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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 2021

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 2021 as follows:

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Change
	2021	2020	
	HK\$'Million	HK\$'Million	
Total revenue	3,278.1	3,485.8	-6.0%
Profit for the year	627.3	267.9	+134.2%
Profit attributable to shareholders of the Company	525.8	334.1	+57.4%
EBITDA	2,864.1	2,621.1	+9.3%
EPS (Basic) (HK\$)	0.722	0.482	+49.8%
Final dividend per share (HK\$)	0.26	0.20	+30.0%
Full year dividend per share (HK\$)	0.41	0.40	+2.5%
	As at 31 December		
	2021	2020	
	HK\$'Million	HK\$'Million	Change
Total equity	6,017.3	5,415.8	+11.1%
Interest-bearing debts to equity ratio ^(Note)	6.7:1	6.9:1	-2.9%

Note:

Interest bearing debts/Total equity

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 2021 (the “**Review Year**”).

RESULTS AND DIVIDEND

In 2021, CALC ushered in a key milestone at its fifteenth anniversary. As an important industrial platform under China Everbright Limited (“**CEL**”), CALC has always been upholding its corporate mission of “integrating industries and financing, and contributing to China’s rising aviation strength” by fostering innovations with determination and proactivity, which won its wide recognition in the market. While the aviation industry is recovering gradually despite continuous challenges from the COVID-19 pandemic (the “**Pandemic**”), CALC adhered to a steady, consistent and sustainable development strategy and promoted stable development of the business, thus achieved solid performance and revealed its strong resilience alongside high-quality growth.

During the Review Year, the Group’s total revenue amounted to HK\$3,278.1 million (2020: HK\$3,485.8 million). Profit attributable to shareholders increased significantly by 57.4% to HK\$525.8 million (2020: HK\$334.1 million). Earnings per share were HK\$0.722 (2020: HK\$0.482).

The Board has recommended payment of a final dividend of HK\$0.26 per ordinary share. Together with the 2021 interim dividend of HK\$0.15 per share already paid, total dividend payout for the year 2021 amount to HK\$0.41 (2020: HK\$0.40). The Company has continued its scrip dividend scheme for the final dividend for 2021.

ADHERING TO THE INDUSTRIAL DEVELOPMENT PATH AND DEEPENING INDUSTRY CHAIN FOOTHOLD

As an important platform of CEL's "One-Four-Three" strategy under the "Four-Three-Three" development architecture of China Everbright Group, with strategic guidance and collaborative support from China Everbright Group, CALC proactively tapped new opportunities brought by the changing market landscape and unleashed its full-value-chain operational strength to thrive amidst adversity. The Group's total owned and managed fleet surpassed 150 aircraft for the first time, with aircraft deliveries regaining steady growth during the Review Year. By the end of 2021, CALC ranked 8th among global lessors by ICF International in terms of the combined asset value of owned fleet and order book.

During the Review Year, CALC further strengthened its aftermarket service capabilities. FL ARI Aircraft Maintenance & Engineering Company Ltd. ("**FL ARI**"), the aircraft maintenance, repair and overhaul ("**MRO**") joint venture between CALC, its associate company Aircraft Recycling International ("**ARI**") and FL Technics, was granted Part 145 approval certification by Civil Aviation Administration of China for regular inspection and maintenance of A320 series aircraft. At the same time, ARI's aircraft recycling facility in Harbin was approved to be included in the flight zone of Harbin Taiping International Airport, further enhancing its capability in servicing aircraft for domestic routes.

In January 2021, CALC placed a firm order for 30 ARJ21 series aircraft from Commercial Aircraft Corporation of China., Ltd ("**COMAC**"), and signed a tripartite project investment cooperation memorandum with CEL and COMAC which put the strategic cooperation spirit of China Everbright Group into practice further. The deepened partnership proactively facilitates the globalization strategy for China's homemade aircraft, under which the Group is striving to become its first overseas operator. Meanwhile, this order will also add a leading regional jet model to CALC's fleet, and gradually enriching its fleet mix with long-haul, mid-haul and short-haul aircraft as well as regional jets, satisfying various demands of different markets and customers.

FIRST-EVER INTERNATIONAL CREDIT RATINGS

During the Review Year, CALC received a first-time corporate family rating (CFR) of Ba1 from Moody's, 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. Both agencies recognized CALC's asset quality and caliber of its clients – CALC's fleet comprises mainly young and highly liquid narrow-body aircraft, and a Chinese-heavy clientele, 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.

China Asset Leasing Company Limited (“**CALC (TJ)**”), a China-domiciled wholly-owned subsidiary of the Group principally engaged in its PRC businesses, received an AA+ credit rating with a stable outlook for the first time by Dagong Global Credit Rating Co., Ltd in 2021, subsequent to an AA+ corporate credit rating assigned by China Cheng Xin International Credit Rating Co., Ltd earlier on. These reflect major rating agencies' recognition of CALC (TJ) as a high-quality issuer in the PRC bond market.

WORKING TOWARDS NEW “GREEN AVIATION” FOR SUSTAINABLE DEVELOPMENT

Against a backdrop of the “carbon neutrality” global trend and the “carbon dioxide peaking and carbon neutrality” targets by the Chinese Government, sustainable development of the aviation industry has become the focus of attention. In addition, the Pandemic has accelerated retirement of old age aircraft and promoted airlines to replace the aged with brand-new ones. Demand for more fuel-efficient new-generation aircraft has increased significantly.

CALC has been proactively implementing its aircraft full-value-chain business model. On the one hand, the Group has been investing in the most popular new-generation energy-saving aircraft models, and its large order book has been helping airlines upgrade their fleets, save energy and reduce emissions. In parallel, the Group continued to roll out its footprint along the downstream industry chain in the field of low-carbon and circular economy and dived deep into it through the two major fully-licensed domestic and overseas aircraft recycling facilities, proactively providing global customers with green fleet upgrade solutions, and promoting sustainable development for the global aviation industry.

During the Review Year, CALC received the “Social Innovation Contribution Award” in 2021 Yicai Corporate Social Responsibility Ranking in China, a recognition for its ESG practices. In January 2022, CALC, as one of the initiators, collaborated with delegates of Aircraft Leasing Ireland (ALI) members, using their influence as owners of more than half of the global fleet, jointly launched an ESG narrative “Aviation Sustainability: Our Future”, aiming at developing an ESG charter for aircraft leasing and dedicating efforts to accelerate technology development in the aviation industry to achieve Net Zero by 2050.

PROSPECTS

The Pandemic has accelerated restructuring of the aviation industry while catalyzing industry consolidation during the past two years. Aircraft lessors’ share in the global commercial aviation market surpassed 50% for the first time in 2021, and is expected to continue to climb in 2022. Meanwhile, the smaller and weaker players will quit the market while more competent players with strong operating capabilities and better shareholder backings will capture better development opportunities, making survivor to thrive, the strong get stronger.

The Central Government of China released the “14th Five-Year Plan for Civil Aviation Development” in early 2022, clearly pinpointing the necessity to kick-start a new development cycle of establishing a civil aviation powerhouse in multiple areas and facilitate recovery of the industry. Among them, the years between 2023 and 2025 will constitute a period of growth and unleashing of potential. The focus will be expansion of the domestic market and revival of the international markets.

CALC will build on strengths aligning with the national strategy, strengthen its competitive advantages during the 14th Five-Year Plan period, and tap the coming growth window for the industry. The Group will uncover its brand equity in aircraft leasing and aircraft full value chain business, its international market presences and its capacity as a listed company to cooperate and collaborate more closely with China Everbright Group and its member units, including establishment of more aviation fund platforms, deepening collaborations in aircraft leasing and trading businesses, and actively promoting cooperation with COMAC in Aircraft Aviation Industry Fund, striving to debut overseas flight of China-made aircraft as soon as practical; and actively develop into an ambassador of aircraft industry chain platform globally for the leasing segment under China Everbright Group. CALC is striving to become a world’s leading aircraft full value chain service provider with outstanding core business, diversified operations and a green and low-carbon footprint.

ACKNOWLEDGEMENTS

I would like to express my heartfelt gratitude to my fellow Board members and the management for their fearless stance in tackling challenges brought about by the Pandemic, overcoming difficulties, and leading the Company forward. 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.

Dr. Zhao Wei

Chairman of the Board of Directors

Hong Kong, 16 March 2022

CEO REPORT

Industry overview

In 2021, although new Covid-19 variants still inflicted repeated outbreaks, with vaccines became increasingly popular, many countries and regions relaxed border control policies one after another, global air traffic and load capacity continued to improve steadily, with domestic routes taking the lead in recovery. Data from CIRIUM showed that China domestic market had been leading the global aviation recovery process, followed by those in the United States of America, Europe, and South America. Operations of many airlines had been steadily improving with various liquidity support from governments and aircraft lessors.

Data published this January by the International Aviation Transport Association (“**IATA**”) also showed that in 2021, the global air travel (measured by revenue passenger kilometres, “**RPK**”) increased by over 20% compared with 2020, and global domestic routes had recovered to over 70% of 2019 levels.

During the Review Year, leveraging in full its aviation full-value-chain operation strengths, CALC continued to provide strong support to industry partners with its highly liquid fleet assets, flexible and diverse solutions, diversified financing channels and professional asset management capabilities while delivering solid performances.

Annual Results 2021 Review

1. *Growing fleet*

The Group proactively supports our customers through purchase and leaseback arrangements. During the Review Year, it successfully completed purchase and leaseback transactions for 17 aircraft with top airline customers. While expanding sources of income, these arrangements expanded and deepened the long-term cooperative relationships with high-quality customers further, and provided the pipelines of aircraft assets for the Group’s aviation aftermarket platform.

During the Review Year, the Group delivered a total of 34 aircraft through its order book placement as well as purchase and leaseback arrangements, and disposed of 9 aircraft. As at 31 December 2021, CALC’s fleet had expanded to 152 aircraft, including 127 owned and 25 managed aircraft.

CALC has been maintaining a modern fleet consisting of the most popular aircraft models. As of 31 December 2021, by number of aircraft, 89% of CALC's owned fleet were narrow-body aircraft, a highly liquid asset class and the most popular aircraft type. The utilization rate of CALC's owned fleet reached 100% during the Review Year. According to CIRIUM data, in December 2021, CALC ranked first among the world's major lessors with 93% of its fleet in service.

CALC has been adhering to a prudent and selective aircraft selection strategy. Its abundant order book comprising the most popular fuel efficient models is able to meet the huge demand along with the recovery, restructuring and upgrading of aviation industry in the post Pandemic era. As at 31 December 2021, CALC had 244 aircraft on its order book, including 148 Airbus, 66 Boeing and 30 COMAC aircraft.

As at 31 December 2021, the average age of CALC's owned fleet was 7.8 years, and the average remaining lease term was 7.0 years. The leases expiring in the next 12 months have all been renewed, and all the aircraft to be delivered in the next 18 months have been mandated for lease, alleviating the pressure for remarketing in the volatile market.

During the Review Year, CALC continued to dive deep in the PRC market and proactively expanded high-quality clientele in regions where growth kept accelerating, adding four new airlines to its client mix. As at 31 December 2021, by number of aircraft, 76% of CALC's owned fleet were leased to Chinese airline customers (including Hong Kong, Macau and Taiwan), majority of which are state-owned airlines with strong financial strength and abundant liquidity. Most of the Group's overseas customers are flag carriers or backed by financially sound shareholders. As at 31 December 2021, CALC's owned and managed aircraft were on lease to 39 airlines in 17 countries and regions.

2. *Diversified financing channels*

With its diversified onshore and offshore dual-market financing channels, CALC secured more flexible high-quality funding sources to persistently optimizing its debt structure while providing sufficient liquidity during the Review Year.

The Group strengthened cooperation with financial institutions. During the Review Year, a total of US\$2.1 billion borrowing facilities were newly granted or renewed from 18 financial institutions, among which 10 were the first time lenders of the Group, reflecting broader recognition it received from the banking community.

During the Review Year, the Group had been active in both onshore and offshore capital markets. In July 2021, it completed the issuance of a RMB1 billion super short-term debenture in PRC market, and then raised RMB100 million through a three-year corporate bond issue in August 2021. The Group also struck breakthroughs in offshore bond markets. Following the completion of a US\$35 million five-year unsecured private bond issued in January 2021, CALC successfully issued another US\$100 million three-year public bonds in December 2021. This was the first rated US dollar notes issued by CALC since it received international credit ratings. With a rate of 4.85%, the issue reflected investors' confidence in CALC's operating strengths and future prospects.

As a result, the Group received a total of US\$2.4 billion debt financing commitment during the Review Year, providing strong liquidity support to its business expansion.

CALC will continue to stay vigilant to changes in both onshore and offshore markets, remain flexible and selective in funding sources. It will actively explore innovative aviation finance products and capital market instruments such as asset-backed securities and sustainability-linked bonds as part of its efforts in further diversifying financing channels, and increasing the proportion of unsecured financing so as to optimize its debt structure, enhance financial flexibility and capital efficiency, and reduce the overall interest costs.

3. *Improving aircraft full-value chain asset management strength*

In recent years, CALC has been enhancing its aircraft full-value chain operation capability persistently and its member companies have gradually extended its business scope along aviation industry chain into major segments of aviation aftermarket services (MRO, aircraft disassembly and recycling, components trading, etc.), enhancing its overall capability in managing mid-to-old age aircraft.

During the Review Year, the Group's MRO joint venture FL ARI further improved its maintenance and repair business capabilities, and provided line maintenance and support services to 6 top Chinese airlines in total. Another associate company in US, Universal Asset Management, Inc. struck another breakthrough in aircraft recycling innovation. In January 2022, the unit announced that it had successfully developed an over-wing emergency exit trainer and an entry-door trainer using components from an Airbus A320 which was undergoing disassembly.

The Group's dedicated end-of-life aircraft management capabilities have been recognized by investors. During the Review Year, ARG Cayman 1 Limited ("ARG"), the aircraft investment vehicle under ARI, which focuses on old aircraft portfolios and trading of parts and components, successfully introduced two new renowned investors Everbright Absolute Return Fund and China Chengtong Investment Company Ltd. to its investor profile. Total project size of the investment vehicle is US\$350 million.

Prospects

Looking ahead in 2022, it is clear that large-scale vaccination in various countries, authorization of oral treatments for Covid-19 granted one after another, and announcements by governments in the United Kingdom, the United States of America, Canada, Australia, the European Union and other countries to relax their border restrictions, will help recovery of the global aviation market. CIRIUM forecasts earlier that global GDP growth will be around 4% in 2022, global RPK to increase by nearly 50%, with all major domestic aviation markets reaching 2019 levels by the end of the year. It expects China will continue to take the lead in passenger traffic growth and aircraft deliveries. From an operational perspective, CIRIUM predicts the number of single-aisle aircraft in service will exceed 2019 levels in the first half of 2022.

As production capacities of aircraft manufacturers are still limited in the short term, airlines are expected to rely more on lessors to meet their needs for passenger capacity expansion and fleet renewal while continue to improve their balance sheets. The penetration rate of aircraft leasing is expected to trend up further. Meanwhile, with recovery of the aviation industry and increasing fleet utilization, demand for MRO business and end-of-life aircraft disposal solutions, aftermarket components and spare engines will increase. CALC will take opportunities along the market trend and reinforce its leadership in the PRC market. At the same time, we will proactively expand high-quality airline clientele and deepen long-term partnerships with industry participants in other regions of the world with huge domestic demand or accelerating growth. With our abundant order book comprised of new-generation fuel efficient narrowbody aircraft as well as strengthened professional expertise in aircraft full value chain operations, we shall continue to provide aviation partners with best-in-class, flexible and comprehensive aircraft full life-cycle solutions, explore new business opportunities such as "Passenger to Freighter Conversion", disassembling and recycling, etc. to maximize the value of aircraft assets. We are also striving to dive deeper into aircraft asset management segment by setting up more aircraft investment platforms and joint ventures to steadily expand our managed fleet size, improve capital efficiency, and gradually groom them into another revenue growth driver.

At the same time, the Group is persistently exploring best practices in green and sustainable development, and will endeavor to fulfil market demand for green fleet with our one-stop fleet upgrade services capability, and facilitate restructuring and upgrading of the aviation industry and contribute to the ultimate goal of carbon neutrality while continue to create value for our shareholders, bond investors, investors in aircraft assets under our management, airline clients, aircraft manufacturers, financiers and other stakeholders to achieve mutually beneficial cooperation.

Mr. POON Ho Man

Executive Director and Chief Executive Officer

Hong Kong, 16 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

1. RESULTS

Total revenue of the Group was HK\$3,278.1 million in 2021, a decrease of HK\$207.7 million or 6.0% from HK\$3,485.8 million in 2020. Operating profit for the year in 2021 amounted to HK\$819.9 million, a decrease of HK\$128.8 million or 13.6% compared with HK\$948.7 million in 2020. Profit attributable to shareholders of the Company in 2021 amounted to HK\$525.8 million, an increase of HK\$191.7 million or 57.4% compared with HK\$334.1 million in 2020.

Total assets amounted to HK\$50,029.1 million as at 31 December 2021, compared with HK\$46,392.5 million as at 31 December 2020, an increase of HK\$3,636.6 million or 7.8%. The increase in assets was mainly due to the increase in the total fleet size of the Group from 103 aircraft as at 31 December 2020 to 127 aircraft as at 31 December 2021.

Total liabilities amounted to HK\$44,011.9 million, an increment of HK\$3,035.1 million or 7.4% compared with HK\$40,976.8 million as at 31 December 2020, which was in line with the increment of the total assets. The increase in liabilities was mainly due to the increase in total interest-bearing debt. As at 31 December 2021, the interest-bearing debt of the Group amounted to HK\$40,480.4 million (2020: HK\$37,156.1 million).

2. ANALYSIS OF INCOME AND EXPENSES

	Year ended 31 December		Change
	2021	2020	
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Finance lease income	540.6	541.2	-0.1%
Operating lease income	1,959.8	1,945.6	0.7%
Total lease income	2,500.4	2,486.8	0.5%
Other operating income			
Net income from aircraft transactions and aircraft component trading	301.7	514.3	-41.3%
Government grants	215.5	251.5	-14.3%
Interest income from loans to associates and joint ventures	105.4	92.9	13.5%
Forfeiture of deposit received	–	84.6	N/A
Bank interest income	8.2	10.0	-18.0%
Asset management service fees income from CAG Group	12.1	12.2	-0.8%
Incidental income and others	134.8	33.5	302.4%
	777.7	999.0	-22.2%
Total revenue	3,278.1	3,485.8	-6.0%
Total operating expenses	(2,458.2)	(2,537.1)	-3.1%
Operating profit	819.9	948.7	-13.6%
Share of losses and provision on investment in associates and joint ventures	(1.3)	(209.0)	-99.4%
Other gains/(losses)	13.6	(306.7)	N/A
Profit before income tax	832.2	433.0	92.2%
Income tax expenses	(204.9)	(165.1)	24.1%
Profit for the year	627.3	267.9	134.2%
Profit/(loss) attributable to			
Shareholders of the Company	525.8	334.1	57.4%
Holders of perpetual capital securities and other non-controlling interests	101.5	(66.2)	N/A
	627.3	267.9	134.2%

2.1 Total Revenue

For the year ended 31 December 2021, the total revenue amounted to HK\$3,278.1 million, compared with HK\$3,485.8 million in 2020, a decrease of HK\$207.7 million or 6.0%.

Total lease income from finance leases and operating leases for the year 2021 amounted to HK\$2,500.4 million, compared with HK\$2,486.8 million in 2020, an increase of HK\$13.6 million or 0.5%.

For the year ended 31 December 2021, the Group's average lease rental yield of the finance leases and operating leases was 12.9% (2020: 11.8%) and 11.5% (2020: 10.2%), respectively. The average lease rental yield of the finance leases and operating leases were increased in the current year. Average lease rental yield for finance leases and operating leases is calculated by expected annualised gross lease receipt divided by net book value of aircraft. Weighted average lease rental yield of the Group was 11.6% (2020: 10.4%).

In 2021, the Group recognised net gain from disposal of 9 aircraft and aircraft components trading amounted to HK\$301.7 million (2020: net gain from disposal of 18 aircraft amounted to HK\$514.3 million) with aggregate net book value of HK\$3,103.2 million (2020: aggregate net book value of HK\$5,579.5 million).

Government grants for the year amounted to HK\$215.5 million, compared with HK\$251.5 million in 2020, a decrease of HK\$36.0 million or 14.3%. The decrease in government grants in the current year was mainly due to the decrease in aircraft to be entitled to government grants from 96 aircraft during the year of 2020 to 82 aircraft during the year of 2021. The Group is continued to be entitled to the government grant from the Mainland China government.

Incidental income and others mainly related to amounts received from a manufacturer, suppliers and lessees incidental to aircraft purchases, net gains from bonds repurchase and government wage subsidies under a job support scheme. There is no such item of incidental income related to the amounts received from a manufacturer in 2020.

2.2 Total Operating Expenses

During the year ended 31 December 2021, the Group had the following operating expenses.

	Year ended 31 December		Change
	2021	2020	
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Interest expenses	1,211.3	1,328.8	-8.8%
Depreciation	820.7	859.4	-4.5%
Expected credit losses	144.2	80.6	78.9%
Other operating expenses	282.0	268.3	5.1%
Total operating expenses	<u>2,458.2</u>	<u>2,537.1</u>	<u>-3.1%</u>

(a) *Interest Expenses*

For the year ended 31 December 2021, interest expenses incurred by the Group amounted to HK\$1,211.3 million compared with HK\$1,328.8 million in 2020, a decrease of HK\$117.5 million or 8.8%. The total interest-bearing debts as at 31 December 2021 amounted to HK\$40,480.4 million (2020: HK\$37,156.1 million). The decrease in interest expenses was mainly due to the decrease in US\$ LIBOR rate during the current year. The average effective interest rate of bank and other borrowings during the year was 2.96% (2020: 3.34%).

(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 2021 was HK\$820.7 million compared with HK\$859.4 million in 2020, a decrease of HK\$38.7 million or 4.5%. During the current year, the Group had delivered 34 aircraft, in which 22 aircraft were delivered in the fourth quarter of 2021, resulted in no material changes in depreciation during the current year.

(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 Group had implemented cost control to maintain other operating expenses at stable level, despite the Group had delivered 34 aircraft in the current year. The Group has full capabilities to manage and execute such huge volume of aircraft delivery transactions.

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

Last year amount mainly represented 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). 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. In view of the Group had provided full provision on the investment in TAM in last year, no further provision was considered necessary to be made in the current year.

2.4 Other Gains/(Losses)

	Year ended 31 December		Change
	2021	2020	
	HK\$'Million	HK\$'Million	
Currency exchange losses in RMB ^(note)	(113.1)	(306.5)	-63.1%
Fair value gains on currency forward contracts in RMB ^(note)	<u>99.6</u>	<u>0.8</u>	<u>12,350.0%</u>
Net exchange losses in RMB ^(note)	(13.5)	(305.7)	-95.6%
Currency exchange (losses)/gains in US\$	(21.9)	28.8	N/A
Fair value gains on financial asset at fair value through profit or loss	39.0	39.0	–
Fair value gains/(losses) on interest rate swaps and futures	16.3	(66.8)	N/A
Unrealised losses on currency swap	<u>(6.3)</u>	<u>(2.0)</u>	<u>-215.0%</u>
Total	<u>13.6</u>	<u>(306.7)</u>	<u>N/A</u>

Note: The exchange losses arising from borrowings denominated in RMB was mainly due to the depreciation of US\$ exchange rate against RMB from 6.53 as at 31 December 2020 to 6.36 as at 31 December 2021. As at 31 December 2021, the carrying amount of RMB debt exposed to currency exchange risk amounted to RMB3.0 billion (2020: RMB3.9 billion). To manage and mitigate the foreign exchange exposure arising from various liabilities denominated in RMB, the Group entered into various currency exchange forward contracts with total notional amount of RMB2.4 billion as at 31 December 2021 (2020: RMB0.4 billion).

The unhedged currency exposure on RMB has been decreased by around RMB2.9 billion, or 83% (2021: RMB0.6 billion; 2020: RMB3.5 billion), resulted to a decrease in net exchange losses in RMB during the current year.

2.5 Income Tax Expenses

Income tax for the year ended 31 December 2021 was HK\$204.9 million (2020: HK\$165.1 million). The effective tax rate for the year ended 31 December 2021 was 24.6% (2020: 38.1%). In view of the Group was mainly engaged in PRC operation, the effective tax rate was closed to 25%, which is the corporate income tax rate in PRC. In last year, the Group had recorded several exception items such as currency exchange losses and share of losses and provisions on TAM, which are not tax deductible, resulted in an effective tax rate higher than 25%.

3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets

As at 31 December 2021, the Group's total assets amounted to HK\$50,029.1 million compared with HK\$46,392.5 million as at 31 December 2020, an increase of HK\$3,636.6 million or 7.8%.

The majority of total assets as at 31 December 2021 represented property, plant and equipment and right-of-use assets of HK\$23,243.8 million (2020: HK\$18,450.6 million), finance lease receivables of HK\$7,714.4 million (2020: HK\$7,263.7 million) and Pre-Delivery Payments (“PDP”) (included in prepayments and other assets and others) of HK\$8,598.1 million (2020: HK\$11,294.7 million).

	As at 31 December		Change
	2021	2020	
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Property, plant and equipment and right-of-use assets	23,243.8	18,450.6	26.0%
Finance lease receivables - net	7,714.4	7,263.7	6.2%
Prepayments and other assets and others	11,918.2	13,438.3	-11.3%
Investments in and loans to associates and joint ventures	1,273.4	1,134.9	12.2%
Financial asset at fair value through profit or loss	750.8	797.9	-5.9%
Derivative financial assets	114.9	17.7	549.2%
Cash and bank balances	5,013.6	5,289.4	-5.2%
Total assets	50,029.1	46,392.5	7.8%

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

Property, plant and equipment and right-of-use assets mainly included the cost of aircraft classified as operating leases, net of their accumulated depreciation. The increase in property, plant and equipment and right-of-use assets was mainly due to increase in the fleet size of the Group under operating lease from 54 aircraft as at 31 December 2020 to 78 aircraft as at 31 December 2021.

Net finance lease receivables represented the present value of minimum lease payments receivable from aircraft classified as finance leases and their residual values. No material movement in net finance lease receivables as the fleet size of the Group under finance lease remain unchanged at 49 aircraft in the current year. No delivery and disposal of aircraft under finance lease in the current year.

The total fleet size of the Group under operating lease and finance lease was increased from 103 aircraft as at 31 December 2020 to 127 aircraft as at 31 December 2021.

3.1.2 Aircraft Portfolio

Aircraft portfolio by number of aircraft is as follows:

Aircraft Type	As at 31 December	
	2021	2020
	Owned Aircraft	Owned Aircraft
Airbus A320 CEO family	80	74
Airbus A320 NEO family	20	6
Airbus A330 CEO family	13	8
Boeing B737 NG family	13	14
Boeing B787	1	1
	<hr/>	<hr/>
Total	127	103

3.1.3 Prepayments and other Assets and others

Prepayments mainly represented Pre-Delivery Payments (“PDP”) made to aircraft manufacturers for aircraft acquisition from order book. The decrease in prepayments and the other assets was mainly due to the decrease in PDP made to aircraft manufacturers by HK\$2,696.6 million (PDP as at 31 December 2021: HK\$8,598.1 million; 31 December 2020: HK\$11,294.7 million). The decrease in PDP was mainly due to the delivery of 13 aircraft under order book was completed during the current year.

3.2 Liabilities

As at 31 December 2021, the Group’s total liabilities amounted to HK\$44,011.9 million, compared with HK\$40,976.8 million as at 31 December 2020, an increase of HK\$3,035.1 million or 7.4%.

An analysis is given as follows:

	As at 31 December		
	2021	2020	Change
	<i>HK\$’Million</i>	<i>HK\$’Million</i>	
Borrowings	32,477.9	26,763.0	21.4%
Bonds and debentures	7,022.7	9,054.8	-22.4%
Medium-term notes	979.8	1,338.3	-26.8%
Total interest-bearing debts	40,480.4	37,156.1	8.9%
Deferred income tax liabilities	898.2	788.7	13.9%
Interest payables	210.3	276.1	-23.8%
Income tax payables	40.3	24.9	61.8%
Derivative financial liabilities	143.2	355.6	-59.7%
Other liabilities and accruals	2,239.5	2,375.4	-5.7%
Total liabilities	44,011.9	40,976.8	7.4%

3.2.1 Borrowings

The analysis of borrowings is as follows:

	As at 31 December		Change
	2021	2020	
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Bank and other borrowings			
Bank and other borrowings for aircraft acquisition financing	15,514.8	10,542.0	47.2%
PDP financing	6,303.4	8,456.6	-25.5%
Other unsecured bank borrowings	5,600.2	2,595.0	115.8%
	<u>27,418.4</u>	<u>21,593.6</u>	<u>27.0%</u>
Long-term borrowings			
Borrowings from trust plans	4,689.3	4,818.5	-2.7%
Other borrowings	370.2	350.9	5.5%
	<u>5,059.5</u>	<u>5,169.4</u>	<u>-2.1%</u>
Total borrowings	<u>32,477.9</u>	<u>26,763.0</u>	<u>21.4%</u>

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	Original principal amount (Million)	Carrying amount (HK\$ Million)	Note
March 2017	Five years	March 2022	4.70%	US\$300.0	1,588.4	(a)&(b)
March 2017	Seven years	March 2024	5.50%	US\$200.0	1,552.6	(a)&(b)
November 2020	Five years	November 2025	5.90%	US\$35.0	271.0	(c)
January 2021	Five years	January 2026	5.90%	US\$35.0	271.8	(c)
December 2021	Three years	December 2024	4.85%	US\$100.0	765.2	(a)
				<u>US\$670.0</u>	<u>4,449.0</u>	
June 2019	Three years	June 2022	5.20%	RMB1,000.0	1,225.6	(d)
July 2021	270 days	April 2022	3.98%	RMB1,000.0	1,225.8	(c)
August 2021	Three years	August 2024	4.20%	<u>RMB100.0</u>	<u>122.3</u>	(d)
				<u>RMB2,100.0</u>	<u>2,573.7</u>	
Total bonds and debentures as at 31 December 2021					<u>7,022.7</u>	(e)&(f)
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 year ended 31 December 2021, the Group completed bonds repurchase on the Stock Exchange for an aggregate amount of US\$122,306,000 with net gain of HK\$4.3 million was recognised after deducting the transaction cost.
- (c) The bonds and debentures are unlisted and subscribed by an independent third party.

- (d) The bond is listed on the Shanghai Stock Exchange.
- (e) Upon maturity in August 2021, the Group fully repaid the five-year senior unsecured bonds with original principal amount of US\$300.0 million, bearing coupon interest at 4.9% per annum.
- (f) Upon maturity in March 2021 and June 2021, the Group fully repaid the one-year debentures and the one-year debentures with original principal amount of RMB1,000.0 million and RMB300.0 million, respectively, bearing coupon interest at 3.65% and 4.00% per annum.

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	Original	Carrying	
			interest per	principal	amount	
			annum	amount	amount	
				(RMB Million)	(HK\$ Million)	
August 2019	Three years	August 2022	4.93%	800.0	979.8	
Total medium-term notes as at 31 December 2021				<u>800.0</u>	<u>979.8</u>	<i>Note</i>
Total medium-term notes as at 31 December 2020					<u>1,338.3</u>	

Note: Upon maturity in November 2021, the Group fully repaid the five-year medium-term notes with original principal amount of RMB330.0 million, bearing coupon interest at 4.19% per annum on 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 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, establishment of various aircraft investment platform like CAG and other joint ventures.

For the year ended 31 December 2021, 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		
	2021	2020	Change
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Interest-bearing debts included			
in total liabilities	40,480.4	37,156.1	8.9%
Total liabilities	44,011.9	40,976.8	7.4%
Total assets	50,029.1	46,392.5	7.8%
Total equity	6,017.3	5,415.8	11.1%
Gearing ratio	80.9%	80.1%	0.8p.p.
Asset-liability ratio	88.0%	88.3%	-0.3p.p.
Interest-bearing debts to equity ratio	6.7:1	6.9:1	-2.9%

5. HUMAN RESOURCES

As at 31 December 2021, staff of the Group numbered 159 (2020: 162). Total remuneration of employees for 2021 amounted to HK\$144.7 million (2020: HK\$135.7 million).

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

6. CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

6.1 Contingent Liabilities

As at 31 December 2021, the Group provided guarantee to certain bank borrowings of associates and joint ventures amounted to HK\$681.5 million.

6.2 Capital Commitments for Aircraft Acquisition and Qualified Aircraft Leasing Activity

The Board confirms that the Company is a listed company actively engaged in aircraft leasing with aircraft operators as 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 (“**Stock Exchange**”) (the “**Listing Rules**”). Acquisition or disposal of aircraft is a Qualified Aircraft Leasing Activity pursuant to the Listing Rules.

The Group’s total aircraft purchase commitment amounted to HK\$93.9 billion as at 31 December 2021 (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 31 December 2021, the Group had 244 aircraft in its order book, comprising 148 Airbus A320 aircraft family and 66 Boeing B737 aircraft family and 30 ARJ21 series aircraft.

During the year under review, the Group completed the delivery of 34 aircraft.

During the year under review, the Group completed the disposal of 9 aircraft.

7. EVENTS AFTER THE END OF THE REPORTING PERIOD

- (a) Pursuant to the announcement made on 18 February 2022, the Group successfully completed the issuance of RMB1.2 billion (approximately equivalent to HK\$1.5 billion) private bonds with a term of 3 years at the coupon rate of 4.4% on 18 February 2022.
- (b) While the industry is assessing the impact brought by the Russia-Ukraine situation, it is in common view that it would not affect the long-term growth of the aviation sector proven by its strong resilience to withstand shocks in history. Two of the Group's owned aircraft with the total carrying amount of HK\$635.5 million are being leased to two Russian carriers (one to each). The relatively small exposure to Russia is further protected by the security deposit and maintenance reserves held by the Group under the two leases. The Group will continue to monitor and assess the situation as it evolves.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	2021	2020
		HK\$'000	HK\$'000
ASSETS			
Property, plant and equipment and right-of-use assets		23,243,760	18,450,641
Investments in and loans to associates and joint ventures		1,273,350	1,134,904
Finance lease receivables - net	3	7,714,408	7,263,697
Financial asset at fair value through profit or loss	4	750,841	797,888
Derivative financial assets		114,937	17,720
Prepayments and other assets		11,232,542	13,418,840
Assets classified as held for sale		675,569	–
Aircraft components trading assets		10,136	19,486
Restricted cash		237,187	411,786
Cash and cash equivalents		4,776,389	4,877,557
Total assets		50,029,119	46,392,519
EQUITY			
Share capital		74,762	72,000
Reserves		1,987,850	1,585,478
Retained earnings		2,507,621	2,235,560
Equity attributable to shareholders of the Company		4,570,233	3,893,038
Perpetual capital securities and other non-controlling interests		1,447,022	1,522,731
Total equity		6,017,255	5,415,769
LIABILITIES			
Deferred income tax liabilities		898,240	788,716
Borrowings	5	32,477,860	26,763,014
Medium-term notes	6	979,816	1,338,308
Bonds and debentures	7	7,022,708	9,054,779
Derivative financial liabilities		143,226	355,566
Income tax payables		40,274	24,897
Interest payables		210,268	276,113
Other liabilities and accruals		2,239,472	2,375,357
Total liabilities		44,011,864	40,976,750
Total equity and liabilities		50,029,119	46,392,519

CONSOLIDATED STATEMENT OF INCOME

		Year ended 31 December	
	Note	2021	2020
		HK\$'000	HK\$'000
Total revenue			
Lease income			
Finance lease income		540,634	541,243
Operating lease income		1,959,809	1,945,545
		<u>2,500,443</u>	<u>2,486,788</u>
	8	2,500,443	2,486,788
Other operating income			
Net income from aircraft transactions and aircraft components trading	9	301,741	514,275
Other income	10	475,882	484,719
		<u>3,278,066</u>	<u>3,485,782</u>
Expenses			
Interest expenses		(1,211,254)	(1,328,782)
Depreciation		(820,663)	(859,349)
Expected credit losses		(144,213)	(80,630)
Other operating expenses		(282,018)	(268,299)
		<u>(2,458,148)</u>	<u>(2,537,060)</u>
Operating profit		<u>819,918</u>	<u>948,722</u>
Other gains/(losses)	11	13,578	(306,750)
Share of losses and provisions on investment in associates and joint ventures		(1,290)	(208,971)
		<u>832,206</u>	<u>433,001</u>
Profit before income tax		832,206	433,001
Income tax expenses	12	(204,936)	(165,058)
Profit for the year		<u>627,270</u>	<u>267,943</u>

		Year ended 31 December	
	<i>Note</i>	2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) attributable to			
Shareholders of the Company		525,780	334,143
Holders of perpetual capital securities and other non-controlling interests		101,490	(66,200)
		<u>627,270</u>	<u>267,943</u>
Earnings per share for profit attributable to shareholders of the Company (expressed in HK\$ per share)			
– Basic earnings per share	<i>13(a)</i>	<u>0.722</u>	<u>0.482</u>
– Diluted earnings per share	<i>13(b)</i>	<u>0.722</u>	<u>0.482</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	<u>627,270</u>	<u>267,943</u>
Other comprehensive income/(loss) for the year:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Cash flow hedges	195,810	(203,011)
Currency translation differences	<u>71,237</u>	<u>(37,848)</u>
	<u>267,047</u>	<u>(240,859)</u>
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Currency translation differences attributed to the non-controlling interests	<u>(957)</u>	<u>(689)</u>
Total other comprehensive income/(loss) for the year, net of tax	<u>266,090</u>	<u>(241,548)</u>
Total comprehensive income for the year	<u>893,360</u>	<u>26,395</u>
Total comprehensive income/(loss) for the year attributable to		
Shareholders of the Company	792,827	93,284
Holder of perpetual capital securities and other non-controlling interests	<u>100,533</u>	<u>(66,889)</u>
	<u>893,360</u>	<u>26,395</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
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 year	-	-	525,780	525,780	101,490	627,270
Other comprehensive income						
Cash flow hedges	-	195,810	-	195,810	-	195,810
Currency translation differences	-	71,237	-	71,237	(957)	70,280
Total comprehensive income	-	267,047	525,780	792,827	100,533	893,360
Transactions with shareholders and non-controlling interests						
Buy-back of shares	(251)	(38,220)	-	(38,471)	-	(38,471)
Dividends (<i>Note 14</i>)	3,013	173,545	(253,719)	(77,161)	-	(77,161)
Dividend distributed to perpetual capital securities	-	-	-	-	(176,242)	(176,242)
Total transactions with shareholders and non-controlling interests	2,762	135,325	(253,719)	(115,632)	(176,242)	(291,874)
Balance as at 31 December 2021	74,762	1,987,850	2,507,621	4,570,233	1,447,022	6,017,255

	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 HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
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/(losses) 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 and non-controlling interests						
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>)	<u>4,573</u>	<u>309,153</u>	<u>(464,844)</u>	<u>(151,118)</u>	<u>–</u>	<u>(151,118)</u>
Total transactions with shareholders and non-controlling interests	<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>72,000</u>	<u>1,585,478</u>	<u>2,235,560</u>	<u>3,893,038</u>	<u>1,522,731</u>	<u>5,415,769</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Profit before income tax	832,206	433,001
Adjustments for:		
– Depreciation	820,663	859,349
– Net income from aircraft transactions	(297,128)	(514,275)
– Expected credit losses	144,213	80,630
– Interest expenses	1,211,254	1,328,782
– Share-based payments	–	330
– Unrealised currency exchange losses	93,035	279,366
– Fair value (gains)/losses on interest rate, currency swaps and currency forwards	(109,509)	22,542
– Share of losses and provisions on investment in associates and joint ventures	1,290	208,971
– Gain on repurchase of bonds	(4,314)	(1,474)
– Interest income	(113,571)	(102,850)
– Fair value gain on financial asset at fair value through profit or loss	(39,041)	(38,960)
	2,539,098	2,555,412
Changes in working capital:		
– Finance lease receivables – net	(408,238)	(433,449)
– Prepayments and other assets	33,547	(686,340)
– Aircraft components trading assets	9,350	(19,486)
– Other liabilities and accruals	79,149	(338,678)
Cash generated from operations	2,252,906	1,077,459
Income taxes paid	(78,087)	(92,104)
Net cash flows generated from operating activities	2,174,819	985,355

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,819,940)	(2,900,017)
Proceeds from disposal of aircraft	2,055,341	5,534,659
Pre-Delivery Payments (“PDP”) paid for acquisition of aircraft	(172,028)	(4,422,512)
PDP refunded for acquisition of aircraft	561,451	378,213
Interest received	108,713	113,517
Payments relating to financial asset at fair value through profit or loss	(8,833)	(41,814)
Proceeds from distribution of financial asset at fair value through profit or loss	3,938	21,569
Proceeds from disposal of financial asset at fair value through profit or loss	95,685	–
Investment in associates and joint ventures	(1,290)	(3,447)
Payments relating to loans to associates and joint ventures	(295,484)	(275,559)
Repayments of the loans to associates and joint ventures	130,006	213,563
Net cash flows used in investing activities	(3,342,441)	(1,381,828)
Cash flows from financing activities		
Proceeds from borrowings	19,613,538	9,771,604
Issue of bonds and debentures, net of transaction costs	2,370,300	1,696,189
Issue of perpetual capital securities, net of transaction costs	–	1,545,501
Repayments of borrowings	(14,347,250)	(9,689,697)
Repurchase and repayment of bonds and debentures, including transaction costs	(4,513,480)	(54,368)
Repayment of medium-term notes	(397,650)	(377,524)
Repayment of lease liabilities	(15,714)	(21,044)
Repayment of amount due to non-controlling interests	(38,612)	(38,950)
Interest paid in respect of derivative financial instruments	(139,127)	(74,896)
Interest paid in respect of borrowings, notes, and debentures	(1,483,767)	(1,505,411)
Decrease in deposits pledged in respect of borrowings	9,667	4,910
Decrease/(increase) in deposits pledged in respect of derivative financial instruments	167,499	(181,946)
Buy-back of shares, including transaction costs	(38,471)	(19,172)
Dividends paid to holder of perpetual capital securities	(87,235)	–
Dividends paid to shareholders	(77,161)	(151,118)
Net cash flows generated from financing activities	1,022,537	904,078
Net (decrease)/increase in cash and cash equivalents	(145,085)	507,605
Cash and cash equivalents at beginning of the year	4,877,557	4,352,327
Currency exchange difference on cash and cash equivalents	43,917	17,625
Cash and cash equivalents at end of the year	4,776,389	4,877,557

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 2021 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 2021, the Group's current liabilities exceeded its current assets by HK\$9,228.2 million. The Group had total capital commitments of HK\$93,930.6 million as at 31 December 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\$13,777.0 million is forecasted to be incurred and payable within one year based on the current delivery schedule and forecasted delivery schedule with the Original Equipment Manufacturers ("OEMs"). In addition, according to the relevant aircraft purchase agreements, Pre-Delivery Payments ("PDP") scheduled and forecasted to be paid in the next twelve months from 31 December 2021 amounted to HK\$6,945.9 million. 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 2021, the Group has bank and cash balances of HK\$5,013.6 million and undrawn borrowing facilities of HK\$3,117.0 million.

During the years 2020 and 2021, COVID-19 and responsive travel restrictions imposed by the governments have caused economic disruption, a reduction in air passenger traffic and demand for commercial aircraft globally, 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 year ended 31 December 2021. Moreover, the Group also adjusted the delivery schedules of new aircraft and agreed 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 31 December 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 adjust 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. 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 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 finances the new aircraft with internal resources or short-term financing and the Group may obtain refinancing for these aircraft through new aircraft project loans. During the year ended 31 December 2021, the Group has obtained 41 aircraft project loan facilities of US\$1,153.4 million (approximately equivalent to HK\$8,993.2 million) from certain onshore and offshore banks and financial institutions. The Group will continue to arrange aircraft project loan facilities from time to time and has concluded one aircraft project loan facility subsequent to 31 December 2021. Based on these aircraft project loan 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 31 December 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 approvals 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\$3,689.2 million to the Group to satisfy part of the forecasted committed PDP payments of HK\$6,945.9 million in the next twelve months from 31 December 2021. The Group has also initiated the process to obtain new PDP loan facilities with certain banks and has received commitment of new PDP loan facilities with facility amount of US\$260.0 million (approximately equivalent to HK\$2,027.2 million) subsequent to 31 December 2021. The remaining balances of PDP scheduled to be paid in the next twelve months from 31 December 2021 are expected to be funded by internal resources of the Group.

- As at 31 December 2021, the Group had working capital loan and revolving loan facilities of HK\$7,758.1 million out of which HK\$6,690.0 million has been utilised. The directors are confident that the Group can draw down the remaining unutilised loan facilities of HK\$1,068.1 million as and when required and will be able to renew substantially all the existing revolving facilities. The Group has also initiated the process to obtain new working capital loan and revolving loan facilities with certain banks and has currently concluded two new working capital loan and revolving loan facilities with facility amount of US\$75.0 million (approximately equivalent to HK\$584.8 million) subsequent to 31 December 2021.

- 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 RMB1.0 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\$3.0 billion guaranteed Medium Term Note (“MTN”) programme in Hong Kong in July 2021. In December 2021, the Group completed the issuance of three-year US\$100 million MTN in Hong Kong. The Group will review the market conditions and consider to issue the super short-term debentures and US\$ bond under the MTN programme if appropriate. In February 2022, the Group completed the issuance of three-year RMB1.2 billion private bonds in the PRC. 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 continues to expand its portfolio trading business and it has scheduled certain aircraft to be disposed of in the next twelve months from 31 December 2021, of which the Group has signed letter of intent or sale and purchase agreements up to March 2022 for the disposals of six aircraft. During the year ended 31 December 2021, the Group completed nine aircraft disposals and received net proceeds from disposal after loan repayment of HK\$735.1 million. Based on the Group’s experience in aircraft portfolio trading in previous years, the directors are confident that the scheduled disposals of aircraft in the next twelve months from 31 December 2021 will be completed, and the proceeds will be collected according to the expected schedule in the next twelve months from 31 December 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 solution 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 31 December 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 31 December 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.

(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 2021:

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

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 2022 and have not been early adopted in preparing the consolidated financial statements for the year ended 31 December 2021.

	Effective Date
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
Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations (AG 5)	1 January 2022
Annual Improvements to HKFRS Standards 2018 – 2020	1 January 2022
Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates – Amendments to HKAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12	1 January 2023
HKFRS 17 Insurance Contracts	1 January 2023 (deferred from 1 January 2021)
Classification of Liabilities as Current or Non-current – Amendments to HKAS 1	1 January 2023 (deferred from 1 January 2022)
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	Applied when an entity applies “Classification of Liabilities as Current or Non-current – Amendments to HKAS 1”
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to HKFRS 10 and HKAS 28	N/A

The 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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Lease payments receivables		
– Not later than 1 year	128,815	129,578
– Later than 1 year but not later than 2 years	126,887	128,181
– Later than 2 years but not later than 3 years	204,456	126,328
– Later than 3 years but not later than 4 years	1,085,977	203,191
– Later than 4 years but not later than 5 years	1,844,533	1,079,669
– Later than 5 years	2,198,585	4,019,729
	<hr/>	<hr/>
Total	5,589,253	5,686,676
<i>Less:</i> Unearned finance lease income relating to lease payment receivables	(1,569,171)	(1,837,288)
	<hr/>	<hr/>
Present value of lease payment receivables	4,020,082	3,849,388
<i>Add:</i> Present value of unguaranteed residual value	3,704,444	3,421,378
	<hr/>	<hr/>
Net investment in the lease	7,724,526	7,270,766
<i>Less:</i> Accumulated expected credit losses allowance	(10,118)	(7,069)
	<hr/>	<hr/>
Finance lease receivables – net	7,714,408	7,263,697
	<hr/>	<hr/>

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

	As at 31 December 2021		As at 31 December 2020	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Categorised by customer in terms of lease receivables:				
Five largest airline companies	5,665,273	73%	5,332,181	73%
Others	2,049,135	27%	1,931,516	27%
	<hr/>	<hr/>	<hr/>	<hr/>
Finance lease receivables – net	7,714,408	100%	7,263,697	100%
	<hr/>	<hr/>	<hr/>	<hr/>

4 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Long-term investments - CAG (a)	750,841	701,959
Long-term investments - ARG (b)	–	95,929
	750,841	797,888

- (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 Aircraft Recycling International Limited (“**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. 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\$15,949,000) and US\$10,259,000 (equivalent to approximately HK\$79,736,000), respectively in accordance with the assignment agreements. The above transactions were completed on 19 July 2021. The Group no longer holds any investments in ARG.

5 BORROWINGS

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank and other borrowings		
Bank and other borrowings for aircraft acquisition financing (a)	15,514,817	10,541,963
PDP financing (b)	6,303,373	8,456,588
Other unsecured bank borrowings (c)	5,600,145	2,595,060
	<u>27,418,335</u>	<u>21,593,611</u>
Long-term borrowings		
Borrowings from trust plans (d)	4,689,311	4,818,500
Other borrowings (e)	370,214	350,903
	<u>5,059,525</u>	<u>5,169,403</u>
	<u>32,477,860</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 31 December 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\$46,498,000 (2020: HK\$45,380,000).
- (b) As at 31 December 2021, PDP financing of HK\$5,929,576,000 (2020: HK\$8,085,286,000) was unsecured and guaranteed by the Company. Remaining 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 2021, the Group had aggregate unsecured bank borrowings of HK\$4,586,834,000 (2020: HK\$2,595,060,000) which were guaranteed by certain companies of the Group.

Long-term borrowings

- (d) As at 31 December 2021, 46 borrowings (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% (2020: 3.5% to 7.8%) per annum for remaining terms of two to eight years (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\$44,133,000 (2020: HK\$43,879,000).
- (e) As at 31 December 2021, four borrowings (2020: four borrowings) were obtained through a structured financing arrangement for four aircraft (2020: four aircraft) delivered to airlines. These borrowings bear an effective interest rate ranging from 3.9% to 5.7% (2020: 3.9% to 5.7%) per annum for their remaining terms of three to four years (2020: four to five years) and are guaranteed by the Company.

6 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. These medium-term notes had been fully repaid on maturity.

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 2021, after deducting the issuing cost, the total carrying amount of these notes was HK\$979,816,000 (2020: HK\$1,338,308,000).

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. These bonds had been fully repaid on maturity.

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% per annum and were listed on the Inter-Bank Bond Market of China. These debentures had been fully repaid on 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% per annum and were listed on the Inter-Bank Bond Market of China. These debentures had been fully repaid on 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 are 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.

In July 2021, the Group issued RMB1.0 billion super short-term debentures with a term of 270 days at the coupon rate of 3.98%.

In August 2021, the Group issued three-year RMB100 million unsecured bonds due in 2024, bearing coupon rate of 4.2% per annum. These bonds were listed on the Shanghai Stock Exchange.

In December 2021, the Group issued three-year US\$100 million unsecured guaranteed notes in a principal amount of US\$100 million due in 2024, bearing coupon interest at 4.85% per annum. These notes were guaranteed by the Company and were listed on the Hong Kong Stock Exchange.

During the year ended 31 December 2021, the Group repurchased certain amount of bonds on the Stock Exchange for an aggregate amount of US\$122,306,000 (2020: US\$6,992,000). The principal amount of bonds was US\$122,997,000 (2020: US\$7,200,000). A net gain of US\$555,000 (equivalent to approximately HK\$4,314,000) (2020: US\$190,000 (equivalent to approximately HK\$1,474,000)) was recognised after deducting the transaction cost.

As at 31 December 2021, the total carrying amount of these bonds was HK\$7,022,708,000 (2020: HK\$9,054,779,000).

8 LEASE INCOME AND SEGMENT INFORMATION

During the year ended 31 December 2021, 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			
	2021		2020	
	HK\$'000	%	HK\$'000	%
Categorised by customer in terms of lease income:				
Airline Company – A	332,076	13%	422,568	17%
Airline Company – B	314,070	13%	339,192	14%
Airline Company – C	234,003	9%	192,545	8%
Airline Company – D	163,036	7%	162,690	6%
Airline Company – E	127,209	5%	67,878	3%
Others	1,330,049	53%	1,301,915	52%
Total finance and operating lease income	2,500,443	100%	2,486,788	100%

9 NET INCOME FROM AIRCRAFT TRANSACTIONS AND AIRCRAFT COMPONENTS TRADING

	Year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Aircraft transactions (a)	297,128	514,275
Aircraft components trading (b)	4,613	–
	<u>301,741</u>	<u>514,275</u>

- a) 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 ARI and its subsidiaries, the disposal of two aircraft with related businesses to HNCA&CALC One (Tianjin) Leasing Company Limited and HNCA&CALC Two (Tianjin) Leasing Company Limited, 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.

The net gain from aircraft transactions for the year ended 31 December 2021 included the gain from disposal of nine aircraft, including the disposal of two aircraft to the wholly-owned special purpose vehicles of Everbright Financial Leasing Co., Ltd, and the disposal of seven aircraft to third parties.

- b) **Aircraft components trading**

	Year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales from aircraft components trading assets	29,422	–
Less: Cost of aircraft components trading assets	(24,809)	–
Profit from aircraft components trading assets	<u>4,613</u>	<u>–</u>

10 OTHER INCOME

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Government grants	215,467	251,526
Interest income from loans to associates and joint ventures	105,385	92,852
Forfeiture of deposit received	–	84,627
Bank interest income	8,186	9,998
Asset management service fees income from CAG Group	12,102	12,212
Operating lease income on other assets from a related party	–	1,320
Incidental income and others	134,742	32,184
	<u>475,882</u>	<u>484,719</u>

11 OTHER GAINS/(LOSSES)

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Unrealised loss on currency swap	(6,382)	(2,035)
Currency exchange (losses)/gains in US\$	(21,912)	28,831
Currency exchange losses in RMB	(113,060)	(306,508)
Fair value gains on currency forward contracts in RMB	99,610	793
Fair value gains/(losses) on interest rate swaps and futures	16,281	(66,791)
Fair value gains on financial asset at fair value through profit or loss	39,041	38,960
	<u>13,578</u>	<u>(306,750)</u>

12 INCOME TAX EXPENSES

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Current income tax:		
Mainland China, Hong Kong and others	93,464	124,597
Deferred income tax	111,472	40,461
	<u>204,936</u>	<u>165,058</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 2021 and 2020.

	Year ended 31 December	
	2021	2020
Profit attributable to shareholders of the Company (<i>HK\$'000</i>)	525,780	334,143
Weighted average number of ordinary shares in issue (<i>number of shares in thousands</i>)	<u>728,291</u>	<u>693,411</u>
Basic earnings per share (<i>HK\$ per share</i>)	<u>0.722</u>	<u>0.482</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. For share options outstanding as at 31 December 2021 and 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 years ended 31 December 2021 and 2020.

14 DIVIDENDS

A final dividend of HK\$0.2 per ordinary share totalling HK\$143.7 million for the year ended 31 December 2020, which was paid by cash of HK\$43.5 million and by share issuance of HK\$100.2 million in July 2021. The payment of the final dividend was calculated based on 718,334,837 issued shares after deducting 1,670,000 issued shares which were acquired by the Company in 2021. The proposed final dividend payment was calculated based on 720,004,837 issued shares.

An interim dividend of HK\$0.15 per ordinary share totalling HK\$110.0 million which was paid by cash of HK\$33.7 million and by share issuance of HK\$76.3 million in November 2021.

On 16 March 2022, the Board recommended a final dividend of HK\$0.26 per ordinary share totalling HK\$193.3 million and proposed a scrip dividend option to be offered, which is calculated based on 743,535,237 issued shares as at 16 March 2022. The proposed dividend is not reflected as a dividend payable in the consolidated financial statements as at 31 December 2021, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2022.

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Interim dividend paid of HK\$0.15 (2020: HK\$0.20) per ordinary share	110,032	141,194
Proposed final dividend of HK\$0.26 (2020: HK\$0.20) per ordinary share	<u>193,319</u>	<u>144,001</u>
Total	<u>303,351</u>	<u>285,195</u>

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK\$0.26 per share (2020: HK\$0.20 per share) in respect of the year ended 31 December 2021 to shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company (the “**Register of Members**”) on 7 June 2022. Shareholders will be given the option to receive the proposed 2021 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 2021 final dividend at the annual general meeting of the Company to be held on 23 May 2022 (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 2022. Cheques for cash dividend and/or definitive certificates for the scrip shares in respect of the proposed 2021 final dividend are expected to be despatched to the Shareholders on or about 28 July 2022.

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 17 May 2022
 - b) Closure of Register of Members 18 May 2022 to 23 May 2022
(both dates inclusive)

(ii) For determining entitlement to the final dividend:

- | | |
|---|---|
| a) Latest time to lodge transfer documents for registration | 4:30 pm on 31 May 2022 |
| b) Closure of Register of Members | 1 June 2022 to 7 June 2022
<i>(both dates inclusive)</i> |
| c) Record date | 7 June 2022 |

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 EQUITY SECURITIES

The Company repurchased a total of 6,604,000 ordinary shares of the Company at the highest price and the lowest price per share of HK\$6.44 and HK\$5.07 respectively on the Stock Exchange for the year ended 31 December 2021 at an aggregate consideration of approximately HK\$38,327,000 (before expense). All the repurchased shares were subsequently cancelled by the Company on 11 June 2021 and 14 January 2022.

Save as disclosed above, during the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed equity 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 2021.

In respect of environmental, social and governance ("**ESG**") aspect, the Company's first ESG report for the year of 2014 was published in 2015. The 2021 ESG report is the 8th report the Company has produced focusing on our social and environmental efforts.

The 2021 ESG report, setting out the Group's ESG performance, will be available on the Company's website at www.calc.com.hk. The Group has applied the principles and complied with all applicable requirements and provisions of the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules in preparation of its ESG report.

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 2021.

SCOPE OF WORK PERFORMED BY INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2021 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 2021 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 23 May 2022. The notice of the AGM and the 2021 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, 16 March 2022

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. WANG Hongyang; 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.