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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 2020**

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 2020 as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended		Change
	30 June		
	2020	2019	
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Revenue and other income	1,635.9	1,675.3	-2.4%
Profit attributable to shareholders of the Company	331.6	312.4	+6.1%
EPS (Basic) (<i>HK\$</i>)	0.491	0.461	+6.5%
Interim dividend per share (<i>HK\$</i>)	0.20	0.23	-13.0%

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM BUSINESS REVIEW

CALC, and the aviation industry as a whole, had gone through the most challenging times in recent history in the first half of 2020.

While the Covid-19 pandemic has been affecting all sectors, the aviation industry, with its unique ability to fuel trade activities, support jobs and connect businesses, is being valued by governments on its vital role in facilitating economic recoveries. By the end of July 2020, governments from around the world have confirmed bailout or assistance packages valued in the vicinity of as much as US\$120 billion for airlines. With the pandemic gradually coming under control in China, the seven-day seat capacity in mainland China is expected to recover to pre-Covid-19 levels, and possibly even sees a slightly positive year-on-year growth by end of August, according to aviation big data and analytics consultancy Cirium.

As shown in the past decades, while the aviation industry has gone through many crises, it remains a sector which has managed to sustain stable growth. With strong government support, this trend is well-underpinned by the continued low interest rate environment, low crude prices that reduce airlines' operational costs, which will be conducive for airlines to survive through this transitional period.

During the first half of the year, the Group has been working with all stakeholders in weathering impact from the pandemic and has managed to maintain stability in its business and financial performance. For the six months ended 30 June 2020, total revenue and other income of the Group reached HK\$1,635.9 million, level to that of the same period of last year (1H2019: HK\$1,675.3 million). Profit attributable to shareholders of the Company for the period under review grew by 6.1% year-on-year, amounting to HK\$331.6 million (1H2019: HK\$312.4 million). Earnings per share were HK\$0.491 (1H2019: HK\$0.461).

The Board has resolved to declare an interim dividend of HK\$0.20 (1H2019: HK\$0.23) per ordinary share, totaling HK\$141.2 million.

CALC'S PRUDENT OPERATION STRATEGY

CALC's prudent operation strategies, proficient aircraft asset management expertise and efficient funding platforms have enabled it to weather the current unprecedented market environment and prepared itself well enough to seize opportunities upon recovery of the market.

Our fleet

During the period under review, the Group delivered 7 aircraft and disposed of 4 aircraft. As of 30 June 2020, CALC has 137 aircraft in its fleet, including 114 owned and 23 managed aircraft.

Strong airline clientele

CALC has applied prudence in engaging airline clients. By number of aircraft, 66.4% of CALC's owned and managed fleet (79.8% of its owned fleet) as of 30 June 2020 were leased to Chinese clients, the majority of which are state-owned airlines with strong financial and liquidity strengths. CALC's non-Chinese clients are mainly flag-carriers or backed by strong shareholders. As of 30 June 2020, CALC's owned and managed aircraft were on lease to 35 airlines in 15 countries and regions.

Highly liquid and most popular aircraft assets

CALC has been very selective in the type of aircraft assets to be included in its portfolio. As of 30 June 2020, by number of aircraft, 93.4% of CALC's owned and managed fleet (93.9% of its owned fleet) are narrow-body aircraft, a highly liquid asset class and the most popular aircraft type mainly serving domestic routes and short-haul flights, which had been proven to be less impacted by the pandemic.

Young and modern fleet

As at 30 June 2020, CALC's owned fleet has an average age of 5.1 years and an average remaining lease tenor of 8.1 years. With all three leasing agreements originally scheduled to expire in 2020 and 2021 being extended, CALC has been alleviated the pressure for remarketing of aircraft assets in the current volatile market. All aircraft to be delivered in the next 18 months have been mandated.

A young and modern fleet comprising the most popular aircraft models has contributed to CALC's high asset utilization rate at 99.1% of its fleet for the period under review. Furthermore, while countries around the world have imposed travel restrictions to contain the spread of COVID-19, CALC has only 33% of its fleet grounded, the lowest amongst the large-scale lessors in the world as compared to an industry average of 63% in May, according to airline intelligence provider ch-aviation. This figure has further decreased to below 12% by the end of July.

Asset-light model

CALC has been persevering the multi-faceted development of its asset-light business model through rental realization, asset-backed securities (ABS), joint ventures with other lessors and management of aviation-related funds that acquire aircraft from its fleet.

After the establishment of a joint venture with HNCA Aviation & Equipment Leasing Co., Ltd last year, CALC joined forces with Moutai Financial Leasing Co., Ltd. in a strategic cooperative partnership to invest in lease-attached aircraft portfolio.

These diversified channels have enabled CALC to pursue its asset-light model as part of its long term strategies, aiming at continuously optimizing its fleet portfolio, achieving higher capital efficiency as it expands its business and managing its gearing at reasonable levels.

During the period under review, CALC disposed of four aircraft from its portfolio to third parties. CALC has also signed an agreement with Everbright Financial Leasing Co., Ltd. for the disposal of seven aircraft from its portfolio. The transaction is expected to be completed by the end of 2020.

Financing platform development

CALC has been actively utilizing and advancing the onshore and offshore financing platforms which it established over the years. These platforms allow the Company more flexibility in tapping opportunities to access quality funding sources.

Capitalizing on the relative abundance of liquidity in the domestic market in China, CALC completed a RMB300 million short-term debenture issuance at a 4% coupon in June, following a RMB1 billion short-term debenture issuance at a 3.65% coupon in March. The Group intends to apply proceeds from these two issuances for aircraft acquisitions.

In June 2020, CALC obtained approval from the Shanghai Stock Exchange for its RMB5 billion asset-backed securities (ABS) issuance programme. As the first ABS programme for the aircraft leasing industry in China, it allows multiple issuances within a two-year period without further approval requirements. With such flexibility, CALC will monitor the market situation closely for timing the issuances, capturing new business opportunities more timely while lowering related costs.

Under the prevailing unprecedented times, CALC has also received strong support from its associate companies under China Everbright Group, which have extended substantial amount of standby credits and committed working capital facilities to shore up CALC's liquidity.

CALC continues to explore opportunities for issuances of different kinds of debt and capital market instruments in Hong Kong and PRC markets to strengthen its financial position.

Full value chain operation

Amidst industry slowdown, CALC continued to pursue its full value chain operations. In March, CALC acquired a 72.82% interest in Aviation Synergy Ltd., which holds a 49% indirect equity interest in PT TransNusa Aviation Mandiri (“TAM”), an Indonesian airline. This transaction further expands the Group's aircraft downstream business. Also in March, FL ARI Aircraft Maintenance & Engineering Company Ltd (“FL ARI”), the Group's joint venture set up with FL Technics, was granted certification approval as an EASA Part 145 Maintenance Organization, and permitted to provide line maintenance support for aircraft from the Boeing 737 NG series to Airbus A320 families.

PROSPECTS

The Covid-19 pandemic has posed challenges of unprecedented magnitudes and breadths to the global aviation industry. However, as proven in previous scenarios, the aviation industry is remarkably resilient in the aftermath of crises. We envisage the implementation of more stringent health and security checks globally to restore passenger confidence. Air travel demand for both leisure and businesses, suppressed throughout the pandemic, will recover swiftly when the pandemic subsides.

The pandemic will trigger consolidation within the airline and lessor sectors. Airlines, which are growing more cost conscious, will streamline their operations and incline to reduce their capital expenditure through leasing more aircraft from global operating lessors like CALC, to maintain liquidity and flexibility. On the supply side, the pandemic has dwarfed the delivery and production of new aircraft while expediting the retirement of old aircraft. The supply and demand gap will surface when passenger traffic is back to normal. Coupled with the abundant liquidity channeled into the aviation industry, aircraft asset prices and lease rates are set to remain sturdy.

CALC stays optimistic on the industry outlook going forward, with China market leading the revival. With our strong shareholder backing, a diversified clientele of Chinese airlines and ready access to both PRC onshore and offshore platforms of aircraft trading and aviation financing, CALC is well-positioned to weather these challenges and tap opportunities ahead as they emerge. We are committed to walking through all difficulties with our partners together, and emerge stronger for us and the industry as a whole.

1. RESULTS

Total revenue and other income of the Group for the period ended 30 June 2020 was HK\$1,635.9 million, a decrease of HK\$39.4 million or 2.4% from the corresponding period last year. Profit for the period ended 30 June 2020 amounted to HK\$319.0 million, an increase of HK\$6.6 million or 2.1% compared with the corresponding period last year. Profit attributable to shareholders of the Company for the period ended 30 June 2020 amounted to HK\$331.6 million, an increase of HK\$19.2 million or 6.1% compared with the corresponding period last year.

Total assets amounted to HK\$45,388.7 million as at 30 June 2020, compared with HK\$43,651.3 million as at 31 December 2019, an increase of HK\$1,737.4 million or 4.0%. The increase in assets was mainly due to the increase in Pre-Delivery Payments (“PDP”) made to aircraft manufacturers for aircraft acquisition from order book and increase in property, plant and equipment and right-of-use assets due to increase in aircraft delivered during the current period. Total liabilities amounted to HK\$41,504.8 million as at 30 June 2020, an increment of HK\$1,823.2 million or 4.6% compared with HK\$39,681.6 million as at 31 December 2019. This was mainly due to the increase in bonds and debentures issued during the current period.

2. ANALYSIS OF INCOME AND EXPENSES

	Unaudited		Change
	Six months ended 30 June		
	2020	2019	
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Finance lease income	273.6	352.2	-22.3%
Operating lease income	991.6	877.2	13.0%
Total lease income	1,265.2	1,229.4	2.9%
Net income from aircraft transactions and aircraft trading	170.6	218.1	-21.8%
Government grants	127.1	121.7	4.4%
Interest income from loans to associates and joint ventures	45.3	35.3	28.3%
Bank interest income	6.7	10.7	-37.4%
Other income	21.0	60.1	-65.1%
	370.7	445.9	-16.9%
Total revenue and other income	1,635.9	1,675.3	-2.4%
Total operating expenses	(1,267.1)	(1,269.4)	-0.2%
Share of results from associates and joint ventures and other gains	30.2	4.0	655.0%
Profit before income tax	399.0	409.9	-2.7%
Income tax expenses	(80.0)	(97.5)	-17.9%
Profit for the period	319.0	312.4	2.1%
Profit/(loss) attributable to			
Shareholders of the Company	331.6	312.4	6.1%
Non-controlling interests	(12.6)	-	N/A
	319.0	312.4	2.1%

2.1 Total Revenue and Other Income

For the six months ended 30 June 2020, the total revenue and other income amounted to HK\$1,635.9 million compared with HK\$1,675.3 million for the corresponding period last year, a decrease of HK\$39.4 million or 2.4%.

Total lease income from finance leases and operating leases for the six months ended 30 June 2020 amounted to HK\$1,265.2 million, compared with HK\$1,229.4 million for the six months ended 30 June 2019, an increase of HK\$35.8 million or 2.9%. The decrease in finance lease income from HK\$352.2 million to HK\$273.6 million was due to the decrease in fleet size under finance lease from 61 aircraft as at 30 June 2019 to 51 aircraft as at 30 June 2020 as a result of the reclassification from finance lease to operating lease. The growth in operating lease income from HK\$877.2 million to HK\$991.6 million was attributable to the increase in fleet size under operating leases from 53 aircraft as at 30 June 2019 to 62 aircraft as at 30 June 2020.

During the six months ended 30 June 2020, the Group's average lease rental yield of the finance leases and operating leases was 12.6% (During the six months ended 30 June 2019: 11.0%) and 9.7% (During the six months ended 30 June 2019: 9.3%), 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.

During the six months ended 30 June 2020, the Group recognised net gain from disposal of aircraft amounted to HK\$170.6 million (During the six months ended 30 June 2019: net gain from disposal of aircraft amounted to HK\$216.7 million). The Group completed disposal of four aircraft with aggregate net book value of HK\$1,475.4 million (During the six months ended 30 June 2019: disposal of five aircraft with aggregate net book value of HK\$1,592.1 million).

Government grants for the six months ended 30 June 2020 amounted to HK\$127.1 million, compared with HK\$121.7 million for the six months ended 30 June 2019, an increase of HK\$5.4 million or 4.4%.

2.2 Total Operating Expenses

During the six months ended 30 June 2020, the Group had the following operating expenses:

	Unaudited		
	Six months ended 30 June		Change
	2020	2019	
	HK\$'Million	HK\$'Million	
Interest expenses	687.1	715.5	-4.0%
Depreciation	430.4	362.2	18.8%
Other operating expenses	149.6	191.7	-22.0%
Total operating expenses	<u>1,267.1</u>	<u>1,269.4</u>	<u>-0.2%</u>

(a) Interest Expenses

For the six months ended 30 June 2020, interest expenses incurred by the Group amounted to HK\$687.1 million compared with HK\$715.5 million for the corresponding period last year, a decrease of HK\$28.4 million or 4.0%. The decrease in interest expenses was mainly due to the decrease in US\$ LIBOR rate during the current period.

(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 2020 was HK\$430.4 million compared with HK\$362.2 million for the corresponding period last year, an increase of HK\$68.2 million or 18.8%. This was mainly attributable to an increase in the number of aircraft under operating leases from 53 aircraft as at 30 June 2019 to 62 aircraft as at 30 June 2020.

(c) Other Operating Expenses

Other operating expenses mainly represented salaries and bonuses, professional fees related to the aircraft leasing business, value-added tax surcharge and other taxes, rentals and office administration expenses. The decrease in other operating expenses is due to the Group perform the cost control on operating expenses and decrease in value-added tax and other tax expenses during the current period.

3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets

As at 30 June 2020, the Group's total assets amounted to HK\$45,388.7 million compared with HK\$43,651.3 million as at 31 December 2019, an increase of HK\$1,737.4 million or 4.0%.

	Unaudited	Audited	
	As at	As at	
	30 June	31 December	
	2020	2019	Change
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Property, plant and equipment and right-of-use assets	21,503.4	19,611.5	9.6%
Finance lease receivables – net	7,359.1	7,790.5	–5.5%
Prepayments and other assets	10,546.7	9,765.1	8.0%
Interests in and loans to associates and joint ventures	1,394.2	1,117.6	24.7%
Cash and bank balances	3,823.4	4,587.4	–16.7%
Derivative financial assets	23.0	26.3	–12.5%
Financial assets at fair value through profit or loss	738.9	752.9	–1.9%
Total assets	<u>45,388.7</u>	<u>43,651.3</u>	<u>4.0%</u>

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 aircraft delivered during the current period under operating leases.

Net finance lease receivables represented the present value of minimum lease payments receivable from aircraft classified as finance leases and their residual values. There was a decrease in finance lease receivables from HK\$7,790.5 million as at 31 December 2019 to HK\$7,359.1 million as at 30 June 2020 because the Group reclassified two aircraft from finance lease to operating lease during the current period.

3.1.2 Prepayments and Other Assets

Prepayments and other assets mainly represented PDP made to aircraft manufacturers for aircraft acquisition from order book. The increase in prepayments and other assets was mainly due to the increase in PDP made to aircraft manufacturers by HK\$817.6 million during the current period.

3.1.3 Aircraft Portfolio

Aircraft portfolio by number of aircraft as at 30 June 2020 is as follows:

Aircraft Type	Owned Aircraft
Airbus A320 CEO family	80
Airbus A320 NEO family	6
Airbus A330 CEO family	6
Boeing B737 NG family	21
Boeing B787	1
	<hr/>
Total	<hr/> 114 <hr/>

3.2 Liabilities

As at 30 June 2020, the Group's total liabilities amounted to HK\$41,504.8 million compared with HK\$39,681.6 million as at 31 December 2019, an increase of HK\$1,823.2 million or 4.6%.

An analysis is given as follows:

	Unaudited	Audited	
	As at	As at	
	30 June	31 December	
	2020	2019	Change
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Borrowings	26,944.4	26,881.2	0.2%
Bonds and debentures	8,623.6	7,245.4	19.0%
Medium-term notes	1,607.0	1,636.5	-1.8%
Deferred income tax liabilities	784.1	746.4	5.1%
Interest payables	289.4	269.3	7.5%
Income tax payables	28.4	7.3	289.0%
Derivative financial liabilities	423.1	129.6	226.5%
Other liabilities and accruals	2,804.8	2,765.9	1.4%
	<u>41,504.8</u>	<u>39,681.6</u>	<u>4.6%</u>

3.2.1 Borrowings

	Unaudited	Audited	
	As at	As at	
	30 June	31 December	
	2020	2019	Change
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Bank borrowings			
Bank borrowings for aircraft			
acquisition financing	12,737.2	14,818.9	-14.0%
PDP financing	6,982.6	5,327.1	31.1%
Other unsecured bank borrowings	1,981.8	1,427.6	38.8%
	21,701.6	21,573.6	0.6%
Long-term borrowings			
Borrowings from trust plans	4,900.3	4,971.6	-1.4%
Other borrowings	342.5	336.0	1.9%
	5,242.8	5,307.6	-1.2%
Borrowings	26,944.4	26,881.2	0.2%

3.2.2 Bonds and debentures

As at 30 June 2020, the following table summarises the senior unsecured US\$ and RMB bonds and debentures issued by the Group:

Issue date	Terms	Maturity date	Coupon interest per annum	Principal amount (Million)	Carrying amount (HK\$ Million)	Note
August 2016	Five years	August 2021	4.90%	US\$300.0	2,307.7	
March 2017	Five years	March 2022	4.70%	US\$300.0	2,254.8	
March 2017	Seven years	March 2024	5.50%	US\$200.0	1,543.8	
				US\$800.0	6,106.3	(a)
June 2019	Three years	June 2022	5.20%	RMB1,000.0	1,093.9	(b)
March 2020	One year	March 2021	3.65%	RMB1,000.0	1,095.1	(c)
June 2020	One year	June 2021	4.00%	RMB300.0	328.3	(c)
				RMB2,300.0	2,517.3	
Total bonds and debentures as at 30 June 2020					<u>8,623.6</u>	
Total bonds as at 31 December 2019					<u>7,245.4</u>	

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

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

(c) The debentures are listed on the Inter-bank Bond Market.

In June 2020, the Group obtained approval from the Shanghai Stock Exchange for its ABS issuance programme of RMB5 billion. As the first ABS programme for the aircraft leasing industry in China, it allows multiple issuances within a two-year period without further approval requirements. With such flexibility, the Group will monitor the market situation closely for timing the issuances, capturing new business opportunities more timely while lowering related costs.

3.3 Equity

	Unaudited	Audited	
	As at	As at	
	30 June	31 December	
	2020	2019	Change
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Share capital	70.6	67.7	4.3%
Reserves and others	1,431.0	1,559.5	-8.2%
Retained earnings	2,350.6	2,342.5	0.3%
	3,852.2	3,969.7	-3.0%
Non-controlling interests	31.6	-	N/A
Total equity	<u>3,883.8</u>	<u>3,969.7</u>	<u>-2.2%</u>

During the six months ended 30 June 2020, the decrease in total equity was mainly due to the increase in interest rate swap contracts entered into by the Group and changes in marked-to-market values of the derivative financial instruments as a result of changes in interest rate. Such dropping of interest rate caused a reduction of reserves and others during the current period.

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 borrowings, issuance of bonds, debentures and medium-term notes and disposal of aircraft. In order to meet the current rapid expansion, the Group will also consider both equity and debt financing opportunities.

For the six months ended 30 June 2020, 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	Audited	
	As at	As at	
	30 June	31 December	
	2020	2019	Change
	<i>HK\$'Million</i>	<i>HK\$'Million</i>	
Interest-bearing debts included in total liabilities	37,175.0	35,763.1	3.9%
Total assets	45,388.7	43,651.3	4.0%
Gearing ratio	81.9%	81.9%	–

5. HUMAN RESOURCES

As at 30 June 2020, staff of the Group numbered 170 (30 June 2019: 171). Total remuneration of employees for the six months ended 30 June 2020 amounted to HK\$55.4 million (six months ended 30 June 2019: HK\$74.9 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

The Group had no material contingent liabilities outstanding as at 30 June 2020 (31 December 2019: Nil).

6.2 Capital Commitments for Aircraft Acquisition and Qualified Aircraft Leasing Activity

The Board confirms that the Company is a listed issuer actively engaged in aircraft leasing with aircraft operators as a principal business in its ordinary and usual course of business and the Company is therefore a Qualified Aircraft Lessor (as defined in the Rules Governing the Listing of Securities 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\$100.3 billion as at 30 June 2020 (31 December 2019: HK\$86.1 billion), representing estimated total purchase costs of the aircraft contracted to be purchased and delivered, net of PDP paid.

As at 30 June 2020, the Group had 254 aircraft in its order book, comprising 162 Airbus A320 family and 92 Boeing B737 family.

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

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

The Group committed shareholder loan for investment in CAG amounted to approximately US\$94.7 million (equivalent to approximately HK\$733.9 million), of which US\$90.1 million (equivalent to approximately HK\$698.3 million) had been drawn down up to 30 June 2020. The Group has no outstanding committed shareholder loan for investment in CAG as at 30 June 2020.

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

The Group committed shareholder loan for investment in ARG amounted to approximately US\$30.0 million (equivalent to approximately HK\$232.5 million), of which US\$13.3 million (equivalent to approximately HK\$103.3 million) had been drawn down up to 30 June 2020. The Group’s outstanding committed shareholder loan for investment in ARG as at 30 June 2020 was amounted to US\$16.7 million (equivalent to approximately HK\$129.2 million).

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

7. OTHER EVENT

On 2 July 2020, the Group entered into aircraft sale and purchase agreements with Everbright Financial Leasing Co., Ltd. (through its wholly-owned special purpose vehicles) pursuant to which the Group agreed to sell seven Boeing B737-800 aircraft with leases attached. The above transactions are estimated to be completed by the end of 2020. The above transactions were approved at the extraordinary general meeting of the Company held on 31 July 2020.

INTERIM CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 June 2020 <i>HK\$'000</i>	Audited As at 31 December 2019 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Property, plant and equipment and right-of-use assets		21,503,363	19,611,484
Interests in and loans to associates and joint ventures		1,394,230	1,117,606
Finance lease receivables – net	4	7,359,141	7,790,510
Financial assets at fair value through profit or loss	5	738,853	752,913
Derivative financial assets		22,984	26,337
Prepayments and other assets		10,546,778	9,765,047
Restricted cash		459,119	235,101
Cash and cash equivalents		<u>3,364,233</u>	<u>4,352,327</u>
Total assets		<u>45,388,701</u>	<u>43,651,325</u>
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		70,597	67,727
Reserves and others		1,431,030	1,559,472
Retained earnings		<u>2,350,620</u>	<u>2,342,515</u>
		3,852,247	3,969,714
Non-controlling interests		<u>31,617</u>	<u>–</u>
Total equity		<u>3,883,864</u>	<u>3,969,714</u>
LIABILITIES			
Deferred income tax liabilities		784,068	746,374
Borrowings	6	26,944,378	26,881,194
Medium-term notes	7	1,607,042	1,636,499
Bonds and debentures	8	8,623,568	7,245,367
Derivative financial liabilities		423,101	129,610
Income tax payables		28,433	7,386
Interest payables		289,380	269,280
Other liabilities and accruals		<u>2,804,867</u>	<u>2,765,901</u>
Total liabilities		<u>41,504,837</u>	<u>39,681,611</u>
Total equity and liabilities		<u>45,388,701</u>	<u>43,651,325</u>

INTERIM CONSOLIDATED STATEMENT OF INCOME

		Unaudited	
		Six months ended 30 June	
	Note	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue			
Finance lease income		273,601	352,165
Operating lease income		991,599	877,194
	9	1,265,200	1,229,359
Net income from aircraft transactions and aircraft trading	10	170,571	218,106
Other income	11	200,133	227,794
		1,635,904	1,675,259
Expenses			
Interest expenses		(687,094)	(715,553)
Depreciation		(430,392)	(362,181)
Other operating expenses		(149,620)	(191,690)
		(1,267,106)	(1,269,424)
Operating profit		368,798	405,835
Share of results from associates and joint ventures and other gains	12	30,180	4,037
Profit before income tax		398,978	409,872
Income tax expenses	13	(79,972)	(97,475)
Profit for the period		319,006	312,397
Profit/(loss) attributable to			
Shareholders of the Company		331,641	312,397
Non-controlling interests		(12,635)	–
		319,006	312,397
Earnings per share for profit attributable to shareholders of the Company (expressed in HK\$ per share)			
– Basic earnings per share	14(a)	0.491	0.461
– Diluted earnings per share	14(b)	0.491	0.461

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>319,006</u>	<u>312,397</u>
Other comprehensive loss for the period:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Cash flow hedges	(279,733)	(203,673)
Currency translation differences	<u>(44,792)</u>	<u>(22,438)</u>
Total other comprehensive loss for the period, net of tax	<u>(324,525)</u>	<u>(226,111)</u>
Total comprehensive (loss)/income for the period	<u>(5,519)</u>	<u>86,286</u>
Total comprehensive (loss)/income for the period attributable to		
Shareholders of the Company	6,983	86,286
Non-controlling interests	<u>(12,502)</u>	<u>–</u>
	<u>(5,519)</u>	<u>86,286</u>

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to shareholders of the Company				Non- controlling interests	Total equity
	Share capital	Reserves and others	Retained earnings	Total		
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Balance as at 1 January 2019	67,727	1,830,609	1,881,523	3,779,859	–	3,779,859
Comprehensive income						
Profit for the period	–	–	312,397	312,397	–	312,397
Other comprehensive loss						
Cash flow hedges	–	(203,673)	–	(203,673)	–	(203,673)
Currency translation differences	–	(22,438)	–	(22,438)	–	(22,438)
Total comprehensive income	–	(226,111)	312,397	86,286	–	86,286
Transaction with shareholders						
Dividends (<i>Note 15</i>)	–	–	(297,999)	(297,999)	–	(297,999)
Share option scheme:						
– Value of services	–	339	–	339	–	339
Total transactions with shareholders	–	339	(297,999)	(297,660)	–	(297,660)
Balance as at 30 June 2019	<u>67,727</u>	<u>1,604,837</u>	<u>1,895,921</u>	<u>3,568,485</u>	<u>–</u>	<u>3,568,485</u>
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						
Transactions with non-controlling interests	–	–	–	–	44,119	44,119
Dividends (<i>Note 15</i>)	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	2,870	196,216	(323,536)	(124,450)	44,119	(80,331)
Balance as at 30 June 2020	<u>70,597</u>	<u>1,431,030</u>	<u>2,350,620</u>	<u>3,852,247</u>	<u>31,617</u>	<u>3,883,864</u>

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Profit after income tax	319,006	312,397
Adjustments for:		
– Depreciation	430,392	362,181
– Net income from aircraft transactions	(170,571)	(216,657)
– Impairment allowance/(reversal of impairment allowance) of finance lease receivables and other receivables	31,504	(956)
– Interest expenses	687,094	715,553
– Share-based payments	330	339
– Unrealised currency exchange gains	(83,416)	(9,532)
– Fair value losses on interest rate and currency swaps	17,052	18,886
– Share of results from associates and joint ventures	2,347	488
– Interest income	(70,991)	(58,638)
	1,162,747	1,124,061
Changes in working capital:		
– Finance lease receivables – net	(211,084)	(39,288)
– Aircraft trading assets	–	(138,598)
– Prepayments and other assets	(228,079)	28,260
– Other liabilities and accruals	13,947	125,350
– Income tax payables	21,038	(5,880)
– Deferred income tax liabilities	37,461	64,879
Net cash flows generated from operating activities	796,030	1,158,784
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,849,354)	(1,776,232)
Proceeds from disposal of aircraft	1,545,947	1,688,819
Deposits paid for acquisition of aircraft	(2,224,343)	(2,042,775)
Deposits refunded for acquisition of aircraft	378,451	568,707
Investment in associates and joint ventures	(3,396)	(3,462)
Interest received	6,686	10,723
Net (payments)/repayments relating to loans to associates and joint ventures	(69,476)	89,557
Proceeds from/(Investment to) financial assets at fair value through profit or loss	29,529	(59,799)
Net cash flow used in investing activities	(2,185,956)	(1,524,462)

Unaudited
Six months ended 30 June
2020 **2019**
HK\$'000 **HK\$'000**

Cash flows from financing activities

Proceeds from borrowings	4,747,549	8,559,824
Proceeds from termination of derivative financial instruments	–	3,961
Issue of bonds and debentures, net of transaction costs	1,419,954	1,151,837
Repayments of borrowings	(4,582,581)	(5,587,332)
Repayment of bonds	–	(2,352,780)
Interest (paid)/received in respect of derivative financial instruments	(16,053)	22,550
Interest paid in respect of borrowings, notes and bonds	(784,723)	(877,753)
Increase in deposits pledged in respect of borrowings and derivative financial instruments	(228,057)	(52,489)
Buy-back of shares, including transaction costs	(19,172)	–
Dividends paid to shareholders	(105,608)	(297,999)
	<hr/>	<hr/>
Net cash flows generated from financing activities	431,309	569,819
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(958,617)	204,141
Cash and cash equivalents at beginning of the period	4,352,327	3,990,107
Currency exchange difference on cash and cash equivalents	(29,477)	(21,879)
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<u>3,364,233</u>	<u>4,172,369</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, 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 interim condensed consolidated financial information for the six months ended 30 June 2020 ("**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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and included in the 2019 annual report of the Company.

Going concern

As at 30 June 2020, the Group's current liabilities exceeded its current assets by HK\$5,923.8 million. The Group had total capital commitments of HK\$100,412.3 million mainly relating to acquisition of aircraft which will be delivered in stages in the coming years till the end of 2027. Out of the total capital commitments, HK\$9,706.2 million will be incurred and payable within one year. The Group will satisfy these capital commitments through the Group's internal resources and may need to raise additional funds through Pre-Delivery Payments ("**PDP**") financing, new commercial loans and aircraft bank loans, financings from Export Credit Agencies in Europe ("**ECA Financings**"), bonds, other debt and capital financing, and asset-light strategy including disposal of aircraft.

The coronavirus epidemic ("**the COVID-19**") and responsive government actions have caused economic disruption, a reduction in commercial airline traffic and a high volume of flight cancellations, resulting in a broad adverse impact on the aviation industry and demand for commercial aircraft globally in the short term, all of which might have a contrary effect on the business operation and financial condition.

In view of such circumstances, the directors of the Company have given due and careful consideration to the liquidity of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to fulfil its financial obligations and its capital commitments; and thus its ability to continue as a going concern. The directors of the Company adopted a going concern basis in preparing the condensed consolidated financial information based on the following assessments:

- According to the relevant aircraft purchase agreements, PDP scheduled to be paid in the next twelve months from 30 June 2020 amounted to HK\$2,723.3 million. Up to the approval date of the condensed consolidated financial information, the Group had signed PDP financing agreements with various commercial banks which have agreed to provide financing of HK\$2,178.6 million to the Group to satisfy such payments. The remaining balance of PDP scheduled to be paid in the next twelve months from 30 June 2020 amounting to HK\$544.7 million is to be funded by internal resources, available banking facilities or additional financing.
- New commercial aircraft bank borrowings are primarily used for the payment of the balance of the aircraft acquisition cost and the repayment of the PDP financing due upon delivery of aircraft. Such aircraft acquisition borrowing will only be confirmed by the banks before the delivery of the relevant aircraft. Based on industry practice and prior experience, long-term aircraft borrowings will be granted by the banks if the aircraft can be leased out to airline companies. Lease agreements or letters of intent have already been signed for the aircraft scheduled for deliveries in the next twelve months from 30 June 2020. The Group has also applied for ECA Financings which aimed to facilitate exports of corporations in Europe including Airbus. ECA Financings is usually regarded as a reliable source of financing for new aircraft deliveries when the global economic conditions become uncertain. The directors of the Company believe that long-term aircraft borrowings and ECA Financings can be obtained to settle the PDP financing and the remaining payments of the aircraft acquisition costs due in the next twelve months from 30 June 2020.

- The management of the Group will monitor the delivery schedule of the aircraft. If there is any delay, the Group will further discuss with airline customers, the relevant banks and parties if appropriate on the terms and commencement date of the related leasing and financing arrangements. During the period, the Group had discussed and mutually agreed with the manufacturer to defer the delivery schedules of certain aircraft in view of the impact from the COVID-19.
- In the meanwhile, the Group is actively pursuing other sources of financing, including issuance of bonds and medium-term notes, as well as other debt and capital financings.
- The Group has been persevering the multi-faceted development of its asset-light business model through management of aviation-related funds that acquire aircraft from its fleet. The Group expands the portfolio trading business and number of aircraft is scheduled to be disposed of by the Group in the next twelve months from 30 June 2020 with the letter of intents or sale and purchase agreements being signed.

The directors of the Company have reviewed the Group's cash flow forecasts prepared by management, covering a period of not less than twelve months from 30 June 2020. The forecasts are prepared based on a number of assumptions including aircraft delivery and leasing schedules, disposal of aircraft, internal resources available, banking facilities that have been granted or will be granted, bond or medium-term note issuance, other available sources of financing, and the amount of capital commitments.

On this basis, the directors of the Company are of the opinion that, the Group will have sufficient working capital to finance its operations and to meet its financial obligations, including those capital commitments in the next twelve months from 30 June 2020. Accordingly, the directors of the Company consider that the Group will be in a position to continue as a going concern and have prepared the condensed consolidated financial information 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 2019.

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 2020:

Definition of Material – amendments to HKAS 1 and HKAS 8

Definition of a Business – amendments to HKFRS 3

Revised Conceptual Framework for Financial Reporting

Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7.

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

4 FINANCE LEASE RECEIVABLES – NET

	Unaudited As at 30 June 2020 <i>HK\$'000</i>	Audited As at 31 December 2019 <i>HK\$'000</i>
Finance lease receivables	1,020,552	1,700,856
Guaranteed residual values	4,865,268	4,888,495
Unguaranteed residual values	<u>5,405,441</u>	<u>5,742,735</u>
Gross investment in leases	11,291,261	12,332,086
<i>Less: Unearned finance income</i>	<u>(3,924,009)</u>	<u>(4,529,275)</u>
Net investment in leases	7,367,252	7,802,811
<i>Less: Accumulated allowance for impairment</i>	<u>(8,111)</u>	<u>(12,301)</u>
Finance lease receivables – net	<u><u>7,359,141</u></u>	<u><u>7,790,510</u></u>

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

	Unaudited As at 30 June 2020 <i>HK\$'000</i>	Audited As at 31 December 2019 <i>HK\$'000</i>
Gross investment in finance leases	11,291,261	12,332,086
<i>Less: Unguaranteed residual values</i>	<u>(5,405,441)</u>	<u>(5,742,735)</u>
Minimum lease payments receivable	5,885,820	6,589,351
<i>Less: Unearned finance income related to minimum lease payments receivable</i>	<u>(1,982,002)</u>	<u>(2,297,322)</u>
Present value of minimum lease payments receivable	<u><u>3,903,818</u></u>	<u><u>4,292,029</u></u>

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
Gross investment in finance leases		
– Not later than 1 year	204,598	263,813
– Later than 1 year and not later than 5 years	1,273,525	1,382,555
– Later than 5 years	9,813,138	10,685,718
	11,291,261	12,332,086

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
Present value of minimum lease payments receivable		
– Not later than 1 year	183,000	204,700
– Later than 1 year and not later than 5 years	588,641	695,651
– Later than 5 years	3,132,177	3,391,678
	3,903,818	4,292,029

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

	Unaudited		Audited	
	As at 30 June 2020		As at 31 December 2019	
	HK\$'000	%	HK\$'000	%
Categorised by customer in terms of lease receivables:				
Five largest airline companies	5,480,379	74%	5,889,902	76%
Others	1,878,762	26%	1,900,608	24%
Finance lease receivables – net	7,359,141	100%	7,790,510	100%

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
Long-term debt investments – CAG Group (a)	642,969	648,940
Long-term debt investments – ARG Group (b)	95,884	103,973
	738,853	752,913

- (a) CAG and its subsidiaries (collectively as “**CAG Group**”) are principally engaged in aircraft portfolio investment. 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. The Group’s committed shareholder’s loan is approximately US\$94,700,000 (equivalent to approximately HK\$733,944,000) (31 December 2019: US\$94,700,000 (equivalent to approximately HK\$737,448,000)).

- (b) 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. The Group’s committed shareholder’s loan is approximately US\$30,000,000 (equivalent to approximately HK\$232,506,000) (31 December 2019: US\$30,000,000 (equivalent to approximately HK\$233,616,000)).

6 BORROWINGS

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2020	2019
	HK\$’000	HK\$’000
Bank borrowings		
Bank borrowings for aircraft acquisition financing (a)	12,737,179	14,818,861
PDP financing (b)	6,982,648	5,327,145
Other unsecured bank borrowings (c)	1,981,789	1,427,624
	21,701,616	21,573,630
Long-term borrowings		
Borrowings from trust plans (d)	4,900,281	4,971,585
Other borrowings (e)	342,481	335,979
	5,242,762	5,307,564
	26,944,378	26,881,194

Bank borrowings

- (a) Bank borrowings for aircraft acquisition financing are principally based on fixed or floating US\$ LIBOR rates. As at 30 June 2020, certain bank borrowings were secured by, in addition to other legal charges, the related aircraft leased to airline companies under either finance leases or operating leases, pledge of the shares in the subsidiaries owning the related aircraft, guarantees from certain companies of the Group, and pledge of deposits amounting to HK\$55,416,000 (31 December 2019: HK\$56,123,000).

- (b) As at 30 June 2020, PDP financing of HK\$6,793,442,000 (31 December 2019: HK\$5,137,170,000) was unsecured and guaranteed by the Company. Other PDP financing was secured by certain rights and benefits in respect of the acquisition of the aircraft, and guarantees from certain companies of the Group.
- (c) As at 30 June 2020, the Group had other unsecured bank borrowings of HK\$1,981,789,000 (31 December 2019: HK\$1,427,624,000) 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
	2020	2019
	HK\$'000	HK\$'000
Floating rate:		
– Expiring within one year	654,892	77,872
– Expiring beyond one year	2,987,436	4,359,323
	<u>3,642,328</u>	<u>4,437,195</u>

Long-term borrowings

- (d) As at 30 June 2020, 46 borrowings (31 December 2019: 46 borrowings) were provided to the Group by investors under trust plans or an asset-backed securities programme (both are in relation to the disposal of finance lease receivable transactions). The effective average interest rates of the long-term borrowings range from 3.5% to 7.8% (31 December 2019: 3.5% to 7.8%) per annum for remaining terms of four to 10 years (31 December 2019: four to 10 years). These long-term borrowings are secured by the shares of, and the aircraft held by the relevant subsidiaries, guaranteed by certain companies of the Group, and pledge of deposits amounting to HK\$43,862,000 (31 December 2019: HK\$44,068,000).
- (e) As at 30 June 2020, four borrowings (31 December 2019: four borrowings) were obtained through a structured financing arrangement for four aircraft (31 December 2019: four aircraft) delivered to airlines. These borrowings bear an effective interest rate ranging from 3.9% to 5.7% (31 December 2019: 3.9% to 5.7%) per annum for their remaining terms of five to six years (31 December 2019: five to six years) and are guaranteed by the Company.

7 MEDIUM-TERM NOTES

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

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

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

As at 30 June 2020, after deducting the issuing cost, the total carrying amount of these notes was HK\$1,607,042,000 (31 December 2019: HK\$1,636,499,000).

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 were listed on the Stock Exchange and are guaranteed by the Company.

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

In June 2019, one of 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 and were listed on the Shanghai Stock Exchange. Both the issuer and the corporate bonds were rated AA+ by China Cheng Xin International Credit Rating Company Limited.

In August and September 2019, the Group repurchased certain amount of bonds on the Stock Exchange for a lump sum payment of US\$9,371,000. The principal amount of the repurchased bonds was US\$9,970,000.

In March 2020, one of the wholly owned subsidiaries in the PRC issued one-year RMB1.0 billion debentures at the coupon rate of 3.65% and were listed on the Inter-bank Bond Market. The issuer was rated AA+ and the short-term debentures were rated A-1 by China Cheng Xin International Credit Rating Company Limited.

In June 2020, one of the wholly owned subsidiaries in the PRC issued one-year RMB300 million debentures at the coupon rate of 4% and were listed on the Inter-bank Bond Market. The issuer was rated AA+ and the short-term debentures were rated A-1 by China Cheng Xin International Credit Rating Company Limited.

After deducting the issuing cost, total carrying amount of these bonds and debentures as at 30 June 2020 was HK\$8,623,568,000 (31 December 2019: HK\$7,245,367,000).

9 LEASE INCOME AND SEGMENT INFORMATION

During the six months ended 30 June 2020, the Group was engaged in a single business segment, the provision of aircraft leasing services to global airline companies. The Group leases its aircraft to airline companies under finance leases or operating leases under which it receives rentals.

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

	Unaudited			
	Six months ended 30 June			
	2020		2019	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Categorised by customer in terms of lease income:				
Airline company – A	235,421	19%	220,874	18%
Airline company – B	168,852	13%	127,165	10%
Airline company – C	81,396	6%	82,255	7%
Airline company – D	77,233	6%	77,283	6%
Airline company – E	58,158	5%	55,988	5%
Others	<u>644,140</u>	<u>51%</u>	<u>665,794</u>	<u>54%</u>
Total finance and operating lease income	<u>1,265,200</u>	<u>100%</u>	<u>1,229,359</u>	<u>100%</u>

10 NET INCOME FROM AIRCRAFT TRANSACTIONS AND AIRCRAFT TRADING

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Aircraft transactions (a)	170,571	216,657
Aircraft trading (b)	<u>–</u>	<u>1,449</u>
	<u>170,571</u>	<u>218,106</u>

- (a) The net gain from aircraft transactions for the six months ended 30 June 2020 included disposal of four aircraft to third parties, determined by comparing the net proceeds with the relevant carrying amount of net assets less transaction costs and other expenses.

The net gain from aircraft transactions for the six months ended 30 June 2019 included disposal of one aircraft to Aircraft Recycling International Limited and its subsidiaries, and disposal of four aircraft to CAG Group, determined by comparing the net proceeds with the relevant carrying amount of net assets less transaction costs and other expenses.

(b) Aircraft trading

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Sales from aircraft trading assets	–	17,254
Less: Cost of aircraft trading assets	<u>–</u>	<u>(15,805)</u>
Profit from aircraft trading assets	<u>–</u>	<u>1,449</u>

11 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Government grants (a)	127,101	121,663
Bank interest income	6,686	10,723
Interest income from loans to associates and joint ventures	45,273	35,296
Servicer fees income from CAG Group	5,738	10,368
Operating lease income on other assets from a related party	1,320	1,320
Others	14,015	48,424
	<u>200,133</u>	<u>227,794</u>

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

12 SHARE OF RESULTS FROM ASSOCIATES AND JOINT VENTURES AND OTHER GAINS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Fair value losses on interest rate swaps and loss on disposal of future contracts	(66,605)	(10,113)
Unrealised gains on a currency swap	4,034	1,282
Realised losses on interest rate swaps	–	(10,055)
Currency exchange gains	76,066	10,792
Interest income from CAG Group and ARG Group	19,032	12,619
Share of results from associates and joint ventures	(2,347)	(488)
	<u>30,180</u>	<u>4,037</u>

13 INCOME TAX EXPENSES

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Current income tax:		
Mainland China, Hong Kong and others	42,511	32,750
Deferred income tax	37,461	64,725
	<u>79,972</u>	<u>97,475</u>

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 2019 and 2020.

	Unaudited	
	Six months ended 30 June	
	2020	2019
Profit attributable to shareholders of the Company (HK\$'000)	331,641	312,397
Weighted average number of ordinary shares in issue (number of shares in thousands)	<u>675,759</u>	<u>677,269</u>
Basic earnings per share (HK\$ per share)	<u>0.491</u>	<u>0.461</u>

(b) **Diluted**

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
Earnings		
Profit attributable to shareholders of the Company (<i>HK\$'000</i>)	<u>331,641</u>	<u>312,397</u>
Weighted average number of ordinary shares for diluted earnings per share		
Weighted average number of ordinary shares in issue (<i>number of shares in thousands</i>)	675,759	677,269
Adjustment for:		
– Share options (<i>number of shares in thousands</i>)	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>number of shares in thousands</i>)	<u>675,759</u>	<u>677,269</u>
Diluted earnings per share (<i>HK\$ per share</i>)	<u>0.491</u>	<u>0.461</u>

15 DIVIDENDS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared of HK\$0.20 (2019: HK\$0.23) per ordinary share	141,194	155,772

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

An interim dividend of HK\$0.23 per ordinary share totalling HK\$155.8 million for the six months ended 30 June 2019, which was paid in September 2019.

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 with a scrip dividend option to be offered to shareholders, which is calculated based on 705,971,000 issued shares as at 14 August 2020. The declared dividend is not reflected as a dividend payable in the consolidated financial statements as at 30 June 2020, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2020.

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK\$0.20 per share in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$0.23 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 11 September 2020. Shareholders will be given the option to receive the 2020 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 2020. Cheques for cash dividend and/or definitive certificates for the scrip shares in respect of the 2020 interim dividend are expected to be despatched to the Shareholders on or about 29 October 2020.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders’ entitlement to the interim dividend, the Register of Members will be closed from 9 September 2020 to 11 September 2020, 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 11 September 2020. 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 8 September 2020.

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

The Company repurchased a total of 3,000,000 ordinary shares of the Company at the highest price and the lowest price per share of HK\$6.63 and HK\$6.10 respectively on the Stock Exchange for the six months ended 30 June 2020 at an aggregate consideration of approximately HK\$19,103,060 (before expense). All the repurchased shares were subsequently cancelled by the Company on 3 April 2020.

Save as disclosed above, during the six months ended 30 June 2020, 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 2020.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its Directors. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2020.

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 2020.

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2020 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 2020 interim report to be sent to the Shareholders.

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 2020 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, 14 August 2020

As at the date of this announcement, (i) the Executive Directors are Mr. ZHAO Wei, Mr. POON Ho Man and Ms. LIU Wanting; (ii) the Non-executive Director is Mr. TANG Chi Chun; and (iii) the Independent Non-executive Directors are Mr. FAN Yan Hok, Philip, Mr. NIEN Van Jin, Robert and Mr. CHEOK Albert Saychuan.