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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 as follows:

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change
	2020	2019	
	HK\$'Million	HK\$'Million	
Total revenue	3,485.8	3,523.2	-1.1%
Operating profit	948.7	967.6	-2.0%
Profit attributable to shareholders of the Company	334.1	896.0	-62.7%
EPS (Basic) (HK\$)	0.482	1.323	-63.6%
Final dividend per share (HK\$)	0.20	0.48	-58.3%
Full year dividend per share (HK\$)	0.40	0.71	-43.7%
Dividend payout ratio ^(Note 1)	83.0%	53.7%	+29.3p.p.
Gearing ratio ^(Note 2)	80.1%	81.9%	-1.8p.p.
Total equity	5,415.8	3,969.7	+36.4%

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 consolidated results of the Group for the year ended 31 December 2020 (“**Review Year**”).

RESULTS AND DIVIDEND

In 2020, the global spread of COVID-19 pandemic dwarfed drastically global logistics and passenger travel volumes and brought about unprecedented challenges to the aviation industry. Airlines were the first to bear the brunt, and were hit badly on the revenue and profit fronts. On the one hand, major countries had been implementing policies including travel restrictions and others that reduced flights, putting the whole industry under pressure of consolidation and reshuffle. On the other hand, with much shrunken demand from routes, there were significantly fewer new aircraft deliveries by aircraft manufacturers in 2020 compared with the previous year.

It was against this backdrop that CALC navigated its journey through an extremely challenging year in 2020. During the Review Year, revenue and other income of the Group amounted to HK\$3,485.8 million (2019: HK\$3,523.2 million). Operating profit was approximately HK\$948.7 million (2019: HK\$967.6 million). Both were maintained at similar levels to those of last year. Profit attributable to shareholders of the Company was HK\$334.1 million (2019: HK\$896.0 million). Earnings per share were HK\$0.482 (2019: HK\$1.323). As at 31 December 2020, the Group had a cash balance of HK\$5,289.4 million, representing an increase of 15.3% from the beginning of the Review Year.

The Board has recommended the payment of a final dividend of HK\$0.2 (2019: HK\$0.48) per ordinary share. Together with the 2020 interim dividend of HK\$0.2 (2019: HK\$0.23) per share already paid, the total dividend payout for the year 2020 amount to HK\$0.4 per share (2019: HK\$0.71). The Company has continued its scrip dividend scheme for the final dividend for 2020.

Identifying Opportunities in the Middle of the Crisis to Reinforce Strength in Global Aircraft Operating Lessors

Opportunities come with challenges especially in the middle of the pandemic. Aircraft lessors, as an important segment in the aviation industry chain, help airlines alleviate liquidity pressure and avoid major capital expenditure. They also help aircraft manufacturers coordinate their delivery schedules to significantly lower operating risk for airlines. According to Cirium, an aviation industry consultant, more of the new aircraft deliveries around the world were done through lessors, elevating the penetration rate of global lessors to nearly 50%. This particular market landscape in the middle of the pandemic had highlighted the importance of aircraft lessors, creating opportunities for development of aircraft leasing businesses.

During the Review Year, the CALC team proactively identified opportunities and actually turned crises into opportunities. They continued to enhance the Group's strengths in aircraft operating leasing around the world. According to the statistics released by Cirium, CALC ranked first among the world's large-scale lessors in November 2020 with 95% of its fleet in service, and was listed in the category of companies having lowest risk coefficients, benefitting from a high proportion of 91% of narrow-body aircraft among the peer listed lessors. CALC not only provides aircraft leasing services customized to client requirements, but also unleashed edges in its full value chain foothold to integrate professionally solutions for obsolete and retiring aircraft; completing purchase-and-leaseback transactions and disposals of retiring aircraft for major airlines, thereby helping them to mitigate risk towards lease terminations.

Ploughing Deep into the China Market to Establish a Competitive Aircraft Asset Management Platform

Despite the global aviation market was still in doldrums, China saw rapid recovery momentum for domestic routes, thanks to accomplishments the country made in putting the pandemic under effective control. In addition, subsequent to an array of support policies and infrastructure investments by the Chinese government, such as the persisting efforts in improving the transportation infrastructure and expanding in-region traffic volumes, aviation capacities and infrastructure were expanded accordingly. We are delighted to witness China's leapfrogging into an aviation transportation superpower from a major aviation transportation player during the inaugural year of the 14th Five-Year Plan, with steady enhancements made in demand, speed, quality and efficiency, etc., of civil aviation transportation.

China Asset Leasing Company Limited (中飛租融資租賃有限公司) (“**CALC Tianjin**”), a wholly-owned subsidiary of the Group, is the first and one of the few lessors in China capable of providing one-stop fleet upgrading service for airline customers. During the Review Year, major shareholders of the Company provided the Group further with strategic planning, financing, resources allocation and others to support its layout in domestic market, aiming at pooling in resources of unparalleled edges to optimize the landscape for enlarging market share of CALC in China, grooming the Group into the most competitive integrated aircraft asset management platform in the country.

Relentlessly Enhancing the Aviation Full-life-cycle Industry Chain Operation Capabilities

In the post-pandemic era, airlines incline to partner with lessors having scale advantages to help them meet their capital and operational requirements. They incline even more to work with professional asset managers with aircraft asset management capacities to develop more comprehensive lease structures and provide one-stop services to realize amalgamation of fleet management to accomplish better cost efficiency.

In the past few years, CALC has been continuously enhancing its aircraft full value chain operation capabilities and extending its service coverage to all major segments of the aircraft aftermarket. During the Review Year, CALC proactively pursued fleet management and lease management, upgrading its service capabilities in the aviation aftermarket. CALC’s aircraft maintenance, repair and overhaul (“**MRO**”) business was granted Part 145 approval certification by the European Aviation Safety Agency (“**EASA**”) and undertook more maintenance support services compared with the previous year for domestic airline customers. In addition, through the establishment of various aviation industry fund platforms and joint ventures, CALC fostered industrial cooperation ecosystems, accreting value and realizing returns for financiers, investors and other aircraft asset owners in its capacity as an aircraft asset manager.

Pursuing strategies to establish as a world-leading aircraft leasing full-industry-chain service provider

The establishment of a world-leading aircraft leasing full-industry-chain service provider constitutes key objectives of the “143 (One-Four-Three)” strategy of China Everbright Limited (“CEL”) under the “433 (Four-Three-Three)” development architecture of China Everbright Group. In January 2021, CALC procured ARJ21 series aircraft with 30 firm orders and 30 intended orders from Commercial Aircraft Service Corporation of China Ltd. (“COMAC”), and signed a tripartite project investment cooperation memorandum with CEL and COMAC in respect of deep and pragmatic cooperation in the areas of overseas operation of aircraft made in China, aircraft asset management and aviation aftermarket, etc. This constituted a key directive in supporting realization of China Everbright Group’s vision of serving the new development landscape of the dual domestic and international industry cycles.

In 2021, although the availability of vaccines for COVID-19 has shed lights to the aviation industry, it will still take time for the aviation sector to recover. Industry participants are charged with missions and shouldering responsibilities to work harder and progress further. CALC will continue its prudence in business operations, consolidating its business foundation in various areas to unleash its industry edges in full, treading ahead our journey of accomplishing the vision of becoming a world-leading aircraft lessor providing full value chain solutions.

ACKNOWLEDGEMENTS

I would like to express my sincere appreciation to my fellow Board members and the management for fighting together with the Company as a team with full confidence and determination in the development of the Company during this challenging year. On behalf of the Board, I would also like to extend my heartfelt appreciation to all the staff. Last but not least, 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, 15 March 2021

CEO'S STATEMENT

Navigating through a challenging 2020

2020 had marked the most challenging year ever in the commercial aviation industry. The COVID-19 outbreak has brought upon unprecedented upheaval to the aviation industry. Governments granted nearly US\$190 billion, according to IATA, of aid for airlines.

To minimize the risk of the spread of COVID-19, some hard-hit countries have introduced border restrictions, which led to grounded flights, particularly international long-haul routes serviced by large widebodies. Whilst cross-border operations were still under pressure, domestic markets had been leading the recovery, albeit in different trajectories. These put narrow-body aircraft in a better position. In particular, with the pandemic gradually being brought under control, the domestic market in China has rebounded significantly with passenger traffic returned to approximately pre-crisis level.

Although the challenging business environment exacts pressure on CALC for the near term, the key fundamentals supporting its operations for the long term remain unscathed. The resilience of CALC's business model is built on its highly-liquid asset portfolios, region-specific marketing platforms, diversified funding and trading channels, flexibilities in leasing arrangements, asset management expertise, and strong relationships with its industry stakeholders.

As a result, CALC maintained its operating profit for 2020 at approximately the same level as 2019, with much more abundant balance of cash and stronger credit support from banks and investors, ending the Review Year with a better position to prepare for next phase of development.

2020 business review

1) *A young, narrow-body-dominant fleet*

CALC continued to apply prudent principles in optimizing its fleet portfolio. During 2020, the Group delivered 10 aircraft through order book placements as well as flexible purchase and lease back arrangements; and disposed of 18 aircraft to its diversified aircraft investment platforms and third parties. As of 31 December 2020, CALC had 128 aircraft in its fleet, including 103 owned and 25 managed aircraft.

CALC has been very selective in the type of aircraft assets to be included in its portfolio. As of 31 December 2020, by number of aircraft, 91% of CALC's owned fleet are narrow-body aircraft, a highly liquid asset class and the most popular aircraft type mainly serving domestic routes and short-haul flights, which had been proven to be less impacted by the pandemic.

CALC has been maintaining a young and modern fleet. Its self-owned fleet had an average age of 5.7 years and average remaining lease period of 7.6 years as at 31 December 2020. CALC continued to pursue its long-standing strategy of investing in modern jet aircraft that are the most fuel-efficient and sought-after category as it prepared itself for recovery and growth in the future. As at 31 December 2020, CALC had 253 narrow-body aircraft in its order book, to be delivered in stages by 2027.

By number of aircraft, 78% of CALC's owned fleet as of 31 December 2020 were leased to Chinese clients, the majority of which are state-owned airlines with strong financial and liquidity strengths. CALC's non-Chinese clients are mainly flag-carriers or backed by strong shareholders. As of 31 December 2020, CALC's owned and managed aircraft were on lease to 35 airlines in 15 countries and regions.

2) *Persisting the asset-light model to enhance earnings quality further*

CALC is one of the few lessors that boast not only global, but domestic aircraft trading platforms to introduce various aviation finance products, including lease rental realization, asset-backed securities (ABS), joint ventures with other lessors and management of aviation-related funds that acquire aircraft from its fleet, taking its asset-light model to the next level.

Perfecting the asset-light model is instrumental in CALC's long term strategy of increasing its presence in the aviation industry chain as a lessor playing heavier roles, with broader profit opportunities. This is particularly important given the earth-breaking changes in the industry ecosystem in response to the pandemic. The asset-light model ensures CALC's fleet portfolio to be optimized with discipline, capital efficiency at high levels and low gearing, strengthens of its core businesses and stability of its operating profit margin.

CALC rolled out ARG Cayman 1 Limited (“**ARG**”), another aircraft investment vehicle focusing on old aircraft portfolios and trading of parts and components following the full operation of CAG. During 2020, CALC injected four aircraft into ARG while Aircraft Recycling International Limited served as the servicer to advance its asset management strengths.

During 2020, CALC also disposed of two aircraft to a joint venture it established with HNCA Aviation & Equipment Leasing Co., Ltd. Furthermore, CALC joined forces with Moutai Financial Leasing Co., Ltd. in a strategic cooperative partnership for the investment in lease-attached aircraft portfolio in May 2020.

CALC also completed the disposal of seven aircraft from its portfolio to Everbright Financial Leasing Co., Ltd. in a move to seek win-win cooperation where CALC optimizes its fleet and asset portfolio while the latter expands its business presence.

3) *Enhancing financing capabilities*

Given the challenging environment, managing liquidity is vital to the aviation industry to bridge the Group to recovery. CALC continues to advance its onshore and offshore financing platforms to flexibly tap opportunities to access quality funding sources. Bank loans still remains the main source of funding for its fleet. Banks have given adequate credit lines to support the Group's business development.

Capitalizing on the relative abundance of liquidity in the domestic market in China, CALC completed a RMB300 million short-term debenture issuance at a 4% coupon in June 2020, following a RMB1 billion short term debenture issuance at a 3.65% coupon in March.

As RMB exchange rate changed rapidly against USD during the year, an unrealised mark-to-market RMB exchange loss of approximately HK\$306 million was incurred in 2020. Currently RMB loan represents approximately 13% of the Group's total debt portfolio. In order to mitigate RMB exchange rate risks, a hedging arrangement has been made and unhedged exposure on RMB has been decreased by around 50% as of the date of this announcement when compared to the general level as for the Review Year.

In June 2020, CALC received an approval from the Shanghai Stock Exchange for its RMB5 billion asset-backed securities (ABS) issuance programme. As the first ABS issuance programme for the aircraft leasing industry in China, it allows multiple issuances within a two-year period without further approval requirements. This flexibility will enable CALC to capture new business opportunities more timely while lowering related costs.

In August 2020, the Group received the highest AAA credit rating from Dagong Global Credit Rating Co., Ltd, an accolade conducive to future financings in the domestic market in China.

CALC has also been working in parallel in the offshore market. The Group arranged US\$70 million five-year unsecured bonds at a coupon of 5.90% with two issuance of US\$35 million each completed in November 2020 and January 2021.

In December 2020, the Group initially completed a US\$200 million issue of perpetual bond at a coupon of 6.4% over London Interbank Offered Rate ("LIBOR"). This transaction has showcased the recognition from reputable institutional investors in CALC's creditworthiness backed by its strong business fundamentals and sound development prospects.

Under the prevailing unprecedented times, CALC has successfully arranged project loan facilities for eight aircraft. To shore up its financial position, CALC has also received strong support from the associate companies under China Everbright Group. Together with liquidity provided by other commercial banks, CALC has been granted US\$275 million of standby credits and committed working capital facilities.

With all these measures, despite the backdrop of a challenging environment, the Group has gathered rich ammunition to tap opportunities from the imminent recovery of its key aviation markets in China and the region.

4) *Perfecting full-value-chain operations to exploit further synergies in the ecosystem*

Following its expansion into mid-aged to end-of-life aircraft solutions ranging from aircraft leasing, portfolio trading, MRO, aircraft disassembly and component sales, CALC extended downstream along the aviation value chain into the end-user segment to further enhance its business synergies. In March 2020, CALC acquired a 72.82% interest in Aviation Synergy Ltd., which holds a 49% indirect equity interest in an Indonesian regional airline. In January 2021, CALC placed firm order for 30 ARJ21 aircraft and, together with China Everbright Group and CEL, further its strategic cooperation with COMAC in the fields of aircraft asset management, MRO and aviation aftermarket services. The move paves the way for the imminent effort by CALC to stretch its muscles further to the aircraft aftermarket.

As civil aviation market has been severely impacted by the pandemic, shared of the losses and made provision on the investment in Aviation Synergy Ltd totaled approximately HK\$205 million, compared with the Group's investment cost of US\$28 million (equivalent to approximately HK\$218 million). The Group still believes in synergies to be exploited from the "manufacture-lessor-airlines" ecosystem development.

Prospects

2020 has been unprecedented for the aviation industry, but we are glad to conclude the Review Year with the solid progress on the front of vaccine development for the pandemic. The Group envisages that as vaccines are gradually administered to the world population and cross-border restrictions are lifted, the reviving economy will again spur demand for global air connectivity. Commercial aviation has demonstrated resilience against turbulences time and time again.

Recovery of the aviation industry and the general economy as a whole is likely to be gradual and uneven, with timing uncertain. Yet China will obviously be leading the recovery momentum in this region. The market generally expects China to emerge as the largest delivery destination for commercial aircraft and passenger jets between 2021 and 2039, taking up a 22% share globally and leading recovery of the industry. At the same time, product differentiation and diversity will be the key that distinguishes professionalism of individual industry participants.

CALC will channel more resources into the China market to further consolidate its leading position there. Meanwhile, CALC will continue to sharpen its edge as a matured aircraft asset manager – a local aviation player with global resources. This full integration of the Group’s capabilities along the aviation value chain is set to advance with the unparalleled flexibility in mobilizing resources from the global platform it has been building over the years, bringing the Group closer to its goal of becoming a world leading aircraft lessor.

The CALC team continues to persevere in its set priorities. With its strong shareholder backing, a diversified clientele of Chinese airlines and ready access to both PRC onshore and offshore platforms of aircraft trading and aviation financing, CALC is well-positioned to weather these challenges with its partners together, and emerge stronger for us and the industry as a whole.

POON Ho Man

Executive Director and Chief Executive Officer

Hong Kong, 15 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

1. RESULTS

Total revenue of the Group was HK\$3,485.8 million in 2020, a decrease of HK\$37.4 million or 1.1% from HK\$3,523.2 million in 2019. Operating profit for the year in 2020 amounted to HK\$948.7 million, a decrease of HK\$18.9 million or 2.0% compared with HK\$967.6 million in 2019. Profit attributable to shareholders of the Company in 2020 amounted to HK\$334.1 million, a decrease of HK\$561.9 million or 62.7% compared with HK\$896.0 million in 2019. As at 31 December 2020, the fleet size of the Group was 128 aircraft, including 103 owned aircraft and 25 managed aircraft (2019: the fleet size of the Group was 134 aircraft, including 111 owned aircraft and 23 managed aircraft).

Total assets amounted to HK\$46,392.5 million as at 31 December 2020, compared with HK\$43,651.3 million as at 31 December 2019, an increase of HK\$2,741.2 million or 6.3%. The increase in assets was mainly due to the increase in Pre-Delivery Payments (“PDP”) made to aircraft manufacturers for aircraft acquisition from order book. Total liabilities amounted to HK\$40,976.8 million, an increment of HK\$1,295.2 million or 3.3% compared with HK\$39,681.6 million as at 31 December 2019.

Total equity amounted to HK\$5,415.8 million as at 31 December 2020 compared with HK\$3,969.7 million as at 31 December 2019, an increase of HK\$1,446.1 million or 36.4%. The increase in equity was mainly due to the issuance of US\$200 million (equivalent to approximately HK\$1,550.5 million) perpetual capital securities in December 2020.

2. ANALYSIS OF INCOME AND EXPENSES

	Year ended 31 December		Change
	2020	2019	
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Total revenue			
Lease income			
Finance lease income	541.2	664.3	-18.5%
Operating lease income	1,945.6	1,796.2	8.3%
	<u>2,486.8</u>	<u>2,460.5</u>	1.1%
Other income			
Net income from aircraft transactions and aircraft trading	514.3	594.9	-13.5%
Government grants	251.5	265.1	-5.1%
Interest income from loans to associates and joint ventures	92.9	74.4	24.9%
Forfeiture of deposit received	84.6	–	N/A
Bank interest income	10.0	24.2	-58.7%
Servicer fees income from CAG Group	12.2	33.2	-63.3%
Others	33.5	70.9	-52.8%
	<u>999.0</u>	<u>1,062.7</u>	-6.0%
Total revenue	3,485.8	3,523.2	-1.1%
Total operating expenses	(2,537.1)	(2,555.6)	-0.7%
Operating profit	948.7	967.6	-2.0%
Share of losses and provision on investment in associates and joint ventures	(209.0)	(3.3)	6,233.3%
Other (losses)/gains	(306.7)	76.2	N/A
	<u>(515.7)</u>	<u>72.9</u>	607.4%
Profit before income tax	433.0	1,040.5	-58.4%
Income tax expenses	(165.1)	(144.5)	14.3%
Profit for the year	267.9	896.0	-70.1%
Profit/(loss) attributable to			
Shareholders of the Company	334.1	896.0	-62.7%
Holders of perpetual capital securities and other non-controlling interests	(66.2)	–	N/A
	<u>267.9</u>	<u>896.0</u>	<u>-70.1%</u>

2.1 Total Revenue

For the year ended 31 December 2020, the total revenue amounted to HK\$3,485.8 million, compared with HK\$3,523.2 million in 2019, a decrease of HK\$37.4 million or 1.1%.

Total lease income from finance leases and operating leases for the year 2020 amounted to HK\$2,486.8 million, compared with HK\$2,460.5 million in 2019, an increase of HK\$26.3 million or 1.1%. The decrease in finance lease income was due to the reclassification of aircraft from finance lease aircraft to operating lease aircraft. The increase in operating lease income was attributable to the reclassification of finance lease aircraft to operating lease aircraft as mentioned above.

For the year ended 31 December 2020, the Group's average lease rental yield of the finance leases and operating leases was 11.8% (2019: 12.6%) and 10.2% (2019: 9.3%), respectively. Average lease rental yield for finance leases and operating leases is calculated by expected annual gross lease receipt divided by net book value of aircraft. Weighted average lease rental yield of the Group was 10.4% (2019: 9.9%).

In 2020, the Group recognised net gain from disposal of 18 aircraft amounted to HK\$514.3 million with aggregate net book value of HK\$5,579.5 million.

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.

Government grants for the year amounted to HK\$251.5 million, compared with HK\$265.1 million in 2019, a decrease of HK\$13.6 million or 5.1%.

In 2020, the Group recorded an income from forfeiture of deposit received amounted to HK\$84.6 million (2019: Nil) from an independent third party relating to an aircraft transaction.

2.2 Total Operating Expenses

During the year ended 31 December 2020, the Group had the following operating expenses.

	Year ended 31 December		Change
	2020	2019	
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Interest expenses	1,328.8	1,422.8	-6.6%
Depreciation	859.4	755.1	13.8%
Expected credit losses/ (reversal of expected credit losses)	80.6	(1.7)	N/A
Other operating expenses	268.3	379.4	-29.3%
Total operating expenses	<u>2,537.1</u>	<u>2,555.6</u>	<u>-0.7%</u>

(a) Interest Expenses

For the year ended 31 December 2020, interest expenses incurred by the Group amounted to HK\$1,328.8 million compared with HK\$1,422.8 million in 2019, a decrease of HK\$94.0 million or 6.6%. The total interest-bearing debts as at 31 December 2020 amounted to HK\$37,156.1 million (As at 31 December 2019: HK\$35,763.1 million). The decrease in interest expenses was mainly due to the decrease in US\$ LIBOR rate during the year. The average effective interest rate of bank borrowings during the year was 3.34% (2019: 4.64%).

(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 2020 was HK\$859.4 million compared with HK\$755.1 million in 2019, an increase of HK\$104.3 million or 13.8%. The increase in depreciation was mainly due to the reclassification of finance lease aircraft to operating lease aircraft.

(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's implementation of cost control measures on operating expenses and decrease in value-added tax and other tax expenses during the year.

2.3 Share of Losses and Provision on Investment in Associates and Joint Ventures

The amount mainly represents share of losses and provisions totally amounted to HK\$205.4 million on the investment in PT TransNusa Aviation Mandiri ("**TAM**") (A joint venture acquired by the Group in March 2020) (2019: Nil) during the year. The share of losses and provisions on the investment in TAM was mainly due to the global pandemic exacted pressure on the operation of TAM during the year.

On 4 March 2020, CALC IDN Limited ("**CALC IDN**"), a wholly-owned subsidiary of the Company, entered into a subscription agreement with Aviation Synergy Ltd ("**Aviation Synergy**"), which was owned as to 52% by Equal Honour Holdings Limited (wholly-owned by Mr. Poon, a substantial shareholder, an executive Director and chief executive officer of the Company) and 48% by Smart Aviation Investment Limited (wholly-owned by Ms. Liu, an executive Director and deputy chief executive officer of the Company).

Pursuant to the subscription agreement, 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 million (equivalent to approximately HK\$218.4 million), representing approximately 72.82% of the enlarged share capital in Aviation Synergy. Aviation Synergy indirectly (i) holds 49% equity interest in TAM and (ii) is beneficially interested in 50% of the voting rights and 75% of the economic interest in TAM. The principal activity of TAM is the operation of an airline based in Indonesia. It also engages in the provision of commercial air transportation services.

2.4 Other Losses/Gains

The amount mainly represents currency exchange losses of HK\$277.7 million (2019: currency exchange gains of HK\$52.7 million), in which currency exchange losses of HK\$306.5 million (2019: currency exchange gains of HK\$23.5 million) arising from borrowings denominated in RMB and currency exchange gains of HK\$28.8 million (2019: currency exchange gains of HK\$29.2 million) arising from borrowings denominated in US\$. The exchange losses arising from borrowings denominated in RMB was mainly due to the appreciation of RMB exchange rate against USD during the year from 6.99 to 6.53.

To manage and mitigate the foreign exchange exposure arising from various liabilities denominated in RMB, the Group entered into various currency forward contracts with notional amount of RMB400 million (equivalent to approximately HK\$475 million) in December 2020 and RMB1.6 billion (equivalent to approximately HK\$1.9 billion) subsequent to 31 December 2020 and up to the announcement date.

Up to the announcement date, the carrying amount of RMB debt amounted to RMB4.0 billion (equivalent to approximately HK\$4.7 billion), hedged by the currency exchange forward contracts with total notional amount of RMB2.0 billion (equivalent to approximately HK\$2.4 billion), the unhedged currency exposure on RMB has been decreased by around 50%.

2.5 Income Tax Expenses

Income tax for the year ended 31 December 2020 was HK\$165.1 million (2019: HK\$144.5 million). Increase in the amount was mainly due to the increase in tax provision relating to increase in number of disposal of aircraft in PRC from 6 aircraft in 2019 to 17 aircraft in 2020.

3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets

As at 31 December 2020, the Group's total assets amounted to HK\$46,392.5 million compared with HK\$43,651.3 million as at 31 December 2019, an increase of HK\$2,741.2 million or 6.3%.

The majority of total assets as at 31 December 2020 represented property, plant and equipment and right-of-use assets of HK\$18,450.6 million (2019: HK\$19,611.5 million), finance lease receivables of HK\$7,263.7 million (2019: HK\$7,790.5 million) and PDP of HK\$11,294.7 million (2019: HK\$8,405.1 million). The increase in total assets was mainly due to the increase in PDP made to aircraft manufacturers for aircraft acquisition from order book.

	As at 31 December		Change
	2020	2019	
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Property, plant and equipment and right-of-use assets	18,450.6	19,611.5	-5.9%
Interests in and loans to associates and joint ventures	1,134.9	1,117.6	1.5%
Finance lease receivables – net	7,263.7	7,790.5	-6.8%
Financial asset at fair value through profit or loss	797.9	752.9	6.0%
Derivative financial assets	17.7	26.3	-32.7%
Aircraft trading assets	19.5	–	N/A
Prepayments and other assets	13,418.8	9,765.1	37.4%
Cash and bank balances	5,289.4	4,587.4	15.3%
Total assets	<u>46,392.5</u>	<u>43,651.3</u>	<u>6.3%</u>

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\$7,790.5 million as at 31 December 2019 to HK\$7,263.7 million as at 31 December 2020 because the Group reclassified two aircraft from finance lease to operating lease and disposed two aircraft under finance lease during the year.

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 decrease in property, plant and equipment and right-of-use assets was mainly due to aircraft disposed during the year under operating leases.

3.1.2 Aircraft Portfolio

Aircraft portfolio by number of aircraft is as follows:

Aircraft Type	As at 31 December	
	2020	2019
	Owned	Owned
	Aircraft	Aircraft
Airbus A320 CEO family	74	83
Airbus A320 NEO family	6	4
Airbus A330 CEO family	8	6
Boeing B737 NG family	14	18
Boeing B787	1	–
Total	103	111

3.1.3 Prepayments and Other Assets

Prepayments mainly represented PDP made to aircraft manufacturers for aircraft acquisition from order book. The increase in prepayments and other assets was mainly due to the increase in PDP made to aircraft manufacturers by HK\$2,889.6 million (PDP as at 31 December 2020: HK\$11,294.7 million; 31 December 2019: HK\$8,405.1 million) and the increase in operating lease receivables by HK\$350.8 million (Operating lease receivables as at 31 December 2020: HK\$376.7 million; 31 December 2019: HK\$25.9 million) during the year. Expected credit losses of HK\$75.8 million (2019: Nil) was made on the operating lease receivables in the year.

3.2 Liabilities

As at 31 December 2020, the Group's total liabilities amounted to HK\$40,976.8 million, compared with HK\$39,681.6 million as at 31 December 2019, an increase of HK\$1,295.2 million or 3.3%.

An analysis is given as follows:

	As at 31 December		Change
	2020	2019	
	HK\$'Million	HK\$'Million	
Borrowings	26,763.0	26,881.2	-0.4%
Bonds and debentures	9,054.8	7,245.4	25.0%
Medium-term notes	1,338.3	1,636.5	-18.2%
Total interest-bearing debts	37,156.1	35,763.1	3.9%
Deferred income tax liabilities	788.7	746.4	5.7%
Interest payables	276.1	269.3	2.5%
Income tax payables	24.9	7.3	241.1%
Derivative financial liabilities	355.6	129.6	174.4%
Other liabilities and accruals	2,375.4	2,765.9	-14.1%
Total liabilities	40,976.8	39,681.6	3.3%

3.2.1 Borrowings

The analysis of borrowings is as follows:

	As at 31 December		
	2020	2019	Change
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Bank borrowings			
Bank borrowings for aircraft acquisition			
financing	10,542.0	14,818.9	-28.9%
PDP financing	8,456.6	5,327.1	58.7%
Other unsecured bank borrowings	2,595.0	1,427.6	81.8%
	21,593.6	21,573.6	0.1%
Long-term borrowings			
Borrowings from trust plans	4,818.5	4,971.6	-3.1%
Other borrowings	350.9	336.0	4.4%
	5,169.4	5,307.6	-2.6%
Total borrowings	26,763.0	26,881.2	-0.4%

3.2.2 Bonds and debentures

The following table summarises the senior unsecured US\$ bonds and RMB bonds and debentures issued by the Group:

Issue date	Terms	Maturity date	Coupon interest per annum	Principal amount (Million)	Carrying amount (HK\$ Million)	Note
August 2016	Five years	August 2021	4.90%	US\$ 300.0	2,260.7	(a)&(b)
March 2017	Five years	March 2022	4.70%	US\$ 300.0	2,254.2	(a)&(b)
March 2017	Seven years	March 2024	5.50%	US\$ 200.0	1,542.0	(a)&(b)
November 2020	Five years	November 2025	5.90%	US\$ 35.0	269.0	(c)
				<u>US\$ 835.0</u>	<u>6,325.9</u>	
June 2019	Three years	June 2022	5.20%	RMB1,000.0	1,185.6	(d)
March 2020	One year	March 2021	3.65%	RMB1,000.0	1,187.3	(e)
June 2020	One year	June 2021	4.00%	RMB300.0	356.0	(e)
				<u>RMB2,300.0</u>	<u>2,728.9</u>	
Total bonds and debentures as at 31 December 2020					<u>9,054.8</u>	
Total bonds as at 31 December 2019					<u>7,245.4</u>	

- (a) These bonds are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).
- (b) In October, November and December 2020, the Group repurchased certain amount of bonds on the Stock Exchange for a lump sum payment of US\$6,992,000. The carrying amount of the bonds in an aggregate principal amount of US\$7,200,000. A net gain of US\$190,000 (equivalent to approximately HK\$1,474,000) was recognised after deducting the transaction cost.
- (c) The bond is unlisted and subscribed by an independent third party.
- (d) The bond is listed on the Shanghai Stock Exchange.
- (e) The debentures are listed on the Inter-bank Bond Market of China.

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>	Note
July 2015	Five years	July 2020	6.50%	–	–	(a)
November 2016	Five years	November 2021	4.19%	330.0	391.1	
August 2019	Three years	August 2022	4.93%	800.0	947.2	
Total medium-term notes as at 31 December 2020				<u>1,130.0</u>	<u>1,338.3</u>	
Total medium-term notes as at 31 December 2019					<u>1,636.5</u>	

- (a) In July 2020, the Group fully repaid the five-year RMB340.0 million (equivalent to approximately HK\$377.5 million) medium-term notes, bearing coupon interest at 6.5% per annum on maturity date.

As at 31 December 2020, after deducting the issuing cost, the total carrying amount of these medium-term notes was RMB1,126.8 million (equivalent to HK\$1,338.3 million).

3.3 Equity

	As at 31 December		Change
	2020	2019	
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Share capital	72.0	67.7	6.4%
Reserves	1,585.5	1,559.5	1.7%
Retained earnings	2,235.6	2,342.5	-4.6%
Equity attributable to shareholders of the Company	3,893.1	3,969.7	-1.9%
Perpetual capital securities and other non-controlling interests	1,522.7	–	N/A
Total equity	<u>5,415.8</u>	<u>3,969.7</u>	<u>36.4%</u>

Perpetual capital securities and other non-controlling interests of HK\$1,522.7 million (2019: Nil) mainly represents the issuance of US\$200 million (equivalent to approximately HK\$1,550.5 million) floating rate guaranteed perpetual capital securities in December 2020, which resulted in the increase of total equity in the current year.

4. 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 debentures, 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, HNCA&CALC One (Tianjin) Leasing Company Limited (“**HNCA One (Tianjin)**”) and HNCA&CALC Two (Tianjin) Leasing Company Limited (“**HNCA Two (Tianjin)**”).

For the year ended 31 December 2020, 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 ratio and debt to equity ratio:

	As at 31 December		Change
	2020	2019	
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Interest-bearing debts included in total liabilities	37,156.1	35,763.1	3.9%
Total assets	46,392.5	43,651.3	6.3%
Total equity	5,415.8	3,969.7	36.4%
Gearing ratio	80.1%	81.9%	-1.8p.p.
Interest-bearing debts to equity ratio	7:1	9:1	-22.2%

5. HUMAN RESOURCES

As at 31 December 2020, staff of the Group numbered 162 (2019: 169). Total remuneration of employees for 2020 amounted to HK\$135.7 million (2019: HK\$182.5 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.

6. CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

6.1 Contingent Liabilities

As at 31 December 2020, the Group was a guarantor of certain bank borrowings of associates and joint ventures amounted to HK\$729.0 million (2019: Nil).

6.2 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 (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\$98.0 billion as at 31 December 2020 (2019: HK\$86.1 billion), representing estimated total purchase costs of the aircraft contracted to be purchased and delivered, net of PDP paid.

As at 31 December 2020, the Group had 253 aircraft in its order book, comprising 161 Airbus A320 family and 92 Boeing B737 family.

During the year under review, the Group completed the disposal of 18 aircraft.

6.3 Shareholder Loan Commitment for Investment in CAG Bermuda 1 Limited (“CAG”)

The Group has committed shareholder loan for investment in CAG amounting to approximately US\$94.7 million (equivalent to approximately HK\$734.2 million), of which US\$90.1 million (equivalent to approximately HK\$698.5 million) had been drawn down up to 31 December 2020. The Group has no outstanding committed shareholder loan for investment in CAG as at 31 December 2020.

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

The Group has committed shareholder loan for investment in ARG amounted to approximately US\$30.0 million (equivalent to approximately HK\$232.6 million), of which US\$13.3 million (equivalent to approximately HK\$103.1 million) had been drawn down up to 31 December 2020. The Group’s outstanding committed shareholder loan for investment in ARG as at 31 December 2020 was amounted to US\$16.7 million (equivalent to approximately HK\$129.5 million).

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

7. OTHER EVENT

- (a) On 8 January 2021, the Group entered into the aircraft sale and purchase agreement with Commercial Aircraft Corporation of China., Ltd, pursuant to which the Group agreed to place order for purchasing 30 ARJ21 series aircraft, which will be delivered in stages up to 2026. Pursuant to the aircraft sale and purchase agreement, the Group were granted the option to place order for purchasing 30 additional ARJ21 series aircraft with terms and conditions similar to the sale and purchase under the aircraft sale and purchase agreement.
- (b) To manage and mitigate the foreign exchange exposure arising from various liabilities denominated in RMB, the Group entered into various currency forward contracts with notional amount of RMB400 million (equivalent to approximately HK\$475 million) in December 2020 and RMB1.6 billion (equivalent to approximately HK\$1.9 billion) subsequent to 31 December 2020 and up to the announcement date.

Up to the announcement date, the carrying amount of RMB debt amounted to RMB4.0 billion (equivalent to approximately HK\$4.7 billion), hedged by the currency exchange forward contracts with total notional amount of RMB2.0 billion (equivalent to approximately HK\$2.4 billion), the unhedged currency exposure on RMB has been decreased by around 50%.

- (c) In view of the continued development of the Aircraft Recycling International Limited (“**ARI**”) business, ARI and the shareholders of ARI entered into a supplemental shareholders’ loan and guarantee agreement on 26 January 2021 to extend the term of the shareholders’ loan and guarantee agreement to 31 December 2023 and increase the annual cap for the years ending 31 December 2021, 2022 and 2023 from HK\$1.3 billion to HK\$1.5 billion. The above transaction was approved at the extraordinary general meeting of the Company held on 10 March 2021.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2020	2019
	Note	HK\$'000	HK\$'000
ASSETS			
Property, plant and equipment and right-of-use assets		18,450,641	19,611,484
Interests in and loans to associates and joint ventures		1,134,904	1,117,606
Finance lease receivables – net	3	7,263,697	7,790,510
Financial asset at fair value through profit or loss	4	797,888	752,913
Derivative financial assets		17,720	26,337
Prepayments and other assets		13,418,840	9,765,047
Aircraft trading assets		19,486	–
Restricted cash		411,786	235,101
Cash and cash equivalents		4,877,557	4,352,327
Total assets		46,392,519	43,651,325
EQUITY			
Share capital		72,000	67,727
Reserves		1,585,478	1,559,472
Retained earnings		2,235,560	2,342,515
Equity attributable to shareholders of the Company		3,893,038	3,969,714
Perpetual capital securities and other non-controlling interests		1,522,731	–
Total equity		5,415,769	3,969,714
LIABILITIES			
Deferred income tax liabilities		788,716	746,374
Borrowings	5	26,763,014	26,881,194
Medium-term notes	6	1,338,308	1,636,499
Bonds and debentures	7	9,054,779	7,245,367
Derivative financial liabilities		355,566	129,610
Income tax payables		24,897	7,386
Interest payables		276,113	269,280
Other liabilities and accruals		2,375,357	2,765,901
Total liabilities		40,976,750	39,681,611
Total equity and liabilities		46,392,519	43,651,325

CONSOLIDATED STATEMENT OF INCOME

	Note	Year ended 31 December	
		2020 HK\$'000	2019 HK\$'000
Total revenue			
Lease income			
Finance lease income		541,243	664,298
Operating lease income		1,945,545	1,796,218
	8	2,486,788	2,460,516
Other income			
Net income from aircraft transactions and aircraft trading	9	514,275	594,937
Other operating income	10	484,719	467,744
		3,485,782	3,523,197
Expenses			
Interest expenses		(1,328,782)	(1,422,812)
Depreciation		(859,349)	(755,075)
(Expected credit losses)/reversal of expected credit losses		(80,630)	1,724
Other operating expenses		(268,299)	(379,440)
		(2,537,060)	(2,555,603)
Operating profit		948,722	967,594
Share of losses and provision on investment in associates and joint ventures		(208,971)	(3,315)
Other (losses)/gains	11	(306,750)	76,264
Profit before income tax		433,001	1,040,543
Income tax expenses	12	(165,058)	(144,536)
Profit for the year		267,943	896,007
Profit/(loss) attributable to			
Shareholders of the Company		334,143	896,007
Holders of perpetual capital securities and other non-controlling interests		(66,200)	–
		267,943	896,007
Earnings per share for profit attributable to shareholders of the Company (expressed in HK\$ per share)			
– Basic earnings per share	13(a)	0.482	1.323
– Diluted earnings per share	13(b)	0.482	1.323

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	<u>267,943</u>	<u>896,007</u>
Other comprehensive loss for the year:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Cash flow hedges	(203,011)	(201,055)
Currency translation differences	<u>(38,537)</u>	<u>(51,665)</u>
Total other comprehensive loss for the year, net of tax	<u>(241,548)</u>	<u>(252,720)</u>
Total comprehensive income for the year	<u><u>26,395</u></u>	<u><u>643,287</u></u>
Total comprehensive income/(loss) for the year attributable to		
Shareholders of the Company	93,284	643,287
Holder of perpetual capital securities and other non-controlling interests	<u>(66,889)</u>	<u>–</u>
	<u><u>26,395</u></u>	<u><u>643,287</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company				Perpetual capital securities and other non- controlling interests	Total equity
	Share capital <i>HK\$'000</i>	Reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>		
Balance as at 1 January 2020	<u>67,727</u>	<u>1,559,472</u>	<u>2,342,515</u>	<u>3,969,714</u>	<u>-</u>	<u>3,969,714</u>
Comprehensive income						
Profit for the year	-	-	334,143	334,143	(66,200)	267,943
Other comprehensive loss						
Cash flow hedges	-	(203,011)	-	(203,011)	-	(203,011)
Currency translation differences	-	(37,848)	-	(37,848)	(689)	(38,537)
Total comprehensive (loss)/income	<u>-</u>	<u>(240,859)</u>	<u>334,143</u>	<u>93,284</u>	<u>(66,889)</u>	<u>26,395</u>
Transactions with shareholders						
Issuance of perpetual capital securities	-	-	-	-	1,545,501	1,545,501
Transactions with non-controlling interests	-	-	-	-	44,119	44,119
Buy-back of shares	(300)	(18,872)	-	(19,172)	-	(19,172)
Share option scheme:						
– Value of services	-	330	-	330	-	330
– Share options lapsed	-	(23,746)	23,746	-	-	-
Dividends (<i>Note 14</i>)	4,573	309,153	(464,844)	(151,118)	-	(151,118)
Total transactions with shareholders	<u>4,273</u>	<u>266,865</u>	<u>(441,098)</u>	<u>(169,960)</u>	<u>1,589,620</u>	<u>1,419,660</u>
Balance as at 31 December 2020	<u><u>72,000</u></u>	<u><u>1,585,478</u></u>	<u><u>2,235,560</u></u>	<u><u>3,893,038</u></u>	<u><u>1,522,731</u></u>	<u><u>5,415,769</u></u>

	Attributable to shareholders of the Company			
	Share capital <i>HK\$'000</i>	Reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total equity <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 (<i>Note 14</i>)	–	–	(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	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Profit after income tax	267,943	896,007
Adjustments for:		
– Depreciation	859,349	755,075
– Net income from aircraft transactions	(514,275)	(585,280)
– Expected credit losses/(reversal of expected credit losses)	80,630	(1,724)
– Interest expenses	1,328,782	1,422,812
– Share-based payments	330	339
– Unrealised currency exchange losses/(gains)	279,366	(64,382)
– Fair value losses on interest rate, currency swaps and currency forwards	22,542	21,349
– Share of losses and provision on investment in associates and joint ventures	208,971	3,315
– Gain on repurchase of bonds	(1,474)	(4,505)
– Interest income	(141,810)	(143,530)
	<u>2,390,354</u>	<u>2,299,476</u>
Changes in working capital:		
– Finance lease receivables – net	(433,449)	(178,248)
– Prepayments and other assets	(686,340)	(245,371)
– Aircraft trading assets	(19,486)	–
– Other liabilities and accruals	(359,722)	74,600
– Income tax payables	18,043	(21,871)
– Deferred income tax liabilities	54,911	81,475
	<u>964,311</u>	<u>2,010,061</u>
Net cash flows generated from operating activities	<u>964,311</u>	<u>2,010,061</u>

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,900,017)	(3,776,727)
Proceeds from disposal of aircraft	5,534,659	5,905,828
Deposit paid for acquisition of aircraft	(4,422,512)	(4,036,645)
Deposits refunded for acquisition of aircraft	378,213	822,830
Interest received	113,517	143,530
Net payments relating to financial asset at fair value through profit or loss	(20,245)	(253,590)
Investment in associates and joint ventures	(3,447)	(3,502)
Net payments relating to loans to associates and joint ventures	(61,996)	(158,308)
Net cash flows used in investing activities	(1,381,828)	(1,356,584)
Cash flows from financing activities		
Proceeds from borrowings	9,771,604	15,579,074
Issue of bonds and debentures, net of transaction costs	1,696,189	1,151,837
Issue of medium-term notes, net of transaction costs	–	905,705
Issue of perpetual capital securities, net of transaction costs	1,545,501	–
Repayments of borrowings	(9,689,697)	(13,229,659)
Repurchase and repayment of bonds, including transaction costs	(54,368)	(2,423,986)
Repayment of medium-term notes	(377,524)	–
Repayment of amount due to non-controlling interests	(38,950)	–
Interest (paid)/received in respect of derivative financial instruments	(74,896)	31,250
Interest paid in respect of borrowings, notes and bonds	(1,505,411)	(1,761,152)
Proceeds from disposal of derivative financial instruments	–	3,956
Decrease in deposits pledged in respect of borrowings	4,910	71,335
Increase in deposits pledged in respect of derivative financial instruments	(181,946)	(132,307)
Buy-back of shares, including transaction costs	(19,172)	–
Dividends paid to shareholders	(151,118)	(453,771)
Net cash flows generated from/(used in) financing activities	925,122	(257,718)
Net increase in cash and cash equivalents	507,605	395,759
Cash and cash equivalents at beginning of the year	4,352,327	3,990,107
Currency exchange difference on cash and cash equivalents	17,625	(33,539)
Cash and cash equivalents at end of the year	4,877,557	4,352,327

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 2020 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

As at 31 December 2020, the Group's current liabilities exceeded its current assets by HK\$8,938.7 million. The Group had total capital commitments of HK\$98,048.6 million as at 31 December 2020, which mainly related to acquisition of aircraft that will be delivered in stages in the coming years till the end of 2027. Out of the total capital commitments, HK\$4,377.9 million will be incurred and payable within one year based on the current delivery schedule as agreed with the Original Equipment Manufacturers ("OEMs"). In addition, according to the relevant aircraft purchase agreements, Pre-Delivery Payments ("PDP") scheduled to be paid in the next twelve months from 31 December 2020 amounted to HK\$445.0 million excluding the PDP of those aircraft which the delivery schedules are not yet confirmed. The Group will satisfy these capital commitments through the Group's internal resources, available banking facilities and may also require additional aircraft project loans which usually can only be confirmed by the relevant banks shortly before the delivery of the aircraft. As at 31 December 2020, the Group has undrawn borrowing facilities of HK\$2,993.9 million.

COVID-19 and responsive government actions have caused economic disruption, a reduction in air passenger traffic and demand for commercial aircraft globally in the short term, all of which have a negative effect on the business operation and financial condition of the airline customers of the Group, especially on those overseas airline customers which rely more heavily on international flights. The Group experienced delay in lease payments from a few airline customers during the year. Moreover, the Group also received requests from certain airline customers to postpone the delivery of new aircraft and to defer lease payments due to the impact of COVID-19.

The Group will need to secure a substantial amount of funds in the foreseeable future to finance these financial obligations and capital expenditures under contractual and other arrangement. The directors have given due and careful consideration to the liquidity of the Group and its available sources of financing in assessing whether the Group has sufficient working capital for its present requirements, covering a period of not less than twelve months from 31 December 2020. The directors have taken into account the following plans and measures for the purposes of their assessment:

- The Group had continuous communication of anticipated changes in the delivery schedule with the OEMs and had been successful to delay or change the delivery schedules in the past, even under the impact of COVID-19 during 2020. Apart from the ordinary reschedule flexibility under the purchase agreements, the OEMs often accommodate slot rearrangement and deferral of corresponding payment requests with specific circumstances after mutual discussion in good faith. Management of the Group will continue to monitor the delivery schedule of the aircraft closely through ongoing discussion with the OEMs, its airline customers and the relevant banks on the delivery and financing arrangements. Based on its experience, the Group is confident that it would be able to obtain the consent from the OEMs on rescheduling and slot rearrangement requests in the next twelve months from 31 December 2020 as and when needed.

- New aircraft project loans are primarily used for the payment of the balances of the aircraft acquisition costs and the repayments of the PDP financing due upon delivery of aircraft. Such aircraft project loans will only be confirmed by the banks before the delivery of the relevant aircraft. Besides, the Group sometimes financed the new aircraft with internal resources or short-term financing and the Group may have to obtain refinancing for these aircraft through new aircraft project loans. In January 2021, the Group has applied for aircraft project loan facility with a limit of RMB8 billion from an onshore bank in the PRC and a revolving loan facility with a limit of US\$300 million from an offshore bank in Hong Kong. The Group has also applied for financing from the Export Credit Agencies in Europe (“ECA”) for aircraft scheduled to be delivered in 2021. ECA is generally regarded as lender of last resort for new aircraft deliveries when the global economic conditions become uncertain. Based on the latest communication with various potential financiers, the directors are of the view that the Group will be able to obtain the necessary aircraft project loans as and when required in the next twelve months from 31 December 2020.

- The payment schedule of the PDP is subject to a number of factors including delivery schedule which in turn, in some cases, is subject to the approval from the relevant aviation authorities. The Group forecasted the PDP payment schedule based on their experience and industry knowledge. The directors are of the view that they are able to negotiate with the OEMs from time to time to manage the payment schedule of PDP under specific circumstances. The Group had PDP financing facilities from certain commercial banks to provide financing of HK\$1,947.3 million to the Group to satisfy part of the forecasted committed PDP payments of HK\$356.0 million in the next twelve months from 31 December 2020. The remaining balances of PDP scheduled to be paid of approximately HK\$89.0 million in the next twelve months from 31 December 2020 are expected to be funded by internal resources of the Group.

- In January 2021, the Group has renewed an existing revolving loan facilities of HK\$77.5 million. The Group will further obtain new working capital loan facilities and renew existing revolving loan facilities if required. As at 31 December 2020, the Group had working capital loan and revolving loan facilities of HK\$3,741.0 million out of which HK\$2,966.0 million has been utilized. The directors are confident that the Group can draw down the remaining unutilized loan facilities of HK\$775.0 million as and when required and will be able to renew substantially all the existing revolving facilities.

- The Group is also pursuing other sources of financing, including issuance of bonds and medium-term notes, as well as other debt and capital financing. In particular, the Group has (i) obtained the official registration acceptance notification from the China Securities Regulatory Commission for issuance of unsecured bonds up to a principal amount of RMB1.5 billion in the PRC before June 2021, (ii) obtained the official registration acceptance notification from the National Association of Financial Market Institutional Investors for issuance of unsecured debentures up to a principal amount of RMB1.5 billion in the PRC within 2 years from March 2020. As at 31 December 2020, the Group had not fully utilized the above limit and therefore is capable to raise additional RMB700 million as the remaining balances under the above programmes. Moreover, the Group has also applied for the issuance of short-term commercial papers of a principal amount of RMB3 billion in the PRC and the directors believe that the Group will obtain the approval in the first half of 2021. Based on the Group’s experience, the credit profile of the Group, the successful history of issuance of similar debt instruments, the directors are confident that the Group will be able to issue the relevant debt instruments and obtain the required financing as and when required.

- The Group has been preserving the multi-faceted development of its asset-light business model through establishment and management of aviation-related funds and joint venture companies, while at the same time, building up network with third-party buyers that will acquire aircraft from its fleet. The Group expands its portfolio trading business and it has scheduled 3 aircraft to be disposed of in the next twelve months from 31 December 2020. Based on the Group’s experience of disposal of aircraft in previous years, the directors are confident that the disposal will be completed, and the proceeds will be collected according to the expected schedule in the next twelve months from 31 December 2020.

- The Group is closely monitoring the impact of COVID-19 on its airline customers and communicated with those airline customers with liquidity issue to work out mutually agreeable deferral lease rent schedule. The Group will closely monitor the collection and is confident that these airline customers will settle the deferral lease rent according to the schedule upon market recovery. The directors are of the view that although the negative impact of COVID-19 to the aviation industry will prevail for a short period of time before the full recovery of international passengers travel, but given the operations of many of the Group’s customers in the PRC with normal domestic operations, the Group expects there will not be any further deterioration in the operating cashflow in the next twelve months from 31 December 2020.

The directors are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the Group's internal resources, continued availability of existing banking facilities for working capital and PDP payments, the cash flows generated from its business operations, the successful rescheduling of delivery schedules for new aircraft, the successful execution of its plans in obtaining the aircraft project loans from the banks and the ECA, the successful issuance of debt instruments and the successful disposal of aircraft as planned, the Group has sufficient working capital for its present requirements in the next twelve months from 31 December 2020. Accordingly, the directors consider that the Group will be in a position to continue as a going concern and hence 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 2020:

- Definition of Material – amendments to HKAS 1 and HKAS 8
- Definition of a Business – amendments to HKFRS 3
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform Phase 1 – amendments to HKFRS 9, HKAS 39 and HKFRS 7

The 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 2021 and have not been early adopted in preparing the consolidated financial statements for the year ended 31 December 2020.

	Effective Date
HKFRS 17 Insurance Contracts	Originally 1 January 2021, but extended to 1 January 2023 by the HKICPA
Covid-19-related Rent Concessions – Amendments to HKFRS 16	1 June 2020
Classification of Liabilities as Current or Non-current – Amendments to HKAS 1	Originally 1 January 2022, but extended to 1 January 2023 by the HKICPA
Property, Plant and Equipment: Proceeds before intended use – Amendments to HKAS 16	1 January 2022
Reference to the Conceptual Framework – Amendments to HKFRS 3	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37	1 January 2022
Annual Improvements to HKFRS Standards 2018 – 2020	1 January 2022
Interest Rate Benchmark Reform – Phase 2	1 January 2021

The Group is in the process of making an assessment of the impact of Interest Rate Benchmark Reform – Phase 2 upon initial application. Other new and revised HKFRSs are not expected to have a material impact on the Group's financial performance and position.

3 FINANCE LEASE RECEIVABLES – NET

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Lease payments receivables		
– Not later than 1 year	129,578	263,813
– Later than 1 year but not later than 2 years	128,181	259,902
– Later than 2 years but not later than 3 years	126,328	228,450
– Later than 3 years but not later than 4 years	203,191	196,997
– Later than 4 years but not later than 5 years	1,079,669	274,906
– Later than 5 years	4,019,729	5,365,283
	<u>5,686,676</u>	<u>6,589,351</u>
Total	5,686,676	6,589,351
<i>Less:</i> Unearned finance lease income relating to lease payments receivable	(1,837,288)	(2,297,322)
	<u>3,849,388</u>	<u>4,292,029</u>
Present value of lease payments receivable	3,849,388	4,292,029
<i>Add:</i> Present value of unguaranteed residual value	3,421,378	3,510,782
	<u>7,270,766</u>	<u>7,802,811</u>
Net investment in the lease	7,270,766	7,802,811
<i>Less:</i> Accumulated expected credit losses	(7,069)	(12,301)
	<u>7,263,697</u>	<u>7,790,510</u>
Finance lease receivables – net	7,263,697	7,790,510

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

	As at 31 December			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Categorised by customer in terms of lease receivables:				
Five largest airline companies	5,332,181	73%	5,889,902	76%
Others	1,931,516	27%	1,900,608	24%
	<u>7,263,697</u>	<u>100%</u>	<u>7,790,510</u>	<u>100%</u>
Finance lease receivables – net	7,263,697	100%	7,790,510	100%

4 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Long-term debt investments – CAG (a)	701,959	648,940
Long-term debt investments – ARG (b)	95,929	103,973
	<u>797,888</u>	<u>752,913</u>

(a) CAG 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 shareholders' loan agreement, all investors of CAG committed to invest in CAG through shareholders' loan according to the mezzanine financing proportion.

(b) ARG is a subsidiary of ARI. 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 shareholders' loan agreement, all investors of ARG committed to invest in ARG through shareholders' loan according to the mezzanine financing proportion.

5 BORROWINGS

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings		
Bank borrowings for aircraft acquisition financing (a)	10,541,963	14,818,861
PDP financing (b)	8,456,588	5,327,145
Other unsecured bank borrowings (c)	2,595,060	1,427,624
	<u>21,593,611</u>	<u>21,573,630</u>
Long-term borrowings		
Borrowings from trust plans (d)	4,818,500	4,971,585
Other borrowings (e)	350,903	335,979
	<u>5,169,403</u>	<u>5,307,564</u>
	<u>26,763,014</u>	<u>26,881,194</u>

Bank borrowings

- (a) Bank borrowings for aircraft acquisition financing are principally based on fixed or floating US\$ LIBOR rates. As at 31 December 2020, 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\$45,380,000 (2019: HK\$56,123,000).
- (b) As at 31 December 2020, PDP financing of HK\$8,085,286,000 (2019: HK\$5,137,170,000) 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 2020, the Group had aggregate unsecured bank borrowings of HK\$2,595,060,000 (2019: HK\$1,427,624,000) which were guaranteed by certain companies of the Group.

Long-term borrowings

- (d) As at 31 December 2020, 46 borrowings (2019: 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% (2019: 3.5% to 7.8%) per annum for remaining terms of three to nine years (2019: four to 10 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\$43,879,000 (2019: HK\$44,068,000).
- (e) As at 31 December 2020, four borrowings (2019: four borrowings) were obtained through a structured financing arrangement for four aircraft (2019: four aircraft) delivered to airlines. These borrowings bear an effective interest rate ranging from 3.9% to 5.7% (2019: 3.9% to 5.7%) per annum for their remaining terms of four to five years (2019: five to six 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. These medium-term notes had been fully repaid on maturity.

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 2020, after deducting the issuing cost, the total carrying amount of these notes was HK\$1,338,308,000 (2019: HK\$1,636,499,000).

7 BONDS AND DEBENTURES

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 the wholly owned subsidiaries in the 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.

In March 2020, one of the wholly owned subsidiaries in the PRC issued one-year RMB1.0 billion unsecured debentures at the coupon rate of 3.65% and were listed on the Inter-bank Bond Market of China.

In June 2020, one of the wholly owned subsidiaries in the PRC issued one-year RMB300 million unsecured debentures at the coupon rate of 4.0% and were listed on the Inter-bank Bond Market of China.

In November 2020, the Group entered into a subscription agreement with an independent third party in relation to the issuance of five-year US\$70 million senior unsecured bonds, of which US\$35 million are issued in November 2020 and due in 2025. The bonds bear coupon interest at 5.9% per annum, payable semi-annually.

In October, November and December 2020, the Group repurchased certain amount of bonds on the Stock Exchange for a lump sum payment of US\$6,992,000. The carrying amount of the bonds in an aggregate principal amount of US\$7,200,000. A net gain of US\$190,000 (equivalent to approximately HK\$1,474,000) was recognised after deducting the transaction cost.

As at 31 December 2020, after deducting the issuing cost, the total carrying amount of these bonds was HK\$9,054,779,000 (2019: HK\$7,245,367,000).

8 LEASE INCOME AND SEGMENT INFORMATION

During the year ended 31 December 2020, 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			
	2020		2019	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Categorised by customer in terms of lease income:				
Airline Company – A	422,568	17%	452,815	18%
Airline Company – B	339,192	14%	297,608	12%
Airline Company – C	192,545	8%	156,799	6%
Airline Company – D	162,690	6%	164,343	7%
Airline Company – E	116,243	5%	86,815	4%
Others	1,253,550	50%	1,302,136	53%
Total finance and operating lease income	<u>2,486,788</u>	<u>100%</u>	<u>2,460,516</u>	<u>100%</u>

9 NET INCOME FROM AIRCRAFT TRANSACTIONS AND AIRCRAFT TRADING

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Aircraft transactions (a)	514,275	585,280
Aircraft trading (b)	—	9,657
	514,275	594,937
	514,275	594,937

- a) The net gain from aircraft transactions for the year ended 31 December 2019 included the gain from disposal of 15 aircraft, including one aircraft to ARI and its subsidiaries (collectively as “**ARI Group**”), the disposal of seven aircraft and related businesses to CAG and its subsidiaries (collectively as “**CAG Group**”) and the disposal of seven aircraft to third parties.

The net gain from aircraft transactions for the year ended 31 December 2020 included the gain from disposal of 18 aircraft, including four aircraft and related businesses to ARG, the disposal of one and one aircraft with related businesses to HNCA One (Tianjin) and HNCA Two (Tianjin), respectively, the disposal of seven aircraft to the wholly-owned special purpose vehicles of Everbright Financial Leasing Co., Ltd and the disposal of five aircraft to third parties.

b) Aircraft trading

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales from aircraft trading assets	—	171,698
Less: Cost of aircraft trading assets	—	(162,041)
	—	9,657
Profit from aircraft trading assets	—	9,657

10 OTHER OPERATING INCOME

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Government grants	251,526	265,119
Interest income from loans to associates and joint ventures	92,852	74,353
Forfeiture of deposit received	84,627	–
Bank interest income	9,998	24,217
Servicer fees income from CAG Group	12,212	33,209
Operating lease income on other assets from a related party	1,320	2,640
Others	32,184	68,206
	<u>484,719</u>	<u>467,744</u>

11 OTHER LOSSES/(GAINS)

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Unrealised losses/(gains) on currency swap	2,035	(3,033)
Unrealised gains on currency forward contracts	(793)	–
Realised losses on interest rate swaps	–	10,055
Fair value losses on interest rate swaps and futures	66,791	14,327
Currency exchange losses/(gains) (a)	277,677	(52,653)
Fair value gains on financial asset at fair value through profit or loss	<u>(38,960)</u>	<u>(44,960)</u>
	<u>306,750</u>	<u>(76,264)</u>

- (a) The currency exchange losses of HK\$277.7 million (2019: currency exchange gains of HK\$52.7 million) represents currency exchange losses of HK\$306.5 million (2019: currency exchange gains of HK\$23.5 million) arising from borrowings denominated in RMB and currency exchange gains of HK\$28.8 million (2019: currency exchange gains of HK\$29.2 million) arising from borrowings denominated in US\$.

12 INCOME TAX EXPENSES

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax:		
Mainland China, Hong Kong and others	124,597	63,692
Deferred income tax	40,461	80,844
	<u>165,058</u>	<u>144,536</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 2019 and 2020.

	Year ended 31 December	
	2020	2019
Profit attributable to shareholders of the Company (<i>HK\$'000</i>)	334,143	896,007
Weighted average number of ordinary shares in issue (<i>number of shares in thousands</i>)	<u>693,411</u>	<u>677,269</u>
Basic earnings per share (<i>HK\$ per share</i>)	<u>0.482</u>	<u>1.323</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	
	2020	2019
Earnings		
Profit attributable to shareholders of the Company <i>(HK\$'000)</i>	<u>334,143</u>	<u>896,007</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>	693,411	677,269
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>693,411</u>	<u>677,269</u>
Diluted earnings per share <i>(HK\$ per share)</i>	<u>0.482</u>	<u>1.323</u>

14 DIVIDENDS

A final dividend of HK\$0.48 per ordinary share totalling HK\$323.6 million for the year ended 31 December 2019, which was paid by cash of HK\$105.6 million and by share issuance of HK\$218.0 million in June 2020.

An interim dividend of HK\$0.20 per ordinary share totalling HK\$141.2 million was paid by cash of HK\$45.5 million and by share issuance of HK\$95.7 million in October 2020.

On 15 March 2021, the Board recommended a final dividend of HK\$0.20 per ordinary share totalling HK\$144.0 million and proposed a scrip dividend option to be offered, which is calculated based on 720,004,837 issued shares as at 15 March 2021. The proposed dividend is not reflected as a dividend payable in the consolidated financial statements as at 31 December 2020, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2021.

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend paid of HK\$0.20 (2019: HK\$0.23) per ordinary share	141,194	155,772
Proposed final dividend of HK\$0.20 (2019: HK\$0.48) per ordinary share	<u>144,001</u>	<u>325,089</u>
Total	<u>285,195</u>	<u>480,861</u>

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK\$0.20 per share (2019: HK\$0.48 per share) in respect of the year ended 31 December 2020 to shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company (the “**Register of Members**”) on 20 May 2021. Shareholders will be given the option to receive the proposed 2020 final dividend in new shares in lieu of cash (the “**Scrip Dividend Scheme**”). The Scrip Dividend Scheme is subject to: (1) approval of the proposed 2020 final dividend at the annual general meeting of the Company to be held on 7 May 2021 (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 Scheme will be despatched to the Shareholders together with the form of election for scrip dividend in June 2021. Cheques for cash dividend and/or definitive certificates for the scrip shares in respect of the proposed 2020 final dividend are expected to be despatched to the Shareholders on or about 8 July 2021.

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 3 May 2021
 - b) Closure of Register of Members 4 May 2021 to 7 May 2021
(both dates inclusive)

- (ii) For determining entitlement to the final dividend:
 - a) Latest time to lodge transfer documents for registration 4:30 pm on 17 May 2021
 - b) Closure of Register of Members 18 May 2021 to 20 May 2021
(both dates inclusive)
 - c) Record date 20 May 2021

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

The Company repurchased a total of 3,000,000 ordinary shares of the Company at the highest price and the lowest price per share of HK\$6.63 and HK\$6.10 respectively on the Stock Exchange for the year ended 31 December 2020 at an aggregate consideration of approximately HK\$19,103,060 (before expense). All the repurchased shares were subsequently cancelled by the Company on 3 April 2020.

In August 2016, the Group issued a 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 October and December 2020, the Group repurchased the principal amount of US\$6,400,000 of 2021 Bonds on the Stock Exchange for a total payment of US\$6,216,000. All the repurchased 2021 Bonds were subsequently cancelled by the Group.

In March 2017, the Group issued a 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 November 2020, the Group repurchased the principal amount of US\$400,000 of 2022 Bonds on the Stock Exchange for a total payment of US\$392,000. All the repurchased 2022 Bonds were subsequently cancelled by the Group.

In March 2017, the Group also issued a seven-year US\$200 million senior unsecured bonds due in 2024, bearing coupon interest at 5.5% per annum ("**2024 Bonds**"). The 2024 Bonds were listed on the Stock Exchange. In November 2020, the Group repurchased the principal amount of US\$400,000 of 2024 Bonds on the Stock Exchange for a total payment of US\$384,000. All the repurchased 2024 Bonds were subsequently cancelled by the Group.

Save as disclosed above, during the year ended 31 December 2020, 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 2020.

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. CHEOK Albert Saychuan (chairman of the Audit Committee), Mr. FAN Yan Hok, Philip and Mr. NIEN Van Jin, Robert, 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 consolidated financial statements of the Group for the year ended 31 December 2020.

SCOPE OF WORK PERFORMED BY INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2020 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 2020 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 (www.calc.com.hk) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The AGM is scheduled to be held on 7 May 2021. The notice of the AGM and the 2020 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, 15 March 2021

As at the date of this announcement, (i) the Executive Directors are Dr. 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 Dr. TSE Hiu Tung, Sheldon.