	90.0%
	1,062.7	1,007.4	5.5%
Total revenue and other income	3,523.2	3,341.5	5.4%
Total operating expenses	(2,555.6)	(2,425.6)	5.4%
Share of results from associates and a joint venture and other gains	72.9	71.2	2.4%
Profit before income tax	1,040.5	987.1	5.4%
Income tax expenses	(144.5)	(178.2)	-18.9%
Profit for the year	896.0	808.9	10.8%

2.1 Total Revenue and Other Income

For the year ended 31 December 2019, the total revenue and other income amounted to HK\$3,523.2 million, compared with HK\$3,341.5 million in 2018, an increase of HK\$181.7 million or 5.4%.

Total lease income from finance leases and operating leases for the year 2019 amounted to HK\$2,460.5 million, compared with HK\$2,334.1 million in 2018, an increase of HK\$126.4 million or 5.4%. The decrease in finance lease income was due to the decrease in fleet size under finance lease from 62 aircraft as at 31 December 2018 to 53 aircraft as at 31 December 2019. The growth in operating lease income was attributable to the increase in fleet size under operating leases from 52 as at 31 December 2018 to 57 as at 31 December 2019.

For the year ended 31 December 2019, the Group's average lease rental yield of the finance leases and operating leases was 12.6% (2018: 11.7%) and 9.3% (2018: 9.2%), respectively. Average lease rental yield for finance leases and operating leases is calculated by annual gross lease receipt divided by net book value of aircraft.

In 2019, the Group recognised net gain from disposal of 15 aircraft amounted to HK\$585.3 million with aggregate net book value of HK\$5,520.3 million.

In 2018, the Group recognised net gain from disposal of 21 aircraft amounted to HK\$571.0 million with aggregate net book value of HK\$6,461.3 million.

Government grants for the year amounted to HK\$265.1 million, compared with HK\$222.1 million in 2018, an increase of HK\$43.0 million or 19.4%. 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 year ended 31 December 2019, the Group had the following operating expenses.

	Year ended 31 December		Change
	2019	2018	
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Interest expenses	1,422.8	1,422.9	0.0%
Depreciation	755.1	585.5	29.0%
Other operating expenses	377.7	417.2	-9.5%
	<hr/>	<hr/>	<hr/>
Total operating expenses	<u>2,555.6</u>	<u>2,425.6</u>	<u>5.4%</u>

(a) Interest Expenses

For the year ended 31 December 2019, interest expenses incurred by the Group amounted to HK\$1,422.8 million, was closed to HK\$1,422.9 million in 2018.

(b) Depreciation

The amount represented depreciation on aircraft under operating leases, leasehold improvements, office equipment, office building, right-of-use assets and other assets. Depreciation for the year ended 31 December 2019 was HK\$755.1 million compared with HK\$585.5 million in 2018, an increase of HK\$169.6 million or 29.0%. This was mainly attributable to increase in number of aircraft under operating leases.

(c) Other Operating Expenses

Other operating expenses mainly represented salaries and bonuses, professional fees related to the aircraft leasing business, value-added tax surcharge and other taxes, rentals and office administration expenses. The decrease in other operating expenses was mainly due to the Group perform the cost control on operating expenses during the year. In addition, after the new adoption of HKFRS 16, “Leases”, depreciation expenses of right-of-use assets (previously booked as rental expense) amounted to HK\$19.8 million was recognised for the year ended 31 December 2019, such rental expenses of HK\$26.3 million was recognised under other operating expenses in 2018.

2.3 Share of Results from Associates and a Joint Venture and Other Gains

The amount mainly represents currency exchange gains and interest income from CAG Bermuda 1 Limited (“CAG”) during the year.

2.4 Income Tax Expenses

Income tax for the year ended 31 December 2019 was HK\$144.5 million (2018: HK\$178.2 million). Decrease in the amount was mainly due to the reversal of previous tax provision upon disposal of certain aircraft during the year.

3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets

As at 31 December 2019, the Group’s total assets amounted to HK\$43,651.3 million compared with HK\$41,427.1 million as at 31 December 2018, an increase of HK\$2,224.2 million or 5.4%.

The majority of total assets as at 31 December 2019 represented finance lease receivables of HK\$7,790.5 million (2018: HK\$10,020.8 million), property, plant and equipment and right-of-use assets of HK\$19,611.5 million (2018: HK\$18,886.3 million) and PDP of HK\$8,405.1 million (2018: HK\$6,236.3 million).

	As at 31 December		Change
	2019	2018	
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Property, plant and equipment and right-of-use assets	19,611.5	18,886.3	3.8%
Interests in and loans to associates and a joint venture	1,117.6	959.1	16.5%
Finance lease receivables – net	7,790.5	10,020.8	–22.3%
Financial asset at fair value through profit or loss	752.9	499.3	50.8%
Derivative financial assets	26.3	123.2	–78.7%
Prepayments and other assets	9,765.1	6,771.9	44.2%
Cash and bank balances	4,587.4	4,166.5	10.1%
	<u>43,651.3</u>	<u>41,427.1</u>	<u>5.4%</u>
Total assets	43,651.3	41,427.1	5.4%

3.1.1 Finance Lease Receivables – Net and Property, Plant and Equipment and Right-of-use Assets

Net finance lease receivables represented the present value of minimum lease payments receivable from aircraft classified as finance leases and their residual values. There was a decrease in finance lease receivables from HK\$10,020.8 million as at 31 December 2018 to HK\$7,790.5 million as at 31 December 2019 because the Group reclassified eight aircraft from finance lease to operating lease during 2019.

Property, plant and equipment and right-of-use assets mainly included the cost of aircraft classified as operating leases, net of their accumulated depreciation. The increase in property, plant and equipment and right-of-use assets was mainly due to aircraft delivered during 2019 under operating leases.

3.1.2 Prepayments and Other Assets

Prepayments mainly represented PDP made to aircraft manufacturers for aircraft acquisition from order book.

3.2 Liabilities

As at 31 December 2019, the Group's total liabilities amounted to HK\$39,681.6 million, compared with HK\$37,647.3 million as at 31 December 2018, an increase of HK\$2,034.3 million or 5.4%.

An analysis is given as follows:

	As at 31 December		Change
	2019	2018	
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Borrowings	26,881.2	24,603.2	9.3%
Bonds	7,245.4	8,580.4	-15.6%
Medium-term notes	1,636.5	758.8	115.7%
Deferred income tax liabilities	746.4	670.4	11.3%
Interest payables	269.3	269.8	-0.2%
Income tax payables	7.3	29.3	-75.1%
Derivative financial liabilities	129.6	–	N/A
Other liabilities and accruals	2,765.9	2,735.4	1.1%
	<u>39,681.6</u>	<u>37,647.3</u>	<u>5.4%</u>

3.2.1 Borrowings

The analysis of borrowings is as follows:

	As at 31 December		Change
	2019	2018	
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Bank borrowings			
Bank borrowings for aircraft acquisition financing	14,818.9	15,634.4	-5.2%
PDP financing	5,327.1	3,455.3	54.2%
Other unsecured bank borrowings	1,427.6	77.1	1,751.6%
	<u>21,573.6</u>	<u>19,166.8</u>	<u>12.6%</u>
Long-term borrowings			
Borrowings from trust plans	4,971.6	5,114.3	-2.8%
Other borrowings	336.0	322.1	4.3%
	<u>5,307.6</u>	<u>5,436.4</u>	<u>-2.4%</u>
Total borrowings	<u>26,881.2</u>	<u>24,603.2</u>	<u>9.3%</u>

3.2.2 Bonds

The following table summarises the senior unsecured US\$ bonds 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	2,316.7	(b)
March 2017	Five years	March 2022	4.7%	US\$300.0	2,262.7	(b)
March 2017	Seven years	March 2024	5.5%	US\$200.0	1,551.5	
				<u>US\$800.0</u>	6,130.9	(c)
June 2019	Three years	June 2022	5.2%	<u>RMB1,000.0</u>	1,114.5	(d)
Total bonds					<u>7,245.4</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) In August and September 2019, the Group repurchased certain amount of bonds on the Hong Kong Stock Exchange for a lump sum payment of US\$9,371,000. The carrying amount of the bonds in an aggregate principal amount of US\$9,970,000. A net gain of US\$575,000 (equivalent to approximately HK\$4,505,000) was recognised after deducting the transaction cost.
- (c) These bonds are listed on the Hong Kong Stock Exchange.
- (d) The bond is listed on the Shanghai Stock Exchange.

3.2.3 Medium-term Notes

The following table summarises the senior unsecured medium-term notes issued by the Group:

Issue date	Terms	Maturity date	Coupon interest per annum	Principal amount <i>(RMB Million)</i>	Carrying amount <i>(HK\$ Million)</i>
July 2015	Five years	July 2020	6.50%	340.0	379.5
November 2016	Five years	November 2021	4.19%	330.0	367.3
August 2019	Three years	August 2022	4.93%	800.0	889.7
				<u>1,470.0</u>	<u>1,636.5</u>

As at 31 December 2019, after deducting the issuing cost, the total carrying amount of these medium-term notes was RMB1,463.9 million (equivalent to HK\$1,636.5 million).

4. ANALYSIS OF CASH FLOWS

The following table illustrates the cash position and cash flows for the year ended 31 December 2019:

	Year ended 31 December	
	2019	2018
	HK\$'Million	HK\$'Million
I: Aircraft in operation		
Lease income	2,261.4	2,233.4
Bank interest and repayment	(1,910.9)	(1,820.4)
	<u>350.5</u>	<u>413.0</u>
II: Aircraft purchase and delivery		
Capital expenditure	(3,771.1)	(10,568.4)
Bank borrowings	3,405.3	7,810.4
	<u>(365.8)</u>	<u>(2,758.0)</u>
III: New aircraft not yet delivered		
PDP paid	(4,036.7)	(3,931.3)
PDP refunded	822.8	1,133.7
PDP financing	4,243.0	2,425.4
PDP financing interest and repayment	(2,589.0)	(838.6)
	<u>(1,559.9)</u>	<u>(1,210.8)</u>
IV: Net capital movement		
Buy-back of shares, including transaction costs	–	(7.3)
Dividends paid	(453.8)	(433.8)
Proceeds from disposal of finance lease receivables and aircraft and proceeds from long-term borrowings	5,792.3	7,694.3
Loan repayment on disposal of finance lease receivables and aircraft	(3,219.5)	(4,285.7)
Net payment from borrowings	(237.5)	–
Net proceeds from issuance of bonds and medium-term notes	2,057.5	–
Bonds repurchase, interest and repayment	(2,806.9)	–
Net payments relating to loans to associates and a joint venture	(84.0)	(3.0)
Convertible bonds repurchase, interest and repayment	–	(160.2)
(Placement)/release of deposits pledged in respect of borrowings and derivative financial instruments	(61.0)	180.3
Investment in financial asset at fair value through profit or loss	(208.6)	(490.3)
Net proceeds/(net payment) from other unsecured bank borrowings and net cash generated from/ (used in) other operating activities	1,192.4	(1,935.8)
	<u>1,970.9</u>	<u>558.5</u>
Net increase/(decrease) in cash and cash equivalents	395.7	(2,997.3)
Cash and cash equivalents at beginning of the year	3,990.1	7,023.4
Currency exchange difference on cash and cash equivalents	(33.5)	(36.0)
Cash and cash equivalents at end of the year	<u><u>4,352.3</u></u>	<u><u>3,990.1</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 growth 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 the asset-light strategy including disposal of aircraft. In order to meet the current rapid expansion, the Group will also consider both equity and debt financing opportunities, and establishing various aircraft investment platform like CAG.

For the year ended 31 December 2019, the objectives, policies and processes for managing capital remained largely unchanged. The Group made full use of capital leverage to keep pace with aircraft delivery.

The Group monitors capital through gearing ratios:

	As at 31 December 2019	As at 1 January 2019	Change
	HK\$'Million	Restated HK\$'Million	
Interest-bearing debts included in total liabilities	35,763.1	33,942.4	5.4%
Total assets	43,651.3	41,456.5	5.3%
Gearing ratio	81.9%	81.9%	—

6. HUMAN RESOURCES

As at 31 December 2019, staff of the Group numbered 169 (2018: 184). Total remuneration of employees for 2019 amounted to HK\$182.5 million (2018: HK\$167.4 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 31 December 2019 (2018: Nil).

7.2 Capital Commitments for Aircraft Acquisition and Qualified Aircraft Leasing Activity

The Board confirms that the Company is a listed company actively engaged in aircraft leasing with aircraft operators as 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 (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited) (the “**Stock Exchange**”). 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\$86.1 billion as at 31 December 2019 (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 31 December 2019, the Group had 218 aircraft in its order book, comprising 125 Airbus A320neo family aircraft and 92 Boeing B737 aircraft and 1 Boeing B787 aircraft, which will be delivered in stages by the end of 2024.

During the year under review, the Group completed the disposal of 15 aircraft.

7.3 Shareholder Loan Commitment for Investment in CAG

The Group has committed shareholder loan for investment in CAG amounting to approximately US\$94.7 million (equivalent to approximately HK\$737.4 million), of which US\$90.1 million (equivalent to approximately HK\$701.6 million) had been drawn down up to 31 December 2019. The Group’s outstanding committed shareholder loan for investment in CAG as at 31 December 2019 was amounted to US\$4.6 million (equivalent to approximately HK\$35.6 million).

7.4 Shareholder Loan Commitment for Investment in ARG Cayman 1 Limited (“ARG”)

The Group has committed shareholder loan for investment in ARG amounting to approximately US\$30.0 million (equivalent to approximately HK\$233.6 million), of which US\$13.3 million (equivalent to approximately HK\$103.8 million) had been drawn down up to 31 December 2019. The Group’s outstanding committed shareholder loan for investment in ARG as at 31 December 2019 was amounted to US\$16.7 million (equivalent to approximately HK\$129.8 million).

Other than the capital commitment stated above, the Group had no material plans for major investment or acquisition/disposal of capital assets.

8. OTHER EVENT

On 16 January 2020, the Group entered into an agreement with Airbus S.A.S (“**Airbus**”) to purchase 40 additional aircraft which such agreement was executed in a form of a supplement agreement to the aircraft purchase agreements with Airbus dated 1 December 2014.

On 4 March 2020, CALC IDN Limited (“**CALC IDN**”), a wholly-owned subsidiary of the Company, entered into the subscription agreement with Aviation Synergy Limited (“**Aviation Synergy**”), pursuant to which Aviation Synergy agreed to allot and issue, and CALC IDN agreed to subscribe for, 28,000,000 Aviation Synergy’s shares at a total consideration of US\$28.0 million (equivalent to approximately HK\$218.4 million). Aviation Synergy is mainly engaged in provision of commercial air transportation services in Indonesia.

The outbreak of COVID-19 has caused disruptions to many industries, including aviation, in China as well as other countries and regions. Despite the challenges, governments and international organizations have implemented a series of measures to contain the epidemic. The Group will closely monitor the development of the epidemic and assess its impact on its operations.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2019	2018
	Note	HK\$'000	HK\$'000
ASSETS			
Property, plant and equipment and right-of-use assets		19,611,484	18,886,288
Interests in and loans to associates and a joint venture		1,117,606	959,111
Finance lease receivables – net	3	7,790,510	10,020,816
Financial asset at fair value through profit or loss	4	752,913	499,323
Derivative financial assets		26,337	123,174
Prepayments and other assets		9,765,047	6,771,875
Restricted cash		235,101	176,451
Cash and cash equivalents		4,352,327	3,990,107
Total assets		43,651,325	41,427,145
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		67,727	67,727
Reserves		1,559,472	1,830,609
Retained earnings		2,342,515	1,881,523
Total equity		3,969,714	3,779,859
LIABILITIES			
Deferred income tax liabilities		746,374	670,401
Borrowings	5	26,881,194	24,603,195
Medium-term notes	6	1,636,499	758,831
Bonds	7	7,245,367	8,580,407
Derivative financial liabilities		129,610	–
Income tax payables		7,386	29,257
Interest payables		269,280	269,775
Other liabilities and accruals		2,765,901	2,735,420
Total liabilities		39,681,611	37,647,286
Total equity and liabilities		43,651,325	41,427,145

CONSOLIDATED STATEMENT OF INCOME

	<i>Note</i>	Year ended 31 December	
		2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue			
Finance lease income	8	664,298	792,470
Operating lease income	8	<u>1,796,218</u>	<u>1,541,677</u>
		2,460,516	2,334,147
Net income from aircraft transactions and aircraft trading	9	594,937	625,705
Other income	10	<u>467,744</u>	<u>381,681</u>
		<u>3,523,197</u>	<u>3,341,533</u>
Expenses			
Interest expenses		(1,422,812)	(1,422,914)
Depreciation		(755,075)	(585,549)
Other operating expenses		<u>(377,716)</u>	<u>(417,217)</u>
		<u>(2,555,603)</u>	<u>(2,425,680)</u>
Operating profit		967,594	915,853
Share of results from associates and a joint venture and other gains	11	<u>72,949</u>	<u>71,222</u>
Profit before income tax		1,040,543	987,075
Income tax expenses	12	<u>(144,536)</u>	<u>(178,162)</u>
Profit for the year		<u>896,007</u>	<u>808,913</u>
Profit attributable to shareholders of the Company		<u>896,007</u>	<u>808,913</u>
Earnings per share for profit attributable to shareholders of the Company (expressed in HK\$ per share)			
– Basic earnings per share	13(a)	<u>1.323</u>	<u>1.194</u>
– Diluted earnings per share	13(b)	<u>1.323</u>	<u>1.194</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	<u>896,007</u>	<u>808,913</u>
Other comprehensive loss for the year:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Cash flow hedges	(201,055)	(4,610)
Currency translation differences	<u>(51,665)</u>	<u>(6,253)</u>
Total other comprehensive loss for the year, net of tax	<u>(252,720)</u>	<u>(10,863)</u>
Total comprehensive income for the year	<u><u>643,287</u></u>	<u><u>798,050</u></u>
Total comprehensive income for the year attributable to shareholders of the Company	<u><u>643,287</u></u>	<u><u>798,050</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company			
	Share capital	Reserves	Retained earnings	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance as at 31 December 2017	67,818	1,861,658	1,497,677	3,427,153
Changes in accounting policy	–	–	(9,785)	(9,785)
	<u>67,818</u>	<u>1,861,658</u>	<u>1,487,892</u>	<u>3,417,368</u>
Restated balance as at 1 January 2018				
Comprehensive income				
Profit for the year	–	–	808,913	808,913
Other comprehensive loss				
Cash flow hedges	–	(4,610)	–	(4,610)
Currency translation differences	–	(6,253)	–	(6,253)
	<u>–</u>	<u>(10,863)</u>	<u>808,913</u>	<u>798,050</u>
Total comprehensive (loss)/income				
	<u>–</u>	<u>(10,863)</u>	<u>808,913</u>	<u>798,050</u>
Transactions with shareholders				
Share option scheme:				
– Value of services	–	5,531	–	5,531
– Issue of new shares from exercise of share options	–	7	–	7
Buy-back of shares	(91)	(7,143)	(27)	(7,261)
Dividends	–	–	(433,836)	(433,836)
Transfer of reserves upon maturity of convertible bonds	–	(18,581)	18,581	–
	<u>–</u>	<u>(18,581)</u>	<u>18,581</u>	<u>–</u>
Total transactions with shareholders	<u>(91)</u>	<u>(20,186)</u>	<u>(415,282)</u>	<u>(435,559)</u>
Balance as at 31 December 2018	<u>67,727</u>	<u>1,830,609</u>	<u>1,881,523</u>	<u>3,779,859</u>

	Attributable to shareholders of the Company			
	Share capital	Reserves	Retained earnings	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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 year	–	–	896,007	896,007
Other comprehensive loss				
Cash flow hedges	–	(201,055)	–	(201,055)
Currency translation differences	–	(51,665)	–	(51,665)
Total comprehensive (loss)/income	<u>–</u>	<u>(252,720)</u>	<u>896,007</u>	<u>643,287</u>
Transactions with shareholders				
Share option scheme:				
– Value of services	–	339	–	339
– Share options lapsed	–	(18,756)	18,756	–
Dividends	–	–	(453,771)	(453,771)
Total transactions with shareholders	<u>–</u>	<u>(18,417)</u>	<u>(435,015)</u>	<u>(453,432)</u>
Balance as at 31 December 2019	<u><u>67,727</u></u>	<u><u>1,559,472</u></u>	<u><u>2,342,515</u></u>	<u><u>3,969,714</u></u>

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2019	2018
Note	HK\$'000	HK\$'000
Cash flows from operating activities		
Profit after income tax	896,007	808,913
Adjustments for:		
– Depreciation	755,075	585,549
– Net income from aircraft transactions	(585,280)	(625,705)
– (Reversal of impairment)/impairment loss of finance lease receivables	(1,724)	4,167
– Interest expenses	1,422,812	1,422,914
– Share-based payments	339	5,531
– Unrealised currency exchange gains	(64,382)	(16,566)
– Fair value losses/(gains) on interest rate and currency swaps	21,349	(44,035)
– Share of results from associates and a joint venture	3,315	–
– Gain on repurchase of bonds	(4,505)	–
– Interest income	(143,530)	(113,792)
	<u>2,299,476</u>	<u>2,026,976</u>
Changes in working capital:		
– Finance lease receivables – net	(178,248)	7,638
– Prepayments and other assets	(245,371)	187,458
– Other liabilities and accruals	74,600	631,323
– Income tax payables	(21,871)	12,003
– Deferred income tax liabilities	81,475	130,676
	<u>2,010,061</u>	<u>2,996,074</u>
Net cash flows generated from operating activities	<u>2,010,061</u>	<u>2,996,074</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,776,727)	(10,205,973)
Proceeds from disposal of aircraft	5,905,828	6,706,713
Deposit paid for acquisition of aircraft	(4,036,645)	(3,931,321)
Deposits refunded for acquisition of aircraft	822,830	1,133,653
Interest received	24,217	18,897
Net payments relating to financial asset at fair value through profit or loss	(208,630)	(490,304)
Investment in associates and a joint venture	(3,502)	–
Net payments relating to loans to an associate and a joint venture	(83,955)	(3,047)
	<u>(1,356,584)</u>	<u>(6,771,382)</u>
Net cash flows used in investing activities	<u>(1,356,584)</u>	<u>(6,771,382)</u>

	Year ended 31 December	
	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	15,579,074	12,893,611
Issue of bonds, net of transaction costs	1,151,837	–
Issue of medium-term notes, net of transaction costs	905,705	–
Repayments of borrowings	(13,229,659)	(10,181,063)
Repurchase and repayment of bonds, including transaction costs	(2,423,986)	–
Repurchase or repayment of convertible bonds, including transaction costs	–	(155,160)
Interest received in respect of derivative financial instruments	31,250	17,673
Interest paid in respect of borrowings, notes and bonds	(1,761,152)	(1,552,077)
Proceeds from disposal of derivative financial instruments	3,956	6,865
Decrease in deposits pledged in respect of borrowings	71,335	174,423
(Increase)/decrease in deposits pledged in respect of derivative financial instruments	(132,307)	14,832
Buy-back of shares, including transaction costs	–	(7,261)
Dividends paid to shareholders	(453,771)	(433,836)
	<hr/>	<hr/>
Net cash flows (used in)/generated from financing activities	(257,718)	778,014
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	395,759	(2,997,294)
Cash and cash equivalents at beginning of the year	3,990,107	7,023,359
Currency exchange difference on cash and cash equivalents	(33,539)	(35,958)
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	4,352,327	3,990,107
	<hr/> <hr/>	<hr/> <hr/>

NOTES

1 GENERAL INFORMATION ON THE GROUP

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, Ugland 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 consolidated financial statements for the year ended 31 December 2019 are presented in Hong Kong dollar ("**HK\$**"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA. The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and financial asset at fair value through profit or loss, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or the areas where assumptions and estimates are significant to the consolidated financial statements.

(a) Going concern

Aircraft leasing is a capital-intensive business. As at 31 December 2019, the Group's current liabilities exceeded its current assets by HK\$2,895.5 million. The Group had total capital commitments of HK\$86,299.0 million mainly relating to acquisition of aircraft, of which HK\$9,771.4 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 loans and aircraft bank loans, bonds, other debt and capital financing, and the asset-light strategy including disposal of aircraft. In view of such circumstance, 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 31 December 2019 amounted to HK\$3,758.8 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\$3,239.8 million to the Group in the next twelve months from 31 December 2019. The remaining balance of PDP amounting to HK\$519.0 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 PDP financing and 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 with the relevant airline companies for the aircraft scheduled for deliveries in the next twelve months from 31 December 2019. The directors of the Company thus believe that long-term aircraft borrowings can be obtained or other internal resources, issuing bonds and medium-term notes and available banking facilities can be used to settle the PDP financing and the remaining payments of the aircraft acquisition costs due in the next twelve months from 31 December 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 31 December 2019. The forecasts are based on a number of assumptions including aircraft delivery and leasing schedules, and/or 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 31 December 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.

(b) *New and amended standards adopted by the Group*

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

- HKFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to HKFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28
- Annual Improvements to HKFRS Standards 2015 – 2017 Cycle

- Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(c) *New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020 and have not been early adopted in preparing the consolidated financial statements for the year ended 31 December 2019.

	Effective Date
Definition of Material – Amendments to HKAS 1 and HKAS 8	1 January 2020
Definition of a Business – Amendments to HKFRS 3	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17 Insurance Contracts	1 January 2021 (likely to be extended to 1 January 2022)

Management’s preliminary assessment is that the application of the above standards, amendments and interpretations will not have a material impact on the Group.

2.2 Changes in accounting policy

This note explains the impact of the adoption of HKFRS 16 Leases on the Group’s consolidated financial statements.

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

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%.

i. Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

ii. Measurement of lease liabilities

	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
<i>Less: short-term leases recognised on a straight-line basis as expense</i>	<u>(9,188)</u>
Lease liability recognised as at 1 January 2019	<u>29,386</u>
Of which are:	
Current lease liabilities	16,008
Non-current lease liabilities	<u>13,378</u>
	<u>29,386</u>

iii. Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other 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 consolidated balance sheet as at 31 December 2018.

iv. Adjustments recognised in the consolidated balance sheet on 1 January 2019

Consolidated financial statement items	As at 31 December 2018 As originally presented HK\$'000	HKFRS 16 HK\$'000	As at 1 January 2019 Restated HK\$'000
ASSETS			
Right-of-use assets (Properties)	–	22,060	22,060
Finance lease receivables – net	<u>10,020,816</u>	<u>7,326</u>	<u>10,028,142</u>
LIABILITIES			
Lease liabilities (Properties)	<u>–</u>	<u>29,386</u>	<u>29,386</u>

3 FINANCE LEASE RECEIVABLES – NET

	As at 31 December	
	2019	2018
	HK\$'000	HK\$'000
Finance lease receivables	1,700,856	3,790,263
Guaranteed residual values	4,888,495	5,849,909
Unguaranteed residual values	<u>5,742,735</u>	<u>6,548,174</u>
Gross investment in leases	12,332,086	16,188,346
<i>Less:</i> Unearned finance income	<u>(4,529,275)</u>	<u>(6,153,437)</u>
Net investment in leases	7,802,811	10,034,909
<i>Less:</i> Accumulated allowance for impairment	<u>(12,301)</u>	<u>(14,093)</u>
Finance lease receivables – net	<u>7,790,510</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:

	As at 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross investment in finance leases	12,332,086	16,188,346
<i>Less: Unguaranteed residual values</i>	<u>(5,742,735)</u>	<u>(6,548,174)</u>
Minimum lease payments receivable	6,589,351	9,640,172
<i>Less: Unearned finance income related to minimum lease payments receivable</i>	<u>(2,297,322)</u>	<u>(3,406,188)</u>
Present value of minimum lease payments receivable	<u><u>4,292,029</u></u>	<u><u>6,233,984</u></u>

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

	As at 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross investment in finance leases		
– Not later than 1 year	263,813	952,009
– Later than 1 year and not later than 5 years	1,382,555	1,955,373
– Later than 5 years	<u>10,685,718</u>	<u>13,280,964</u>
	<u><u>12,332,086</u></u>	<u><u>16,188,346</u></u>

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

	As at 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Present value of minimum lease payments receivable		
– Not later than 1 year	204,700	542,839
– Later than 1 year and not later than 5 years	695,651	1,112,478
– Later than 5 years	<u>3,391,678</u>	<u>4,578,667</u>
	<u><u>4,292,029</u></u>	<u><u>6,233,984</u></u>

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

	As at 31 December			
	2019		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Categorised by customer in terms of lease receivables:				
Five largest airline companies	5,889,902	76%	8,060,406	80%
Others	1,900,608	24%	1,960,410	20%
Finance lease receivables – net	7,790,510	100%	10,020,816	100%

4 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Long-term debt investments – CAG (a)	648,940	499,323
Long-term debt investments – ARG (b)	103,973	–
Long-term debt investments	752,913	499,323

- (a) CAG and its subsidiaries (collectively as “**CAG Group**”) uses the fund injected through a performance-linked 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 mezzanine financing proportion. The Group’s committed shareholder loan is approximately US\$94,700,000 (equivalent to approximately HK\$737,448,000).
- (b) ARG uses the fund injected through a performance-linked shareholder’s loan from the Group and the mezzanine financing from other investors at a ratio of 25% to 75%, with a shareholding between the Group and other investors at a ratio of 8% to 92%. Pursuant to shareholders’ agreement and shareholder loan agreement, all investors of ARG committed to invest in ARG through shareholder loans according to the mezzanine financing proportion. The Group’s committed shareholder loan is approximately US\$30,000,000 (equivalent to approximately HK\$233,616,000).

5 BORROWINGS

	As at 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings		
Bank borrowings for aircraft acquisition financing (a)	14,818,861	15,634,391
PDP financing (b)	5,327,145	3,455,263
Other unsecured bank borrowings (c)	1,427,624	77,098
	<u>21,573,630</u>	<u>19,166,752</u>
Long-term borrowings		
Borrowings from trust plans (d)	4,971,585	5,114,323
Other borrowings (e)	335,979	322,120
	<u>5,307,564</u>	<u>5,436,443</u>
	<u><u>26,881,194</u></u>	<u><u>24,603,195</u></u>

Bank borrowings

- (a) Bank borrowings for aircraft acquisition financing are principally based on fixed or floating US\$ LIBOR rates. As at 31 December 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\$56,123,000 (2018: HK\$128,678,000).
- (b) As at 31 December 2019, PDP financing of HK\$5,137,170,000 (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 31 December 2019, the Group had aggregate other unsecured bank borrowings of HK\$1,427,624,000 (2018: HK\$77,098,000) which were guaranteed by certain companies of the Group.

Long-term borrowings

- (d) As at 31 December 2019, 46 borrowings (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% (2018: 3.5% to 7.8%) per annum for remaining terms of four to 10 years (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\$44,068,000 (2018: HK\$44,296,000).

(e) As at 31 December 2019, four borrowings (2018: four borrowings) were obtained through a structured financing arrangement for four aircraft (2018: four aircraft) delivered to airlines. These borrowings bear an effective interest rate ranging from 3.9% to 5.7% (2018: 3.9% to 5.7%) per annum for their remaining terms of five to six years (2018: six to seven years) and are guaranteed by the Company.

6 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.

In August 2019, the Group issued three-year senior unsecured medium-term notes in a principal amount of RMB800 million due in 2022, bearing coupon interest at 4.93% per annum.

As at 31 December 2019, after deducting the issuing cost, the total carrying amount of these notes was HK\$1,636,499,000 (2018: HK\$758,831,000).

7 BONDS

In May 2016, the Group issued three-year US\$300 million senior unsecured bonds due in 2019, bearing coupon interest at 5.9% per annum, payable semi-annually. These bonds had 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 above 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 above were listed on the Stock Exchange and are guaranteed by the Company.

In June 2019, one of wholly owned subsidiaries in PRC issued three-year RMB1.0 billion unsecured bonds due in 2022, bearing coupon rate of 5.2% per annum. These bonds were 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.

In August and September 2019, the Group repurchased certain amount of bonds on the Stock Exchange for a lump sum payment of US\$9,371,000. The carrying amount of the bonds in an aggregate principal amount of US\$9,970,000. A net gain of US\$575,000 (equivalent to approximately HK\$4,505,000) was recognised after deducting the transaction cost.

As at 31 December 2019, after deducting the issuing cost, the total carrying amount of these bonds was HK\$7,245,367,000 (2018: HK\$8,580,407,000).

8 LEASE INCOME AND SEGMENT INFORMATION

During the year ended 31 December 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:

	Year ended 31 December			
	2019		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Categorised by customer in terms of lease income:				
Airline Company – A	452,815	18%	235,802	10%
Airline Company – B	297,608	12%	196,249	8%
Airline Company – C	168,004	7%	152,403	7%
Airline Company – D	164,343	7%	145,189	6%
Airline Company – E	156,799	6%	154,336	7%
Others	1,220,947	50%	1,450,168	62%
	<u>2,460,516</u>	<u>100%</u>	<u>2,334,147</u>	<u>100%</u>
Total finance and operating lease income	2,460,516	100%	2,334,147	100%

9 NET INCOME FROM AIRCRAFT TRANSACTIONS AND AIRCRAFT TRADING

	Year ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Aircraft transactions (a)	585,280	625,705
Aircraft trading (b)	9,657	–
	<u>594,937</u>	<u>625,705</u>

(a) The net gain from aircraft transactions for the year ended 31 December 2018 included the gain from disposal of the finance lease receivables of three aircraft and the gain from disposal of three aircraft to ARI and its subsidiaries (collectively as “**ARI Group**”) and the net gain from 18 aircraft disposed to CAG Group, determined by comparing the proceeds with the relevant carrying amount of net assets less transaction costs and other expenses.

The net gain from aircraft transactions for the year ended 31 December 2019 included the gain from disposal of one aircraft to ARI Group, the disposal of seven aircraft to CAG Group and the disposal of seven aircraft to third parties, determined by comparing the proceeds with the relevant carrying amount of net assets less transaction costs and other expenses.

(b) Aircraft trading

	Year ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales from aircraft trading assets	171,698	–
Less: Cost of aircraft trading assets	(162,041)	–
	<u>9,657</u>	<u>–</u>

10 OTHER INCOME

	Year ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Government grants	265,119	222,135
Interest income from loans to associates and a joint venture	74,353	85,876
Bank interest income	24,217	18,897
Servicer fees income from CAG Group	33,209	5,536
Operating lease income on office premises from related parties	–	1,402
Operating lease income on other assets from a related party	2,640	2,640
Operating lease income on office premises from an associate	–	3,106
Others	68,206	42,089
	<u>467,744</u>	<u>381,681</u>

11 SHARE OF RESULTS FROM ASSOCIATES AND A JOINT VENTURE AND OTHER GAINS

	Year ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unrealised gain on currency swap	3,033	1,124
Realised (losses)/gains on interest rate swaps	(10,055)	16,252
Fair value (losses)/gains on interest rate swaps	(14,327)	26,659
Currency exchange gains	52,653	18,168
Interest income from CAG Group	44,960	9,019
Share of results from associates and a joint venture	(3,315)	–
	<u>72,949</u>	<u>71,222</u>

12 INCOME TAX EXPENSES

	Year ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax:		
Mainland China, Hong Kong and others	63,692	50,002
Deferred income tax	80,844	128,160
	<u>144,536</u>	<u>178,162</u>

13 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 years ended 31 December 2018 and 2019.

	Year ended 31 December	
	2019	2018
Profit attributable to shareholders of the Company <i>(HK\$'000)</i>	896,007	808,913
Weighted average number of ordinary shares in issue <i>(number of shares in thousands)</i>	<u>677,269</u>	<u>677,721</u>
Basic earnings per share <i>(HK\$ per share)</i>	<u>1.323</u>	<u>1.194</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 financial 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.

	Year ended 31 December	
	2019	2018
Earnings		
Profit attributable to shareholders of the Company (<i>HK\$'000</i>)	<u>896,007</u>	<u>808,913</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	677,721
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>677,721</u>
Diluted earnings per share (<i>HK\$ per share</i>)	<u><u>1.323</u></u>	<u><u>1.194</u></u>

14 DIVIDENDS

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

An interim dividend of HK\$0.23 per ordinary share totalling HK\$155.8 million was paid in September 2019.

On 4 March 2020, the Board recommended a final dividend of HK\$0.48 per ordinary share totalling HK\$325.1 million and proposed a scrip dividend option to be offered, which is calculated based on 677,269,380 issued shares as at 4 March 2020. The proposed dividend is not reflected as a dividend payable in the consolidated financial statements as at 31 December 2019, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2020.

	Year ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend paid of HK\$0.23 (2018: HK\$0.22) per ordinary share	155,772	148,999
Proposed final dividend of HK\$0.48 (2018: HK\$0.44) per ordinary share	<u>325,089</u>	<u>297,999</u>
Total	<u><u>480,861</u></u>	<u><u>446,998</u></u>

FINAL DIVIDENDS

The Board has recommended the payment of a final dividend of HK\$0.48 per share (2018: HK\$0.44 per share) in respect of the year ended 31 December 2019 to shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company (the “**Register of Members**”) on 15 May 2020. Shareholders will be given the option to receive the proposed 2019 final dividend in new shares in lieu of cash (the “**Scrip Dividend Arrangement**”). The Scrip Dividend Arrangement is subject to: (1) approval of the proposed 2019 final dividend at the annual general meeting of the Company to be held on 17 April 2020 (the “**AGM**”); and (2) the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

A circular containing details of the Scrip Dividend Arrangement will be despatched to the Shareholders together with the form of election for scrip dividend in May 2020. Dividend warrants and share certificates in respect of the proposed 2019 final dividend are expected to be despatched to the Shareholders on or about 29 June 2020.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders’ eligibility to attend and vote at the AGM and entitlement to the final dividend, the Register of Members will be closed in accordance with the following timetable:

- (i) For determining Shareholders’ eligibility to attend and vote at the AGM:
 - (a) Latest time to lodge transfer documents for registration 4:30 pm on 9 April 2020
 - (b) Closure of Register of Members 10 April 2020 to 17 April 2020
(both dates inclusive)

- (ii) For determining entitlement to the final dividend:
 - (a) Latest time to lodge transfer documents for registration 4:30 pm on 13 May 2020
 - (b) Closure of Register of Members 14 May 2020 to 15 May 2020
(both dates inclusive)
 - (c) Record date 15 May 2020

During the above closure periods, no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, and to qualify for the proposed final 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 the time set out above.

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

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 (“**2021 Bonds**”). The 2021 Bonds were listed on the Stock Exchange. In September 2019, the Group repurchased the principal amount of US\$1,670,000 of 2021 Bonds on the Stock Exchange for a payment of US\$1,615,000.

In March 2017, the Group issued five-year US\$300 million senior unsecured bonds due in 2022, bearing coupon interest at 4.7% per annum (“**2022 Bonds**”). The 2022 Bonds were listed on the Stock Exchange. In August and September 2019, the Group repurchased the principal amount of US\$8,300,000 of 2022 Bonds on the Stock Exchange for a payment of US\$7,756,000.

Save as disclosed above, during the year ended 31 December 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 of 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 year ended 31 December 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 year.

AUDIT COMMITTEE REVIEW

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 year, the Audit Committee has reviewed with the management team and PricewaterhouseCoopers ("PwC"), the external auditor of the Company, 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 audited financial statements of the Group for the year ended 31 December 2019.

SCOPE OF WORK PERFORMED BY INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2019 have been audited by PwC in accordance with Hong Kong Financial Reporting Standards.

The figures in respect of the Group's consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by PwC to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on this announcement.

AGM AND PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This 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 AGM is scheduled to be held on 17 April 2020. The notice of the AGM and the 2019 annual report will be dispatched to the Shareholders 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, 4 March 2020

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.