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CHINA AIRCRAFT LEASING GROUP HOLDINGS LIMITED

中國飛機租賃集團控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock code: 1848)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The Board of Directors (the “**Board**”) of China Aircraft Leasing Group Holdings Limited (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2021 as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended		Change
	2021	2020	
	HK\$'Million	HK\$'Million	
Total revenue	1,585.2	1,635.9	-3.1%
Profit attributable to shareholders of the Company	302.6	331.6	-8.7%
Profit/(loss) attributable to holders of perpetual capital securities and other non-controlling interests	50.9	(12.6)	N/A
Profit for the period	353.5	319.0	+10.8%
EPS (Basic) (HK\$)	0.421	0.491	-14.3%
Interim dividend per share (HK\$)	0.15	0.20	-25.0%
	As at	As at	
	30 June	31 December	
	2021	2020	Change
Interest-bearing debt to equity ratio	6:1	7:1	-14.3%

INTERIM BUSINESS REVIEW

With the growing rate of vaccination in the population, air travel is gradually recovering from the trough hit in the worst of COVID-19 pandemic. Largely driven by restoration of services in key domestic markets such as China, the US and Europe, global domestic connectivity has recovered back to just 20% below the 2019 levels by June 2021, according to International Aviation Transport Association. The organization forecasted that commercial air travel is to recover to 88% of 2019 levels by 2022 and 105% by 2023.

For the six months ended 30 June 2021 (the “**Period**”), total revenue of the Group was HK\$1,585.2 million, level to that of the same period of last year (1H2020: HK\$1,635.9 million). Profit for the Period increased by 10.8% to HK\$353.5 million (1H2020: HK\$319.0 million). Profit attributable to shareholders of the Company dropped by 8.7% from the same period last year, amounting to HK\$302.6 million (1H2020: HK\$331.6 million). Earnings per share were HK\$0.421 (1H2020: HK\$0.491).

The Board has resolved to declare an interim dividend of HK\$0.15 (1H2020: HK\$0.20) per ordinary share, totaling HK\$110.0 million. The Company has continued its scrip dividend scheme for the interim dividend for 2021.

MAINTAINING STEADY AND CONSISTENT OPERATION STRATEGIES

Our fleet

During the Period, the Group delivered six aircraft, sold four aircraft and disassembled one aircraft. As such, CALC has 129 aircraft in its fleet as of 30 June 2021, including 104 owned and 25 managed aircraft.

In January 2021, the Group entered into an aircraft purchase agreement with Commercial Aircraft Corporation of China., Ltd (“**COMAC**”), pursuant to which the Group agreed to place order for purchasing 30 ARJ21 series aircraft, which will be delivered in stages up to 2026. The two parties will actively explore cooperation in the areas of overseas operations and aftermarkets for ARJ21 and will expand international markets for China-made aircraft, facilitate extension of the cross-border aviation industry chain, and strengthen the establishment of dual-cycle pattern covering both the domestic and international markets.

In March, CALC restructured its purchase agreement with Boeing to adjust its order book from 92 to 66 aircraft with the delivery rescheduled. The new arrangement is more in line with the Group's interests, and the demand in the aviation market. It also reflects CALC's long-term partnership with the aircraft manufacturers. In March 2021, CALC was ranked eighth by ICF International in terms of the total value in terms of the combined asset value of fleet and order book. As of 30 June 2021, CALC has 254 aircraft on backlog, including 158 Airbus, 66 Boeing and 30 COMAC aircraft.

Highly liquid and most popular aircraft assets

CALC has been adhering strictly to its fleet strategy in identifying appropriate aircraft models to be included in its fleet portfolio. As of 30 June 2021, by number of aircraft, 88.5% 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 relatively less impacted by the pandemic.

As at 30 June 2021, CALC's owned fleet has an average age of 6.5 years and an average remaining lease tenor of 7.0 years. With no lease agreements expiring in the next 12 months, CALC has been alleviated the pressure for remarketing of aircraft assets in the current volatile market in the near term. All aircraft to be delivered in the next 18 months have been mandated for lease.

A modern fleet comprising the most popular aircraft models has contributed to CALC's high fleet utilization rate at 100% for the Period.

Strong airline clientele

CALC has remained prudent in engaging different airline clients. By number of aircraft, 77.9% of CALC's owned fleet as of 30 June 2021 were leased to Chinese airlines customers, including Hong Kong, Macau and Taiwan. The majority of CALC's overseas clients are mainly flag-carriers or backed by strong shareholders. As of 30 June 2021, CALC's owned and managed aircraft were on lease to 37 airlines in 16 countries and regions.

During the pandemic, airlines have been looking for more diversified fleet optimization solutions. CALC stands firm backing our customers through redelivery, transfer, and purchase and leaseback services. In the next six months, the Company will successively arrange the purchase and leaseback of more than 10 aircraft with top-tier Chinese airline customers. Faced with accelerating recovery and increasing market demand, this constitutes an important measure for the Group to continue to expand high-quality clientele and maintain mutually beneficial and long-term partnerships.

These aircraft are designated as reserve resources and will be handed over to the Group's associate company, Aircraft Recycling International Limited after the leases end. The Group plans to extend service lives of these aircraft by transforming them from passenger to cargo freights, disassembling and recycling, etc. leveraging its professional one-stop disposal capabilities for middle and old age aircraft to maximize value of the aircraft assets.

Diversified asset management model

CALC is among the few lessors capable of introducing various aviation financial products through global aircraft trading platforms and domestic platforms. Through various structures including rental realization, asset securitization, establishment of joint ventures with other lessors and management of funds investing in the Company's fleet, CALC persists in progressing diversified development of aircraft asset management to accommodate preferences of different investors. During the Period, the Group, through working seamlessly with Chinese investors, sold four aircraft.

Following the success with CAG, CALC applied the same operation model and established another aircraft investment platform ARG Cayman 1 Limited (“**ARG**”) focusing on old aircraft portfolios and trading of parts and components. During the Period, the Group introduced two new investors to ARG.

Mobilizing more sources of capital constitutes an important CALC's mission in unleashing the potential of its diversified asset management model, targeting at enlarging the fleet scale under the Group's management by forging cooperation with institutional investors with preference in aircraft assets, grooming asset management fees to become one of the major sources of income.

Steady financing platform development first endorsed by international agencies

In January 2021, CALC completed an issuance to an independent third party US\$35 million five-year senior unsecured bonds that bear a coupon interest rate of 5.9%, as the second issue of the total of US\$70 million agreed on with that third party in November 2020. The first US\$35 million issue had been drawn down in November last year.

During the Period, CALC has received a first-time corporate family rating (CFR) of Ba1 and a foreign currency and local currency issuer ratings of Ba2 from Moody's Investors Service Pty Ltd, with a stable outlook. This was followed by assignment by Fitch Ratings to the Company for the first time a Long-Term Issuer Default Rating (IDR) of 'BB+' with a stable long term outlook.

The two agencies also recognized CALC's asset quality and caliber of its clients – CALC's fleet comprises mainly young and highly liquid narrow-bodies, and a clientele focusing on Chinese customers, mitigating effectively the Company's operational risks. At the same time, they recognized the strategic importance of CALC to China Everbright Group and the deep synergies between the two entities, prescribing the continuing support the Company can receive from China Everbright Group. The agencies assess that the proportion of unsecured liabilities to the Company's total debt has gradually increased from 38% at the end of 2017 to 59% at the end of 2020. Coupled with a large undrawn and uncommitted credit line, CALC is perceived to be capable of continuing its access to the capital markets to further strengthen its financial strength. Having secured credit ratings from international agencies establishes a footing for CALC to move a notch higher in the future and become an investment-grade issuer in the medium term, helping it reduce financing costs, optimize the debt structure, increase the proportion of unsecured loans, and attract a wider group of investors.

With the endorsements from the rating agencies, in July CALC updated its US\$3 billion Guaranteed Medium Term Note Programme it had previously established. CALC continues to monitor the market situation closely for timing the bond issuances to lower its funding costs.

PROSPECTS

Looking ahead, the ongoing administration of vaccines on the world population and advancements in testing will lead to the growing list of countries contemplating border reopening. Coupled with the burgeoning eagerness to travel, recovery of the global aviation market is gathering pace. However, the recent rapid spread of highly contagious Delta variant has led to the resurgence in many regions. The long-term growth of the industry is nothing but certain, though the recovery will be gradual and uneven, with timing uncertain.

Despite this, amongst key domestic markets, traffic in China has already recovered to above the pre-COVID-19 levels. After successfully bringing the pandemic under control, China had secured its position as the world's largest air-travel market due to the sustained demand for domestic travel, according to CAPA – Centre for Aviation.

This lead will be accompanied by the continuous increase of the penetration rate of the aircraft leasing business, spurring demand for aircraft leasing as airlines strive to improve their balance sheets. In the second half of the year, CALC will designate purchase and leaseback as one of its key business deployment, and uphold prudent development strategy in the future, continue to cooperate with the world's top-tier airlines. Riding on the market trends, CALC will expand high-quality clientele in regions where growth is accelerating. The Group will also allocate more resources in mainstream markets, mostly in the Chinese market, and build long-term partnerships. With its expertise in aircraft asset management, CALC will continue to strengthen its capabilities in all sectors of the industry chain and provide more comprehensive and quality aircraft full-life-cycle services to its aviation partners.

Meanwhile, the Group pursues corporate environment, social and governance (ESG) management and working together with our stakeholders to actively promoting carbon neutrality in the aviation sector. The aircraft orders to be delivered by CALC compose of new generation of energy-saving models with higher fuel efficiency, which fully supports the market demand for a technologically advanced green fleet. Looking ahead, the Group will continue to reinforce the strengths in its business fundamentals and strive to deliver better returns to its shareholders and bond holders, as well as the investors of aircraft assets under its management. We will strive to continue our pursuit of becoming a world-leading aircraft lessor and professional aircraft asset manager of the industry full value chain.

1. RESULTS

Total revenue of the Group for the period ended 30 June 2021 was HK\$1,585.2 million, a decrease of HK\$50.7 million or 3.1% from the corresponding period last year. Profit for the period ended 30 June 2021 amounted to HK\$353.5 million, an increase of HK\$34.5 million or 10.8% compared with the corresponding period last year. Profit attributable to shareholders of the Company for the period ended 30 June 2021 amounted to HK\$302.6 million, a decrease of HK\$29.0 million or 8.7% compared with the corresponding period last year.

Total assets amounted to HK\$45,424.5 million as at 30 June 2021, compared with HK\$46,392.5 million as at 31 December 2020, a decrease of HK\$968.0 million or 2.1%. Total liabilities amounted to HK\$39,775.8 million as at 30 June 2021, a decrease of HK\$1,201.0 million or 2.9% compared with HK\$40,976.8 million as at 31 December 2020. The decrease in liabilities was mainly due to the repayment of RMB debentures with total principal amount of RMB1.3 billion (equivalent to approximately HK\$1.56 billion) upon maturity.

2. ANALYSIS OF INCOME AND EXPENSES

	Unaudited		Change
	Six months ended 30 June		
	2021	2020	
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Finance lease income	265.3	273.6	-3.0%
Operating lease income	890.7	991.6	-10.2%
Total lease income	1,156.0	1,265.2	-8.6%
Net income from aircraft transactions and aircraft components trading	177.9	170.6	4.3%
Government grants	88.6	127.1	-30.3%
Interest income from loans to associates and joint ventures	48.8	45.3	7.7%
Bank interest income	3.4	6.7	-49.3%
Asset management service fees income from CAG Group	8.4	5.7	47.4%
Incidental income and others	102.1	15.3	567.3%
	429.2	370.7	15.8%
Total revenue	1,585.2	1,635.9	-3.1%
Total operating expenses	(1,116.1)	(1,267.1)	-11.9%
Operating profit	469.1	368.8	27.2%
Share of results from associates and joint ventures and other (losses)/gains	(14.8)	30.2	N/A
Profit before income tax	454.3	399.0	13.8%
Income tax expenses	(100.8)	(80.0)	26.0%
Profit for the period	353.5	319.0	10.8%
Profit/(loss) attributable to			
Shareholders of the Company	302.6	331.6	-8.7%
Holders of perpetual capital securities and other non-controlling interests	50.9	(12.6)	N/A
	353.5	319.0	10.8%

2.1 Total Revenue

For the six months ended 30 June 2021, the total revenue amounted to HK\$1,585.2 million compared with HK\$1,635.9 million for the corresponding period last year, a decrease of HK\$50.7 million or 3.1%.

Total lease income from finance leases and operating leases for the six months ended 30 June 2021 amounted to HK\$1,156.0 million, compared with HK\$1,265.2 million for the six months ended 30 June 2020, a decrease of HK\$109.2 million or 8.6%. The decrease in total lease income was mainly due to the fleet size decreased from 114 aircraft as at 30 June 2020 to 104 aircraft as at 30 June 2021.

During the six months ended 30 June 2021, the Group's average lease rental yield of the finance leases and operating leases was 12.7% (During the six months ended 30 June 2020: 12.6%) and 10.3% (During the six months ended 30 June 2020: 9.7%), respectively. Average lease rental yield for finance leases and operating leases is calculated by annual gross lease receipt divided by net book value of aircraft. The weighted average lease rental yield of the Group was 10.5% (During the six months ended 30 June 2020: 10.1%).

During the six months ended 30 June 2021, the Group recognised net gain from disposal of aircraft and aircraft components trading amounted to HK\$177.9 million (During the six months ended 30 June 2020: net gain from disposal of aircraft amounted to HK\$170.6 million). The Group completed disposal of four aircraft with aggregate net book value of HK\$1,313.9 million (During the six months ended 30 June 2020: disposal of four aircraft with aggregate net book value of HK\$1,475.4 million).

Government grants for the six months ended 30 June 2021 amounted to HK\$88.6 million, compared with HK\$127.1 million for the six months ended 30 June 2020, a decrease of HK\$38.5 million or 30.3%.

Incidental income and others mainly related to amounts received from a manufacturer and suppliers incidental to aircraft purchases, net gains from bonds repurchase and government wage subsidies under a job support scheme.

2.2 Total Operating Expenses

During the six months ended 30 June 2021, the Group had the following operating expenses:

	Unaudited		Change
	Six months ended 30 June		
	2021	2020	
	HK\$'Million	HK\$'Million	
Interest expenses	577.1	687.1	-16.0%
Depreciation	375.9	430.4	-12.7%
Expected credit losses	45.7	31.5	45.1%
Other operating expenses	117.4	118.1	-0.6%
Total operating expenses	<u>1,116.1</u>	<u>1,267.1</u>	<u>-11.9%</u>

(a) Interest Expenses

For the six months ended 30 June 2021, interest expenses incurred by the Group amounted to HK\$577.1 million compared with HK\$687.1 million for the corresponding period last year, a decrease of HK\$110.0 million or 16.0%. The decrease in interest expenses was mainly due to the decrease in US\$ LIBOR rate in the current period compared with the corresponding period (the US\$ LIBOR rate decreased from 1.9% to 0.14% during the period from 1 January 2020 to 30 June 2021). The average effective interest rate of bank and other borrowings during the period was 2.67% (During the six months ended 30 June 2020: 3.84%).

(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 six month ended 30 June 2021 was HK\$375.9 million compared with HK\$430.4 million for the corresponding period last year, a decrease of HK\$54.5 million or 12.7%. This was mainly attributable to a decrease in the number of aircraft under operating leases from 62 aircraft as at 30 June 2020 to 55 aircraft as at 30 June 2021.

(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.

3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets

As at 30 June 2021, the Group's total assets amounted to HK\$45,424.5 million compared with HK\$46,392.5 million as at 31 December 2020, a decrease of HK\$968.0 million or 2.1%.

	Unaudited As at 30 June 2021 <i>HK\$'Million</i>	Audited As at 31 December 2020 <i>HK\$'Million</i>	Change
Property, plant and equipment and right-of-use assets	16,261.9	18,450.6	-11.9%
Finance lease receivables – net	7,476.1	7,263.7	2.9%
Assets classified as held for sale	2,034.6	–	N/A
Prepayments and other assets and others	13,619.0	13,456.0	1.2%
Investments in and loans to associates and joint ventures	1,311.0	1,134.9	15.5%
Financial assets at fair value through profit or loss	816.4	797.9	2.3%
Cash and bank balances	3,905.5	5,289.4	-26.2%
Total assets	45,424.5	46,392.5	-2.1%

3.1.1 Property, Plant and Equipment, and Right-of-use Assets, Finance Lease Receivables – Net and Assets Classified as Held for Sale

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 reclassification from property, plant and equipment, and right-of-use assets to assets classified as held for sale during the current period.

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

Assets classified as held for sale represented the cost of aircraft expected to be disposed in the next 12 months.

3.1.2 Aircraft Portfolio

Aircraft portfolio by number of aircraft is as follows:

	As at 30 June 2021	As at 31 December 2020
	Owned Aircraft	Owned Aircraft
Aircraft Type		
Airbus A320 CEO family	71	74
Airbus A320 NEO family	7	6
Airbus A330 CEO family	11	8
Boeing B737 NG family	14	14
Boeing B787	1	1
	<hr/>	<hr/>
Total	104	103
	<hr/>	<hr/>

3.1.3 Prepayments and Other Assets and Others

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

3.2 Liabilities

As at 30 June 2021, the Group's total liabilities amounted to HK\$39,775.8 million compared with HK\$40,976.8 million as at 31 December 2020, a decrease of HK\$1,201.0 million or 2.9%.

An analysis is given as follows:

	Unaudited	Audited	
	As at	As at	
	30 June	31 December	
	2021	2020	Change
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Borrowings	27,135.9	26,763.0	1.4%
Bonds and debentures	7,521.9	9,054.8	-16.9%
Medium-term notes	1,357.1	1,338.3	1.4%
Deferred income tax liabilities	863.6	788.7	9.5%
Interest payables	238.1	276.1	-13.8%
Income tax payables	22.3	24.9	-10.4%
Derivative financial liabilities	248.8	355.6	-30.0%
Other liabilities and accruals	2,388.1	2,375.4	0.5%
	<hr/>	<hr/>	
Total liabilities	39,775.8	40,976.8	-2.9%

3.2.1 Borrowings

	Unaudited As at 30 June 2021 <i>HK\$'Million</i>	Audited As at 31 December 2020 <i>HK\$'Million</i>	Change
Bank and other borrowings			
Bank and other borrowings for aircraft acquisition financing	10,577.1	10,542.0	0.3%
PDP and other financing	8,663.1	8,456.6	2.4%
Other unsecured bank borrowings	2,758.9	2,595.0	6.3%
	21,999.1	21,593.6	1.9%
Long-term borrowings			
Borrowings from trust plans	4,776.9	4,818.5	-0.9%
Other borrowings	359.9	350.9	2.6%
	5,136.8	5,169.4	-0.6%
Borrowings	27,135.9	26,763.0	1.4%

3.2.2 Bonds and debentures

As at 30 June 2021, the following table summarises the senior unsecured US\$ and RMB bonds issued by the Group:

Issue date	Terms	Maturity date	Coupon interest per annum	Principal amount (Million)	Carrying amount (HK\$'Million)	Note
August 2016	Five years	August 2021	4.90%	US\$300.0	1,990.6	(a)&(b)
March 2017	Five years	March 2022	4.70%	US\$300.0	2,244.0	(a)&(b)
March 2017	Seven years	March 2024	5.50%	US\$200.0	1,545.4	(a)
November 2020	Five years	November 2025	5.90%	US\$35.0	269.7	(c)
January 2021	Five years	January 2026	5.90%	US\$35.0	270.5	(c)
				<u>US\$870.0</u>	<u>6,320.2</u>	
June 2019	Three years	June 2022	5.20%	RMB1,000.0	1,201.7	(d)
March 2020	One year	March 2021	3.65%	RMB1,000.0	–	(e)
June 2020	One year	June 2021	4.00%	<u>RMB300.0</u>	<u>–</u>	(e)
				<u>RMB2,300.0</u>	<u>1,201.7</u>	
Total bonds and debentures as at 30 June 2021					<u>7,521.9</u>	
Total bonds and debentures as at 31 December 2020					<u>9,054.8</u>	

- (a) These bonds are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).
- (b) During the period ended 30 June 2021, the Group repurchased certain amount of bonds on the Stock Exchange for a lump sum payment of US\$37,050,000. The principal amount of bonds was US\$37,500,000. A net gain of US\$408,000 (equivalent to approximately HK\$3,166,000) 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. In March 2021 and June 2021, the Group fully repaid the one-year RMB1,000.0 million and the one-year RMB300.0 million (equivalent to approximately HK\$1,203.1 million and HK\$360.9 million, respectively) debentures, bearing coupon interest at 3.65% and 4.00% per annum at maturity date.

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 and maximise shareholder value.

Operations and capital expenditure requirements are funded by a combination of cash generated from operating activities, bank and other borrowings, long-term borrowings, issuance of bonds, debentures and medium-term notes and the asset-light strategy including disposal of aircraft. In order to meet the current rapid expansion, the Group will also consider both equity and debt financing opportunities, and establishing various aircraft investment platform like CAG Bermuda 1 Limited (“CAG”), HNCA&CALC One (Tianjin) Leasing Company Limited (“HNCA One (Tianjin)”) and HNCA&CALC Two (Tianjin) Leasing Company Limited (“HNCA Two (Tianjin)”).

For the six months ended 30 June 2021, the objectives, policies and processes for managing capital remained largely unchanged. The Group made full use of capital leverage and the asset-light strategy to keep pace with aircraft delivery.

The Group monitors capital through gearing ratios:

	Unaudited As at 30 June 2021 <i>HK\$'Million</i>	Audited As at 31 December 2020 <i>HK\$'Million</i>	Change
Interest-bearing debts included			
in total liabilities	36,014.9	37,156.1	-3.1%
Total assets	45,424.5	46,392.5	-2.1%
Total equity	5,648.7	5,415.8	4.3%
Gearing ratio	79.3%	80.1%	-0.8p.p.
Interest-bearing debts to equity ratio	6:1	7:1	-14.2%

5. HUMAN RESOURCES

As at 30 June 2021, staff of the Group numbered 156 (30 June 2020: 170). Total remuneration of employees for the six months ended 30 June 2021 amounted to HK\$55.7 million (During the six months ended 30 June 2020: HK\$55.4 million).

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

6. CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

6.1 Contingent Liabilities

As at 30 June 2021, the Group was a guarantor of certain bank borrowings of associates and joint ventures amounting to HK\$706,770,000 (31 December 2020: HK\$729,000,000).

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 on the Stock Exchange of Hong Kong Limited) (the “**Listing Rules**”). Acquisition or disposal of aircraft is a Qualified Aircraft Leasing Activity pursuant to the Listing Rules.

The Group’s total aircraft purchase commitment amounted to HK\$92.6 billion as at 30 June 2021 (31 December 2020: HK\$98.0 billion), representing estimated total purchase costs of the aircraft contracted to be purchased and delivered, net of PDP paid.

As at 30 June 2021, the Group had 254 aircraft in its order book, comprising 158 Airbus A320 aircraft family and 66 Boeing B737 aircraft family and 30 ARJ21 series aircraft.

During the period under review, the Group completed the disposal of four aircraft.

6.3 Shareholder Loan Commitment for Investment in CAG

The Group committed shareholder loan for investment in CAG amounted to approximately US\$94.7 million (equivalent to approximately HK\$735.3 million), of which US\$90.1 million (equivalent to approximately HK\$699.6 million) had been drawn down up to 30 June 2021. The Group has no outstanding committed shareholder loan for investment in CAG as at 30 June 2021.

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

As at 30 June 2021, the Group’s shareholder loan for investment in ARG amounted to US\$12.3 million (equivalent to approximately HK\$95.6 million). The Group committed shareholder loan for investment in ARG amounted to approximately US\$30.0 million (equivalent to approximately HK\$233.0 million), of which US\$13.3 million (equivalent to approximately HK\$103.3 million) had been drawn down up to 30 June 2021. The Group’s outstanding committed shareholder loan for investment in ARG as at 30 June 2021 was amounted to US\$16.7 million (equivalent to approximately HK\$129.4 million).

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

7. OTHER EVENT

1. Pursuant to the share purchase agreements and assignment agreements dated 13 July 2021, entered between the Group and Everbright Absolute Return Fund (“**EAR Fund**”) and China Chengtong Investment Company Limited (“**CCIC**”), the Group agreed to sell and EAR Fund and CCIC agreed to purchase 13 ordinary shares and 65 ordinary shares of ARG, respectively and the Group agreed to assign and EAR Fund and CCIC agreed to take the assigned shareholder loan amounted to US\$2,052,000 (equivalent to approximately HK\$15,934,000) and US\$10,259,000 (equivalent to approximately HK\$79,661,000), respectively in accordance with the assignment agreements. The above transactions were completed on 19 July 2021. Shareholder loan commitment for investment in ARG no longer exist in the Group upon the completion of these transactions. The management does not expect to obtain significant gains or losses on the transactions.
2. Pursuant to the announcement dated 28 July 2021, the Group has completed the issuance of the RMB1.0 billion (equivalent to approximately HK\$1.2 billion) super short-term debentures with a term of 270 days at the coupon rate of 3.98%.
3. Pursuant to the announcement dated 17 August 2021, the Group has completed the issuance of the RMB100.0 million (equivalent to approximately HK\$120.3 million) bond with a term of three years at the coupon rate of 4.2% (with coupon rate adjustment option for the issuer and sell-bank option for investors exercisable at the end of the second year).

INTERIM CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 June 2021 <i>HK\$'000</i>	Audited As at 31 December 2020 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Property, plant and equipment and right-of-use assets		16,261,944	18,450,641
Investments in and loans to associates and joint ventures		1,311,021	1,134,904
Finance lease receivables – net	4	7,476,045	7,263,697
Financial assets at fair value through profit or loss	5	816,439	797,888
Derivative financial assets		31,803	17,720
Prepayments and other assets		13,561,602	13,418,840
Assets classified as held for sale		2,034,595	–
Aircraft components trading assets		25,625	19,486
Restricted cash		749,878	411,786
Cash and cash equivalents		3,155,586	4,877,557
Total assets		45,424,538	46,392,519
EQUITY			
Share capital		71,749	72,000
Reserves and others		1,693,730	1,585,478
Retained earnings		2,394,170	2,235,560
Equity attributable to shareholders of the Company		4,159,649	3,893,038
Perpetual capital securities and other non-controlling interests		1,489,100	1,522,731
Total equity		5,648,749	5,415,769
LIABILITIES			
Deferred income tax liabilities		863,633	788,716
Borrowings	6	27,135,912	26,763,014
Medium-term notes	7	1,357,100	1,338,308
Bonds and debentures	8	7,521,899	9,054,779
Derivative financial liabilities		248,745	355,566
Income tax payables		22,348	24,897
Interest payables		238,079	276,113
Other liabilities and accruals		2,388,073	2,375,357
Total liabilities		39,775,789	40,976,750
Total equity and liabilities		45,424,538	46,392,519

INTERIM CONSOLIDATED STATEMENT OF INCOME

		Unaudited	
		Six months ended 30 June	
		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total revenue			
Lease income			
Finance lease income		265,253	273,601
Operating lease income		<u>890,707</u>	<u>991,599</u>
	9	<u>1,155,960</u>	<u>1,265,200</u>
Other income			
Net income from aircraft transactions and aircraft components trading	10	177,921	170,571
Other operating income	11	<u>251,362</u>	<u>200,133</u>
		<u>1,585,243</u>	<u>1,635,904</u>
Expenses			
Interest expenses		(577,097)	(687,094)
Depreciation		(375,947)	(430,392)
Expected credit losses		(45,699)	(31,504)
Other operating expenses		<u>(117,359)</u>	<u>(118,116)</u>
		<u>(1,116,102)</u>	<u>(1,267,106)</u>
Operating profit		469,141	368,798
Share of losses and provisions on investment in associates and joint ventures		–	(2,347)
Other (losses)/gains	12	<u>(14,872)</u>	<u>32,527</u>
Profit before income tax		454,269	398,978
Income tax expenses	13	<u>(100,819)</u>	<u>(79,972)</u>
Profit for the period		<u>353,450</u>	<u>319,006</u>
Profit/(loss) attributable to			
Shareholders of the Company		302,611	331,641
Holders of perpetual capital securities and other non-controlling interests		<u>50,839</u>	<u>(12,635)</u>
		<u>353,450</u>	<u>319,006</u>
Earnings per share for profit attributable to shareholders of the Company (expressed in HK\$ per share)			
– Basic earnings per share	14(a)	<u>0.421</u>	<u>0.491</u>
– Diluted earnings per share	14(b)	<u>0.421</u>	<u>0.491</u>

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>353,450</u>	<u>319,006</u>
Other comprehensive income/(loss) for the period:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Cash flow hedges	100,709	(279,733)
Currency translation differences	<u>25,997</u>	<u>(44,792)</u>
Total other comprehensive income/(loss) for the period, net of tax	<u>126,706</u>	<u>(324,525)</u>
Total comprehensive income/(loss) for the period	<u>480,156</u>	<u>(5,519)</u>
Total comprehensive income/(loss) for the period attributable to		
Shareholders of the Company	426,698	6,983
Holder of perpetual capital securities and other non-controlling interests	<u>53,458</u>	<u>(12,502)</u>
	<u>480,156</u>	<u>(5,519)</u>

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to shareholders of the Company				Perpetual capital securities and other non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Reserves and others HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
Balance as at 1 January 2020	67,727	1,559,472	2,342,515	3,969,714	–	3,969,714
Comprehensive income						
Profit for the period	–	–	331,641	331,641	(12,635)	319,006
Other comprehensive loss						
Cash flow hedges	–	(279,733)	–	(279,733)	–	(279,733)
Currency translation differences	–	(44,925)	–	(44,925)	133	(44,792)
Total comprehensive loss	–	(324,658)	331,641	6,983	(12,502)	(5,519)
Transaction with shareholders and non-controlling interests						
Transactions with non-controlling interests	–	–	–	–	44,119	44,119
Dividends (Note 15)	3,170	214,871	(323,649)	(105,608)	–	(105,608)
Buy-back of shares	(300)	(18,803)	(69)	(19,172)	–	(19,172)
Share option scheme:						
– Value of services	–	330	–	330	–	330
– Share options lapsed	–	(182)	182	–	–	–
Total transactions with shareholders and non-controlling interests	2,870	196,216	(323,536)	(124,450)	44,119	(80,331)
Balance as at 30 June 2020	70,597	1,431,030	2,350,620	3,852,247	31,617	3,883,864
Balance as at 1 January 2021	72,000	1,585,478	2,235,560	3,893,038	1,522,731	5,415,769
Comprehensive income						
Profit for the period	–	–	302,611	302,611	50,839	353,450
Other comprehensive income						
Cash flow hedges	–	100,709	–	100,709	–	100,709
Currency translation differences	–	23,378	–	23,378	2,619	25,997
Total comprehensive loss	–	124,087	302,611	426,698	53,458	480,156
Transaction with shareholders and non-controlling interests						
Dividends (Note 15)	–	–	(144,001)	(144,001)	–	(144,001)
Dividends distributed to perpetual capital securities	–	–	–	–	(87,089)	(87,089)
Buy-back of shares	(251)	(15,835)	–	(16,086)	–	(16,086)
Total transactions with shareholders and non-controlling interests	(251)	(15,835)	(144,001)	(160,087)	(87,089)	(247,176)
Balance as at 30 June 2021	71,749	1,693,730	2,394,170	4,159,649	1,489,100	5,648,749

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Profit after income tax	353,450	319,006
Adjustments for:		
– Depreciation	375,947	430,392
– Net income from aircraft transactions	(175,415)	(170,571)
– Expected credit losses	45,699	31,504
– Interest expenses	577,097	687,094
– Share-based payments	–	330
– Unrealised currency exchange losses/(gains)	67,778	(83,416)
– Fair value gains/(losses) on interest rate swaps, currency swap and currency forward contracts	(20,543)	17,052
– Share of losses on investment in associates and joint ventures	–	2,347
– Gain on repurchase of bonds	(3,166)	–
– Interest income	(72,423)	(70,991)
	1,148,424	1,162,747
Changes in working capital:		
– Finance lease receivables – net	(246,570)	(211,084)
– Aircraft components trading assets	(6,139)	–
– Prepayments and other assets	170,041	(228,079)
– Other liabilities and accruals	83,581	13,947
– Income tax payables	(2,549)	21,038
– Deferred income tax liabilities	73,692	37,461
Net cash flows generated from operating activities	1,220,480	796,030
Cash flows from investing activities		
Purchase of property, plant and equipment	(700,738)	(1,849,354)
Proceeds from disposal of aircraft	946,887	1,545,947
Deposits paid for acquisition of aircraft	(1,058,202)	(2,224,343)
Deposits refunded for acquisition of aircraft	399,989	378,451
Investment in associates and joint ventures	–	(3,396)
Interest received	52,270	51,959
Net payments relating to loans to associates and joint ventures	(176,117)	(114,749)
Proceeds from financial assets at fair value through profit or loss	1,602	29,529
Net cash flow used in investing activities	(534,309)	(2,185,956)

Unaudited
Six months ended 30 June
2021 2020
HK\$'000 *HK\$'000*

Cash flows from financing activities

Proceeds from borrowings	6,851,889	4,747,549
Issue of bonds and debentures, net of transaction costs	271,348	1,419,954
Repayments of borrowings	(6,519,938)	(4,582,581)
Repurchase and repayment of bonds and debentures	(1,848,693)	–
Interest paid in respect of derivative financial instruments	(69,310)	(16,053)
Interest paid in respect of borrowings, notes and bonds and debentures	(752,827)	(784,723)
Increase in deposits pledged in respect of borrowings and derivative financial instruments	(337,063)	(228,057)
Buy-back of shares, including transaction costs	(16,086)	(19,172)
Dividends paid to shareholders	–	(105,608)
	<hr/>	<hr/>
Net cash flows (used in)/generated from financing activities	(2,420,680)	431,309
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(1,734,509)	(958,617)
Cash and cash equivalents at beginning of the period	4,877,557	4,352,327
Currency exchange difference on cash and cash equivalents	12,538	(29,477)
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<u>3,155,586</u>	<u>3,364,233</u>

NOTES

1 GENERAL INFORMATION

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

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

The interim condensed consolidated financial information for the six months ended 30 June 2021 ("**Interim Financial Information**") is presented in Hong Kong Dollar ("**HK\$**"), unless otherwise stated.

The Interim Financial Information has been reviewed, not audited.

2 BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**") "Interim financial reporting". The Interim Financial Information should be read in conjunction with the Group's financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and included in the 2020 annual report of the Company.

Going concern

As at 30 June 2021, the Group's current liabilities exceeded its current assets by HK\$10,811.5 million. The Group had total capital commitments of HK\$92,550.8 million as at 30 June 2021, 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\$9,823.2 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 30 June 2021 amounted to HK\$2,933.1 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 30 June 2021, the Group has undrawn borrowing facilities of HK\$3,196.6 million (31 December 2020: 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, all of which have a negative effect on the business operation and financial condition of certain airline customers of the Group. The Group experienced delay in lease payments from a few airline customers during the six months ended 30 June 2021. 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 arrangements. 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 30 June 2021. 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 and during COVID-19 pandemic. 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 30 June 2021 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. During the six months ended 30 June 2021, the Group has obtained 12 aircraft project loans facilities of US\$308 million from certain onshore and offshore banks and financial institutions. The Group will continue to arrange aircraft project loans facilities from time to time and is currently concluding 8 aircraft project loans facilities with certain banks and financial institutions which are expected to be completed in the second half of 2021. Based on these aircraft project loans arrangements, 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 30 June 2021.
- 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 banks to provide financing up to HK\$2,152.4 million to the Group to satisfy part of the forecasted committed PDP payments of HK\$2,346.5 million in the next twelve months from 30 June 2021. The remaining balances of PDP scheduled to be paid in the next twelve months from 30 June 2021 are expected to be funded by internal resources of the Group. The Group has also initiated the process to obtain new PDP syndicated revolving loan facilities with certain banks.

- During the six months ended 30 June 2021, the Group has renewed existing revolving loan facilities of HK\$1,436.5 million with extension of the term of the facility periods from one year to three years. As at 30 June 2021, the Group had working capital loan and revolving loan facilities of HK\$4,215.5 million out of which HK\$3,171.4 million has been utilized. The Group is arranging several new unsecured medium-term working capital loan facilities with certain banks. The directors are confident that the Group can draw down the remaining unutilized loan facilities of HK\$1,044.1 million as and when required and will be able to renew the existing revolving facilities as well as to obtain new facilities as planned.
- 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 obtained the official registration acceptance notification from the National Association of Financial Market Institutional Investors for issuance of super short-term debenture up to a principal amount of RMB3.0 billion in the PRC within two years from June 2021. In July and August 2021, the Group completed the issuance of RMB1 billion senior unsecured super short-term debentures and unsecured bond of RMB100 million in the PRC. The Group has obtained Ba1 corporate credit rating from Moody and BB+ corporate credit rating from Fitch, and updated US\$3 billion guaranteed Medium Term Note (“MTN”) programme in Hong Kong in July 2021. The Group will review the market conditions and consider to issue US\$ bond under the MTN programme if appropriate. Based on above updates and 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 buyers that will acquire aircraft from its aircraft portfolio. As part of its normal course of business, the Group continue to expand its portfolio trading business and it has scheduled certain aircraft to be disposed of in the next twelve months from 30 June 2021, of which the Group has signed letter of intent or sale and purchase agreements up to August 2021 for the disposal of seven aircraft. Based on the Group’s experience in aircraft portfolio trading 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 30 June 2021.
- The Group is closely monitoring the impact of COVID-19 on its airline customers and communicated with those airline customers to work out mutually agreeable deferral lease rent schedule if required. The Group will closely monitor the collection and urge these airline customers to 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 while before the full recovery of international passengers travel, given the operations of many of the Group’s customers are in the PRC with normal domestic operations, the Group expects there will not be any material deterioration in the operating cashflow in the next twelve months from 30 June 2021.

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 financial institutions, 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 30 June 2021. 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.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the Group's consolidated financial statements for the year ended 31 December 2020.

New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2021:

Covid-19-related Rent Concessions – Amendments to HKFRS 16
Interest Rate Benchmark Reform – Phase 2

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

Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) published Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 – Interest Rate Benchmark Reform Phase 2 to address the implications on consolidated financial reporting when an existing interest rate benchmark is replaced with an alternative to benchmark interest rate. These amendments have been adopted for the first time for the year ending 31 December 2021 and have no material impact to the Group.

The Group currently holds a number of US\$ LIBOR-referenced floating-rate debts and the associated swaps and have not yet transitioned replacement benchmark interest rates. Such reform has no impact on the Group's risk management strategy. The Group monitors the exposure to instruments subject to such reform and is in the process of implementing changes to processes, risk management procedures and valuation models that may arise as a consequence of the reform.

4 FINANCE LEASE RECEIVABLES – NET

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
Lease payments receivables		
– Not later than 1 year	128,748	129,578
– Later than 1 year but not later than 2 years	127,348	128,181
– Later than 2 years but not later than 3 years	204,249	126,328
– Later than 3 years but not later than 4 years	243,629	203,191
– Later than 4 years but not later than 5 years	1,670,708	1,079,669
– Later than 5 years	3,254,175	4,019,729
Total	5,628,857	5,686,676
<i>Less:</i> Unearned finance lease income relating to lease payment receivables	(1,702,058)	(1,837,288)
Present value of lease payment receivables	3,926,799	3,849,388
<i>Add:</i> Present value of unguaranteed residual value	3,555,905	3,421,378
Net investment in leases	7,482,704	7,270,766
<i>Less:</i> Accumulated expected credit losses allowance	(6,659)	(7,069)
Finance lease receivables – net	7,476,045	7,263,697

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

	Unaudited		Audited	
	As at 30 June 2021		As at 31 December 2020	
	HK\$'000	%	HK\$'000	%
Categorised by customer in terms of lease receivables:				
Five largest airline companies	5,489,212	73%	5,332,181	73%
Others	1,986,833	27%	1,931,516	27%
Finance lease receivables – net	7,476,045	100%	7,263,697	100%

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited As at 30 June 2021 <i>HK\$'000</i>	Audited As at 31 December 2020 <i>HK\$'000</i>
Long-term investments – CAG Group (a)	720,372	701,959
Long-term investments – ARG Group (b)	<u>96,067</u>	<u>95,929</u>
	<u>816,439</u>	<u>797,888</u>

- (a) CAG Bermuda 1 Limited (“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 Cayman 1 Limited (“ARG”) is a subsidiary of ARI. ARG and its subsidiaries (“ARG Group”) uses the fund injected through a performance-linked shareholder’s loan from the Group and the mezzanine financing from other investors at a ratio of 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.

6 BORROWINGS

	Unaudited As at 30 June 2021 <i>HK\$'000</i>	Audited As at 31 December 2020 <i>HK\$'000</i>
Bank and other borrowings		
Bank and other borrowings for aircraft acquisition financing (a)	10,577,106	10,541,963
PDP and other financing (b)	8,663,113	8,456,588
Other unsecured bank borrowings (c)	<u>2,758,885</u>	<u>2,595,060</u>
	<u>21,999,104</u>	<u>21,593,611</u>
Long-term borrowings		
Borrowings from trust plans (d)	4,776,862	4,818,500
Other borrowings (e)	<u>359,946</u>	<u>350,903</u>
	<u>5,136,808</u>	<u>5,169,403</u>
	<u>27,135,912</u>	<u>26,763,014</u>

Bank and other borrowings

- (a) Bank and other borrowings for aircraft acquisition financing are principally based on fixed or floating US\$ LIBOR rates. As at 30 June 2021, 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\$45,829,000 (31 December 2020: HK\$45,380,000).
- (b) As at 30 June 2021, PDP and other financing of HK\$7,193,633,000 (31 December 2020: HK\$8,085,286,000) was unsecured and guaranteed by the Company. Remaining PDP and other financing was secured by certain rights and benefits in respect of the acquisition of the aircraft, and guarantees from certain companies of the Group, and pledge of deposits amounting to HK\$450,370,000 (31 December 2020: Nil).
- (c) As at 30 June 2021, the Group had other unsecured bank borrowings of HK\$2,758,885,000 (31 December 2020: HK\$2,595,060,000) which were guaranteed by certain companies of the Group.

The Group has the following undrawn borrowing facilities:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
Floating rates:		
– Expiring within one year	1,090,283	821,326
– Expiring beyond one year	2,106,280	1,901,206
	<u>3,196,563</u>	<u>2,722,532</u>

Long-term borrowings

- (d) As at 30 June 2021, 46 borrowings (31 December 2020: 46 borrowings) were provided to the Group by investors under trust plans or an asset-backed securities programme (both are in relation to the disposal of finance lease receivable transactions). The effective average interest rates of the long-term borrowings range from 3.5% to 7.8% (31 December 2020: 3.5% to 7.8%) per annum for remaining terms of three to nine years (31 December 2020: three to nine 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\$43,949,000 (31 December 2020: HK\$43,879,000).
- (e) As at 30 June 2021, four borrowings (31 December 2020: four borrowings) were obtained through a structured financing arrangement for four aircraft (31 December 2020: four aircraft) delivered to airlines. These borrowings bear an effective interest rate ranging from 3.9% to 5.7% (31 December 2020: 3.9% to 5.7%) per annum for their remaining terms of four to five years (31 December 2020: four to five years) and are guaranteed by the Company.

7 MEDIUM-TERM NOTES

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 30 June 2021, after deducting the issuing cost, the total carrying amount of these notes was HK\$1,357,100,000 (31 December 2020: HK\$1,338,308,000).

8 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. This unsecured debentures were fully repaid upon maturity.

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% and were listed on the Inter-Bank Bond Market of China. This unsecured debentures were fully repaid upon maturity.

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 were issued in November 2020 and due in 2025 and US\$35 million were issued in January 2021 and due in 2026. The bonds bear coupon interest at 5.9% per annum, payable semi-annually.

During the period ended 30 June 2021, the Group repurchased certain amount of bonds on the Stock Exchange for an aggregate amount of US\$37,050,000. The principal amount of bonds was US\$37,500,000. A net gain of US\$408,000 (equivalent to approximately HK\$3,166,000) was recognised after deducting the transaction cost.

As at 30 June 2021, the total carrying amount of bonds and debentures was HK\$7,521,899,000 (31 December 2020: HK\$9,054,779,000).

9 LEASE INCOME AND SEGMENT INFORMATION

During the six months ended 30 June 2021, the Group was engaged for the provision of aircraft leasing services to global airline companies. The Group leases its aircraft to airline companies under finance leases or operating leases under which it receives rentals.

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

	Unaudited			
	Six months ended 30 June			
	2021		2020	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Categorised by customer in terms of lease income:				
Airline company – A	170,827	15%	168,852	13%
Airline company – B	133,253	12%	235,421	19%
Airline company – C	115,819	10%	77,233	6%
Airline company – D	81,400	7%	81,396	7%
Airline company – E	62,781	5%	27,915	2%
Others	591,880	51%	674,383	53%
Total finance and operating lease income	<u>1,155,960</u>	<u>100%</u>	<u>1,265,200</u>	<u>100%</u>

10 NET INCOME FROM AIRCRAFT TRANSACTIONS AND AIRCRAFT COMPONENTS TRADING

	Unaudited	
	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Aircraft transactions (a)	175,415	170,571
Aircraft components trading (b)	2,506	–
	<u>177,921</u>	<u>170,571</u>

- (a) The net gain from aircraft transactions for the six months ended 30 June 2020 included disposal of four aircraft to third parties.

The net gain from aircraft transactions for the six months ended 30 June 2021 included disposal of two aircraft to the wholly-owned special purpose vehicles of Everbright Financial Leasing Co., Ltd and the disposal of two aircraft to third parties.

(b) **Aircraft components trading**

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Sales from aircraft components trading assets	26,118	–
Less: Cost of aircraft components trading assets	(23,612)	–
	<hr/>	<hr/>
Profit from aircraft components trading assets	2,506	–
	<hr/>	<hr/>

11 OTHER OPERATING INCOME

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Government grants (a)	88,561	127,101
Bank interest income	3,434	6,686
Interest income from loans to associates and joint ventures	48,836	45,273
Asset management service fees income from CAG Group	8,402	5,738
Operating lease income on other assets from a related party	–	1,320
Incidental income and others (b)	102,129	14,015
	<hr/>	<hr/>
	251,362	200,133
	<hr/>	<hr/>

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

(b) Incidental income and others mainly related to amounts received from a manufacturer and suppliers incidental to aircraft purchases, net gains from bonds repurchase and government wage subsidies under a job support scheme.

12 OTHER LOSSES/(GAINS)

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Fair value (gains)/losses on interest rate swaps and loss on disposal of future contracts	(6,496)	66,605
Unrealised losses/(gains) on a currency swap	3,127	(4,034)
Fair value gains on currency forward contracts	(17,174)	–
Currency exchange losses/(gains)	55,568	(76,066)
Fair value gains on financial assets at fair value through profit or loss	(20,153)	(19,032)
	14,872	(32,527)

13 INCOME TAX EXPENSES

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current income tax:		
Mainland China, Hong Kong and others	27,127	42,511
Deferred income tax	73,692	37,461
	100,819	79,972

14 EARNINGS PER SHARE**(a) Basic**

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2021 and 30 June 2020.

	Unaudited	
	Six months ended 30 June	
	2021	2020
Profit attributable to shareholders of the Company (HK\$'000)	302,611	331,641
Weighted average number of ordinary shares in issue (number of shares in thousands)	719,354	675,759
Basic earnings per share (HK\$ per share)	0.421	0.491

(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. For share options outstanding as at 30 June 2021 and as at 30 June 2020, as the exercise price per share is higher than average market price of ordinary shares, it is not assumed that the outstanding share options have been exercised in the calculation of the diluted losses per share for the six months ended 30 June 2021 and 30 June 2020.

15 DIVIDENDS

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Interim dividend declared of		
HK\$0.15 (2020: HK\$0.20) per ordinary share	<u>110,032</u>	<u>141,194</u>

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.

On 14 August 2020, the Board declared an interim dividend of HK\$0.20 per ordinary share totalling HK\$141.2 million, which was paid by cash of HK\$45.5 million and by share issuance of HK\$95.7 million in October 2020.

A final dividend of HK\$0.20 per ordinary share totalling HK\$144.0 million (including cash dividend and scrip dividend) for the year ended 31 December 2020, which was reflected as dividend payable as at 30 June 2021.

On 24 August 2021, the Board declared an interim dividend of HK\$0.15 per ordinary share totalling HK\$110.0 million with a scrip dividend option to be offered to shareholders, which is calculated based on 733,545,229 issued shares as at 24 August 2021. The declared dividend is not reflected as a dividend payable in the consolidated financial statements as at 30 June 2021, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2021

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK\$0.15 per share in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$0.20 per share) to shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company (the “**Register of Members**”) on 17 September 2021. Shareholders will be given the option to receive the 2021 interim dividend in new shares in lieu of cash (the “**Scrip Dividend Scheme**”). The Scrip Dividend Scheme is subject to The Stock Exchange of Hong Kong Limited (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 September 2021. Cheques for cash dividend and/or definitive certificates for the scrip shares in respect of the 2021 interim dividend are expected to be despatched to the Shareholders on or about 4 November 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders’ entitlement to the interim dividend, the Register of Members will be closed from 15 September 2021 to 17 September 2021, both days inclusive, during which period, no transfer of shares will be registered. The record date on which the Shareholders are qualified to receive the interim dividend is 17 September 2021. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on 14 September 2021.

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

The Company repurchased a total of 2,519,500 ordinary shares of the Company at the highest price and the lowest price per share of HK\$6.44 and HK\$6.10 respectively on the Stock Exchange for the six months ended 30 June 2021 at an aggregate consideration of approximately HK\$16,028,400 (before expense). All the repurchased shares were subsequently cancelled by the Company on 11 June 2021.

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 (the “**2021 Bonds**”). The 2021 Bonds were listed on the Stock Exchange and matured in August 2021. During the period under review, the Group repurchased the principal amount of US\$35,500,000 of the 2021 Bonds on the Stock Exchange, which 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 (the “**2022 Bonds**”). The 2022 Bonds were listed on the Stock Exchange. During the period under review, the Group repurchased the principal amount of US\$2,000,000 of the 2022 Bonds on the Stock Exchange, which were subsequently cancelled by the Group.

Save as disclosed above, during the six months ended 30 June 2021, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

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

The Company has complied with all Code Provisions as set out in the CG Code during the six months ended 30 June 2021.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its Directors. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2021.

AUDIT COMMITTEE AND REVIEW OF THE FINANCIAL STATEMENTS

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 period under review, 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 unaudited consolidated financial statements of the Group for the six months ended 30 June 2021.

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2021 have been reviewed by PwC in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. PwC’s review report is included in the 2021 interim report to be sent to the Shareholders.

POST-IPO SHARE OPTION SCHEME

The post-IPO share option scheme of the Company (the “**Post-IPO Share Option Scheme**”) was conditionally approved and adopted pursuant to a resolution in writing passed by the Shareholders on 23 June 2014, which became effective on the listing date of 11 July 2014.

On 2 January 2020, pursuant to the Post-IPO Share Option Scheme, options to subscribe for 10,000,000 shares of the Company were granted to Dr. ZHAO Wei, an executive Director and the Chairman of the Board, which was approved by the Shareholders at an extraordinary general meeting of the Company held on 17 April 2020 (the “**Approval Date**”). The options granted on 2 January 2020 without vesting period are exercisable immediately on the Approval Date. As disclosed in note 13/13(a) (Reserves) to the consolidated financial statements of the 2020 annual report of the Company, the total value of options granted was HK\$330,000.

The closing price of the shares of the Company immediately before the date on which the options were granted to Dr. ZHAO Wei was HK\$8.29.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim 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 2021 interim report will be despatched 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, 24 August 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.