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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 2018

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 2018 as follows:

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2018	2017	Change
	HK$'Million	*HK$'Million*	
Revenue and other income	**3,341.5**	2,891.6	+15.6%
Profit for the year	**808.9**	734.7	+10.1%
EPS (Basic) *(HK$)*	**1.194**	1.088	+9.7%
Final dividend per share *(HK$)*	**0.44**	0.42	+4.8%
Full year dividend per share *(HK$)*	**0.66**	0.60	+10.0%
Dividend payout ratio *(Note 1)*	**55.3%**	55.1%	+0.2p.p.
Gearing ratio *(Note 2)*	**81.9%**	82.3%	–0.4p.p.

Note:

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

CHAIRMAN'S STATEMENT

On behalf of China Aircraft Leasing Group Holdings Limited ("**CALC**" or the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present the Group's 2018 consolidated results for the year ended 31 December 2018.

PERFORMANCE AND DIVIDENDS

The year 2018 was another exciting year for CALC with outstanding developments on multiple fronts. During the year, the Group continued to evolve ahead of the industry by realising its corporate mission of providing aircraft full life cycle solutions for the global aviation industry. Meanwhile, its gradual transformation into an asset-light business model has laid a solid foundation for further business expansion and opened up new growth opportunities for the Group.

During the year, total lease income and other income of the Group reached HK$3,341.5 million, representing a year-on-year increase of 15.6%. Profit for the year grew by 10.1% year-on-year, amounting to HK$808.9 million. Earnings per share was HK$1.194 (2017: HK$1.088).

The Board recommends the payment of a final dividend of HK$0.44 (2017: HK$0.42) per share to those shareholders whose names appear on the register of members of the Company on 22 May 2019. Together with the 2018 interim dividend of HK$0.22 (2017: HK$0.18) per share, the full-year dividend will amount to HK$0.66 per share for 2018 (2017: HK$0.60), with the dividend pay-out ratio standing at 55.3% (2017: 55.1%).

DEVELOPING INTO A GLOBAL AIRCRAFT FULL VALUE CHAIN SOLUTIONS PROVIDER

In order to excel in competitive skies, airline clients now demand both a wide breadth of service offerings and depth in terms of quality expertise from their lessors. They need a one-stop aircraft asset manager that will spare them the capacity to focus on providing their passengers with quality airline operations. At CALC, we pride ourselves on staying a step ahead of our customers. Not only do we take a proactive approach to understanding their current fleet management requirements in order to offer them the most tailored solutions possible, but we also anticipate their emerging need in the longer term for handling mid-aged to retiring aircraft. This forms an important pillar of our business strategy.

During the year under review, I was pleased to see the Group continue to make headway in the deployment of its full solutions business. The Group is now set to provide services including aircraft leasing and purchase and leaseback; sourcing and sales; aircraft trading and portfolio sales; aircraft disassembly, component sales, and maintenance, repair and overhaul ("**MRO**"). CALC is striving to develop various integrated global aircraft leasing and investment platforms while further building up its diversified financing mix and channels. I believe our customers value and appreciate our commitment to providing services that exceed their requirements, backed by the expertise and capacity that the teams across the Group has built.

During the year, CALC successfully launched China Aircraft Global Limited ("**CAG**"), an international aircraft leasing and investment platform. By leveraging its existing aircraft solutions platform and extensive global aviation network, CALC was able to tap into investors' strong appetite for a quality and liquid aircraft asset class with long-term and stable US dollar cash flow. This has bolstered CALC's financing capacity while reinforcing its position as a full value chain solutions provider. This unique business model has enabled us to thrive in the evolving leasing industry and ensure long-term sustainability.

AWARDS

As a testament to its unique position and commitment to offering innovative and comprehensive service offerings, CALC was named "Aircraft Lessor of the Year" by *Global Transport Finance* for the fourth consecutive year and "Asia-Pacific Lessor of the Year" for the second year in a row by *Airline Economics* during the year. These accolades demonstrate the tremendous level of recognition across the industry of the Group's capabilities.

GRASPING REGIONAL OPPORTUNITIES IN THE LEASING INDUSTRY

As a Hong Kong-based aircraft lessor, CALC is an avid supporter of the city's aspiration to develop into an aircraft leasing and aviation finance centre. We are extremely pleased that further to the reform of the dedicated tax regime to allow profits tax concessions to aircraft leasing and related businesses, Hong Kong is being positioned as an international aviation hub under the development plan for the Greater Bay Area, a national blueprint to transform Hong Kong and 10 other neighbouring cities into a thriving global centre of technology, innovation and economic vibrancy. Hong Kong is to consolidate and enhance its status in global aviation by developing high value-added aircraft leasing and aviation financing services, among others. Such policies will build a solid foundation for the development of aviation industry in Hong Kong and I am confident that CALC will benefit from it.

During the year under review, CALC successfully delivered its first aircraft under the new tax regime through Hong Kong, reaching a milestone in its extension of Hong Kong as one of its major leasing platforms. With its extensive clientele worldwide, CALC is looking to lease more aircraft to global airlines through Hong Kong. With both its active engagement in the global arena and leadership in the Hong Kong Aircraft Leasing and Aviation Finance Association, CALC is seeking to communicate with relevant authorities and institutions and share insights on such issues as withholding tax, double tax treaty networks and an extension to the Cape Town Convention, with the aim to create a more conducive environment for the industry to thrive and flourish in the city.

OUTLOOK

It has been broadly accepted as market consensus that 2019 will be a year where the aircraft leasing industry will need to tackle headwinds after enjoying an extended bull run. More clouds are expected to hang over the industry, including trade tensions with protectionist tariffs, geopolitical instability, and slower GDP growth across major economies. In spite of such market uncertainties, early 2019 has shown signs for optimism, with the US government's efforts to stabilise oil prices, and the Federal Reserve's indication that it will slow down the pace of interest rate hikes and end its balance sheet reduction programme. Moreover, given that relatively higher GDP growth is expected to continue in emerging markets that boast large middle-class populations that yearn for air travel, CALC believes that the demand for air transportation will remain strong, and thus so will the demand for aircraft leasing.

As it manoeuvres through this competitive landscape, the Group will continue to strengthen its asset management capabilities to embrace new market momentum and enhance its professional capabilities across a number of areas, including procurement, sales and placement, financing and risk management. Furthermore, when outlining its strategic roadmap for the short and long term, China Everbright Group ("**CE Group**") highlighted "becoming a leading global aircraft leasing company" as one its four primary goals in the next five to ten years. This signifies how CE Group values CALC's business. I believe CE Group will extend strong backing to CALC when realising its strategic goal. With a steadfast commitment to creating innovative solutions and value-added services that meet the needs of its global clients, CALC is set to solidify its leading position in the competitive global aviation industry.

ACKNOWLEDGEMENTS

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

CHEN Shuang, *JP*
Chairman of the Board
Hong Kong, 21 March 2019

CEO'S STATEMENT

Envision, Transform, Synergise

CALC is delighted to present another year of outstanding results. As the aircraft leasing industry has evolved, quality lessors have emerged to offer a wide range of aviation services spanning diverse airlines' requirements for aircraft asset management. Capturing market opportunities and riding on market momentum, the Group once again demonstrated its unique position and competitive advantages in the global aviation industry. During the year under view, several milestones were achieved that echo our mission of offering all-round tailored asset management solutions that match airlines' requirements.

The establishment of our sidecar CAG marked a major step towards establishing our asset-light business model and the Group's further transition into an asset manager role. The successful extension of its value chain, through its 48%-owned associate company, Aircraft Recycling International Limited ("**ARI**"), including the commencement of operations of Asia's first large-scale aircraft recycling facility in Harbin and the establishment of a joint venture to delve into the new business of comprehensive aircraft MRO, has added to a solid foundation that will support sustainable growth in the future.

As the scope of business continues to expand, synergy within the Group has become more important. We are maximising the synergy across our 14 branches and offices throughout the world by sharing our aviation expertise, aviation partner networks and clientele, so that we can bolster our overall strength through improved efficiency and effectiveness.

2018 Business Review

Riding on its transition from traditional capital-intensive industry practices into an asset-light approach, CALC continued to deliver strong results in 2018 with its sharpened fundamentals:

(1) Fleet Optimisation

During the year, the Group expanded its fleet with a total of 29 further aircraft deliveries, another record high. The fleet is backed by a diverse range of sourcing channels, including new aircraft order books, purchase and leasebacks and portfolio acquisitions. As of 31 December 2018, our fleet size had increased to 133 aircraft, of which 115 are owned by CALC and 18 are managed for CAG.

CALC continued to maintain one of the youngest and most modern fleets in the industry, with an average age of 3.7 years and average remaining lease period of 8.3 years as at 31 December 2018. We also maintained a high utilisation rate, with 99.1% of our aircraft in operation.

In addition, CALC started to engage in the aircraft trading business to optimise its fleet portfolio by utilising ARI's flexible aircraft asset management capabilities and rich international second-hand aircraft market resources. During the year, CALC sold three old-aged aircraft to ARI, which was remarketed for different purposes based on the independent valuation of each aircraft to ensure maximum value was being extracted.

(2) Substantial Order Book

In 2018, the Group significantly built up its order book with the most advanced aircraft models. A substantial order book is a valuable asset for aircraft lessors owing to sustained growth in aviation traffic demand amid disciplined production capacity of the original equipment manufacturers ("**OEMs**"). During the year, CALC added a total of 65 aircraft to its order book, showcasing CALC's focus on delivering new energy-efficient in-demand aircraft to its clients.

As at 31 December 2018, CALC had a total backlog for new deliveries of 232 aircraft, all due for delivery by 2023. With such a strong order book, CALC was listed as one of the top five global lessors by *Airfinance Journal*, a testimony to the robust relationship CALC has built with the OEMs since its inception.

(3) Extensive Clientele

CALC continued to expand its presence proactively around the globe and diversify its clientele through the implementation of its global business strategy. In 2018, CALC further strengthened its global market presence in Asia Pacific, Europe, North America and Latin America. As at 31 December 2018, of the current fleet of 115 owned and 18 managed aircraft, the share of non-mainland Chinese clients had grown to 31% from approximately 28% at the end of 2017 while its client portfolio included 33 airlines widely spread across 15 countries and regions. This lays a solid foundation to further expansion of our global presence.

(4) Asset-Light Model in Motion

CALC has benefited from its transition towards an asset-light model, enhancing its role as an asset manager for aircraft trading and lease management. During the year under review, CALC collaborated with four leading state-owned enterprises as mezzanine investors to roll out its aircraft investment vehicle, CAG. The asset size of the vehicle is expected to grow to US$1.265 billion, comprising US$95 million from CALC and US$380 million from mezzanine investors, CAG's funding has been further supplemented by a senior syndicated loan of US$790 million arranged by four global top-tier aviation banks and three reputable PRC commercial banks.

As at 31 December 2018, 18 aircraft had been injected into CAG, with seven to 10 more aircraft expected to be injected. By acting as the exclusive servicer provider to this platform, CALC fully utilizes its expertise in aircraft sourcing, leasing and portfolio trading, sharpening its focus as an aircraft asset manager. In recognition of the deal's innovative nature, CALC won "Editor's Deal of the Year for Innovation" award presented by *Airline Economics* in 2018.

Moreover, we disposed finance lease receivables for three aircraft and sold three old-aged aircraft to ARI during the year under review. Together, this asset-light strategy is scaling up overall aircraft assets under the Group's management, ultimately maximising returns on equity through an efficient turnover of its capital.

(5) Diversified Financing Patterns

To further strengthen its financing capabilities, the Group continued to extend its sources of financing patterns, both onshore and offshore, and enhance its flexibility with the introduction of new financing products. As at 31 December 2018, 41% of the Group's total outstanding borrowings were unsecured, up from 35% at the end of 2017, which is indicative of the investor and banking community's confidence in CALC.

In December 2018, CALC signed a US$500 million five-year unsecured syndicated revolving loan facility for aircraft Pre-Delivery Payment ("**PDP**") with six leading banks in the region as mandated lead managers. The facility is subject to upsize in case of oversubscription following the complete syndication.

Moreover, ARI has beefed up its independent financing strength to fuel its next phase of development. During the year, it raised approximately US$100 million bank financings through diversified patterns on its own.

(6) Completing the Full Aviation Value Chain

Capitalising on CALC's well-founded platform, ARI is on board to a trajectory of encouraging development with its well-placed business deployment.

In June 2018, Phase I of ARI's aircraft recycling base in Harbin (the "**Harbin base**") formally commenced operations with a handling capacity of 20 aircraft per year. Together, the Harbin base and another aircraft recycling base in Tupelo, Mississippi (the "**Mississippi base**") will create a synergy to tap into market opportunities worldwide. During the year under review, a total of 21 aircraft were disassembled. In addition, with full support from ARI, the Mississippi base was able to purchase strong aviation assets to augment trading and component support opportunities for its customer base worldwide.

To further enrich its service offering, CALC and ARI joined forces during the year with FL Technics, one of the leading aircraft MRO service providers in Europe, to form a MRO joint venture ("**JV**"), held at a ratio of 11%, 49% and 40% respectively. The JV will extend its services to aircraft base maintenance, scheduled checks and overhaul among other services in the Harbin base and targets to commence operation in 2019.

In terms of aircraft and engine leasing, the Group continued to bring together the respective advantages of its member companies to maximise overall strengths. Of the three aircraft redelivered by CALC, ARI re-leased a 20-year old Airbus A321 to a European carrier, sold another one to an overseas buyer and moved the third to Harbin base for disassembly with all of its components sold to our aviation partner, perfectly illustrating the synergy within the Group. During the year, ARI leased four engines to airlines.

Strategic Outlook

Despite the aviation industry's exceptional level of resilience in a dynamic environment over the past few decades, last year saw a mood of subdued optimism as rising interest rates and higher oil prices triggered a shakeout in the sector, exacerbated by fierce competition. Against this backdrop, it is essential for aircraft lessors to sharpen their business fundamentals so that they are strong enough to stand out in this highly specialised and technically intensive industry, and hence ride out any volatility and blaze a successful trail behind them.

Going forward, the Group will continue to press ahead with its vision to provide value-added aircraft solutions that cover every part of the aircraft value chain. The Group will continue its vertical and horizontal integration with the aim of managing its asset effectively and maximising overall economic benefits.

In parallel, as it further extends the value chain, a higher degree of resources and expertise is required, and CALC is exploring more new opportunities with investors and institutions searching for quality aviation assets by devising innovative financing models and investment platforms that will serve to strengthen CALC's aviation ecosystem on a global scale.

POON Ho Man
Executive Director and Chief Executive Officer
Hong Kong, 21 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

1. RESULTS

For the year ended 31 December 2018, the Group delivered 29 aircraft and disposed 21 aircraft. Its fleet size was increased to 115 owned aircraft and managed 18 aircraft. Total revenue and other income was HK$3,341.5 million in 2018, an increase of HK$449.9 million or 15.6% from HK$2,891.6 million in 2017. Profit for the year in 2018 amounted to HK$808.9 million, an increase of HK$74.2 million or 10.1% compared with HK$734.7 million in 2017. This was mainly due to increased lease income from continued expansion of the Group's aircraft leasing business.

Total assets amounted to HK$41,427.1 million as at 31 December 2018, compared with HK$37,994.3 million as at 31 December 2017, an increase of HK$3,432.8 million or 9.0%. The increase in assets was mainly due to the increase in fleet size and the increase in PDP made to aircraft manufacturers for aircraft acquisition during 2018. Total liabilities amounted to HK$37,647.3 million, an increment of HK$3,080.1 million or 8.9% compared with HK$34,567.2 million as at 31 December 2017.

The equity attributable to shareholders of the Company was HK$3,779.9 million as at 31 December 2018 compared with HK$3,427.2 million as at 31 December 2017, an increase of HK$352.7 million or 10.3%.

2. ANALYSIS OF INCOME AND EXPENSES

	Year ended 31 December		
	2018	2017	Change
	HK$'Million	*HK$'Million*	
Finance lease income	**792.5**	1,017.5	–22.1%
Operating lease income	**1,541.6**	828.7	86.0%
Total lease income	**2,334.1**	1,846.2	26.4%
Net gain from aircraft transactions	**625.7**	711.2	–12.0%
Government grants	**222.1**	204.2	8.8%
Interest income from loans to an associate	**85.9**	71.4	20.3%
Bank interest income	**18.9**	28.5	–33.7%
Sundry income	**54.8**	30.1	82.1%
Other income	**1,007.4**	1,045.4	–3.6%
Total revenue and other income	**3,341.5**	2,891.6	15.6%
Total operating expenses	**(2,425.6)**	(1,919.3)	26.4%
Other gains	**71.2**	42.1	69.1%
Share of loss of an associate	**–**	(2.2)	N/A
Profit before income tax	**987.1**	1,012.2	–2.5%
Income tax expenses	**(178.2)**	(277.5)	–35.8%
Profit for the year	**808.9**	734.7	10.1%

2.1 Total Revenue and Other Income

For the year ended 31 December 2018, the total revenue and other income amounted to HK$3,341.5 million, compared with HK$2,891.6 million in 2017, an increase of HK$449.9 million or 15.6%. This was mainly due to an increase in lease income.

Lease income from finance leases and operating leases for the year 2018 totalled HK$2,334.1 million, compared with HK$1,846.2 million in 2017, an increase of HK$487.9 million or 26.4%. The decrease in finance lease income was due to disposal of three aircraft's finance lease receivables and reclassification of eight aircraft from finance leases to operating leases during the year 2018. The growth in operating lease income was attributable to the increase in fleet size under operating leases from 37 as at 31 December 2017 to 52 as at 31 December 2018.

During the year ended 31 December 2018, the Group's average lease rental yield of the finance leases and operating leases was 11.7% (2017: 10.9%) and 9.2% (2017: 9.9%), respectively. Average lease rental yield for finance leases and operating leases is calculated by annual gross lease receipt divided by net book value of aircraft.

The Group recognised a net gain from aircraft transactions of HK$625.7 million during 2018 (2017: HK$711.2 million), a decrease of HK$85.5 million or 12.0%. In 2018, the Group completed disposal of finance lease receivables of three aircraft, disposal of three aircraft to ARI and disposal of 18 aircraft to CAG with aggregate net book value of HK$7,165.0 million. During the year ended 31 December 2017, the Group completed disposal of finance lease receivables of 21 aircraft with aggregate net book value of HK$4,615.7 million.

Government grants for the year amounted to HK$222.1 million, compared with HK$204.2 million in 2017, an increase of HK$17.9 million or 8.8%. The increase in government grants was mainly due to increase in fleet size in the Mainland China.

2.2 Total Operating Expenses

During the year ended 31 December 2018, the Group had the following operating expenses.

	Year ended 31 December		
	2018	2017	Change
	HK$'Million	*HK$'Million*	
Interest expenses	**1,422.9**	1,241.0	14.7%
Depreciation	**585.5**	327.1	79.0%
Other operating expenses	**417.2**	351.2	18.8%
Total operating expenses	**2,425.6**	1,919.3	26.4%

(a) Interest Expenses

For the year ended 31 December 2018, interest expenses incurred by the Group amounted to HK$1,422.9 million, compared with HK$1,241.0 million in 2017, an increase of HK$181.9 million or 14.7%. This was mainly due to an increase in interest-bearing borrowings to finance the new delivery of aircraft in 2018.

(b) Depreciation

The amount mainly represented depreciation on aircraft under operating leases, leasehold improvements, office equipment, office building and other assets. Depreciation for the year ended 31 December 2018 was HK$585.5 million compared with HK$327.1 million in 2017, an increase of HK$258.4 million or 79.0%. This was attributable to increase in number of aircraft under operating leases.

(c) Other Operating Expenses

Other operating expenses mainly represented salaries and bonuses, professional fees related to the aircraft leasing business, value-added tax surcharge and other taxes, rentals and office administration expenses. The increase was mainly due to the Group's globalisation strategy, which includes plans to diversify its overseas client base and expand overseas offices. In addition, increase in aircraft deliveries and transactions led to an increase in related professional fees and tax expenses.

2.3 Other Gains

Other gains of HK$71.2 million (2017: HK$42.1 million) mainly generated from fair value changes from interest rate and currency swaps as well as currency exchange differences, of which HK$42.9 million (2017: HK$58.7 million) was recognised from fair value gains on interest rate swaps and termination of interest rate swaps for the year ended 31 December 2018.

2.4 Income Tax Expenses

Income tax for the year ended 31 December 2018 was HK$178.2 million (2017: HK$277.5 million), mainly resulting from the profits achieved through growth in the leasing business. Decrease in the amount was mainly due to the relatively low tax rate applicable to net gains from aircraft transactions with CAG.

3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets

As at 31 December 2018, the Group's total assets amounted to HK$41,427.1 million compared with HK$37,994.3 million as at 31 December 2017, an increase of HK$3,432.8 million or 9.0%.

	As at 31 December		
	2018	2017	Change
	HK$'Million	*HK$'Million*	
Finance lease receivables – net	**10,020.8**	12,556.2	–20.2%
Property, plant and equipment	**18,886.3**	13,059.4	44.6%
Interests in and loans to associates	**959.1**	870.2	10.2%
Cash and bank balances	**4,166.5**	7,396.2	–43.7%
Prepayments and other assets	**6,771.9**	4,021.5	68.4%
Derivative financial assets	**123.2**	90.8	35.7%
Financial asset at fair value through profit or loss	**499.3**	–	N/A
Total assets	**41,427.1**	37,994.3	9.0%

3.1.1 Finance Lease Receivables – Net and Property, Plant and Equipment

The majority of total assets as at 31 December 2018 represented finance lease receivables of HK$10,020.8 million (2017: HK$12,556.2 million) and property, plant and equipment of HK$18,886.3 million (2017: HK$13,059.4 million).

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$12,556.2 million as at 31 December 2017 to HK$10,020.8 million as at 31 December 2018 because the Group completed disposal of finance lease receivables for three aircraft and reclassified eight aircraft from finance leases to operating leases during 2018.

Property, plant and equipment mainly included the cost of aircraft classified as operating leases, net of their accumulated depreciation. The increase in property, plant and equipment was mainly due to aircraft delivered during 2018 under operating leases.

3.1.2 Interests in and Loans to Associates

Pursuant to the shareholders' loan agreement entered into in 2016, the Group granted loans to ARI which are secured by pledge of shares in a subsidiary of ARI, bearing interest at 4% per annum above the prime lending rate quoted by the Bank of China (Hong Kong) Limited which is accrued daily and payable in arrears of six-monthly intervals from the date of issue of the loan note. In October 2018, a supplemental agreement was entered into amongst the ARI shareholders to revise the interest rate to 3% per annum above the prime lending rate quoted by the Bank of China (Hong Kong) Limited with effect from 28 November 2018. The increase in the amount of interests in and loans to associates was due to the increase in loan amounts granted to ARI. As at 31 December 2018, the outstanding loan balance receivable from ARI amounted to HK$959.1 million (2017: HK$870.2 million).

3.1.3 Cash and Bank Balances

Cash and bank balances decreased by HK$3,229.7 million or 43.7% from HK$7,396.2 million as at 31 December 2017 to HK$4,166.5 million as at 31 December 2018. Decrease in balance was mainly resulted from utilisation of the Group's own cash for purchase of aircraft.

3.1.4 Prepayments and Other Assets

Prepayments mainly represented PDP made to aircraft manufacturers for aircraft acquisition. The increase in balance was due to an increase in aircraft purchase commitment during year 2018.

3.1.5 Financial Asset at Fair Value through Profit or Loss

Balance represented funds injected through shareholder's loan from the Group to CAG for aircraft investment during year 2018.

3.2 Liabilities

As at 31 December 2018, the Group's total liabilities amounted to HK$37,647.3 million, compared with HK$34,567.2 million as at 31 December 2017, an increase of HK$3,080.1 million or 8.9%.

An analysis is given as follows:

	As at 31 December		
	2018	2017	Change
	HK$'Million	*HK$'Million*	
Bank borrowings	**19,166.8**	16,458.4	16.5%
Bonds	**8,580.4**	8,538.9	0.5%
Long-term borrowings	**5,436.4**	5,329.4	2.0%
Medium-term notes	**758.8**	798.1	–4.9%
Deferred income tax liabilities	**670.4**	544.5	23.1%
Convertible bonds	**–**	153.2	N/A
Interest payables	**269.8**	226.8	19.0%
Income tax payables	**29.3**	17.3	69.4%
Derivative financial liabilities	**–**	0.2	N/A
Other liabilities and accruals	**2,735.4**	2,500.4	9.4%
Total liabilities	**37,647.3**	34,567.2	8.9%

3.2.1 Bank Borrowings

The analysis of bank borrowings is as follows:

	As at 31 December		
	2018	2017	Change
	HK$'Million	*HK$'Million*	
Bank borrowings for aircraft acquisition financing	**15,634.4**	13,981.6	11.8%
PDP financing	**3,455.3**	1,709.1	102.2%
Working capital borrowings	**77.1**	767.7	–90.0%
Total bank borrowings	**19,166.8**	16,458.4	16.5%

Bank borrowings for aircraft acquisition financing are principally based on fixed rates or floating US$ LIBOR. As at 31 December 2018, 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$128.7 million (2017: HK$312.4 million). The increase in bank borrowings was mainly due to drawdowns of PDP loans and bank loans for aircraft delivery during year 2018.

3.2.2 Bonds

The following table summarises the senior unsecured US$ bonds issued by the Group:

Issue date	**Terms**	**Maturity date**	**Coupon interest per annum**	**US$'Million**
May 2016	3 years	May 2019	5.9%	300.0
August 2016	5 years	August 2021	4.9%	300.0
March 2017	5 years	March 2022	4.7%	300.0
March 2017	7 years	March 2024	5.5%	200.0
Total principal amount				**1,100.0**
Issuing cost				(4.3)
Carrying amount				**1,095.7**

As at 31 December 2018, after deducting the issuing cost, the total carrying amount of these bonds were US$1,095.7 million (equivalent to HK$8,580.4 million).

3.2.3 Long-term Borrowings

Increase in long-term borrowings was mainly resulted from an increase in the number of borrowings 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) from 43 as at 31 December 2017 to 46 as at 31 December 2018. The effective average interest rates of these borrowings range from 3.5% to 7.8% (2017: 3.5% to 7.8%) per annum for remaining terms of five to 11 years (2017: six to 11 years). These long-term borrowings are secured by the shares of, and the aircraft held by the relevant subsidiaries, guaranteed by certain companies of the Group; and pledge of deposits amounting to HK$44.3 million (2017: HK$42.0 million) as at 31 December 2018.

As at 31 December 2018, long-term borrowings also included four borrowings (2017: four borrowings) obtained through a structured financing arrangement. These borrowings bear an effective interest rate ranging from 3.9% to 5.7% (2017: 3.9% to 5.7%) per annum for their remaining terms of six to seven years (2017: seven to eight years) and are guaranteed by the Company.

3.2.4 Medium-term Notes

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

Issue date	Terms	Maturity date	Coupon interest per annum	RMB'Million
July 2015	5 years	July 2020	6.50%	340.0
November 2016	5 years	November 2021	4.19%	330.0
Total principal amount				**670.0**
Issuing cost				(3.8)
Carrying amount				**666.2**

As at 31 December 2018, after deducting the issuing cost, the total carrying amount of these medium-term notes was RMB666.2 million (equivalent to HK$758.8 million).

3.2.5 Convertible Bonds

In May 2018, the convertible bonds with aggregate principal amount of HK$155.2 million were fully redeemed upon maturity.

4. ANALYSIS OF CASH FLOWS

The following table illustrates the cash position and cash flows for the year ended 31 December 2018:

		Year ended 31 December	
		2018	2017
		HK$'Million	*HK$'Million*
I:	Aircraft in operation		
	Lease income	**2,233.4**	1,995.1
	Bank interest and repayment	**(1,820.4)**	(1,425.6)
		413.0	569.5
II:	Aircraft purchase and delivery		
	Capital expenditure	**(10,568.4)**	(9,141.3)
	Bank borrowings	**7,810.4**	6,017.6
		(2,758.0)	(3,123.7)
III:	New aircraft not yet delivered		
	PDP paid	**(3,931.3)**	(2,766.9)
	PDP refunded	**1,133.7**	2,220.1
	PDP financing	**2,425.4**	1,119.1
	PDP financing interest and repayment	**(838.6)**	(1,758.5)
		(1,210.8)	(1,186.2)
IV:	Net capital movement		
	Proceeds from issue of new shares from exercise of share options	**–**	21.5
	Buy-back of shares, including transaction costs	**(7.3)**	–
	Dividends paid	**(433.8)**	(386.2)
	Proceeds from disposal of finance lease receivables and aircraft and proceeds from long-term borrowings	**7,694.3**	8,568.9
	Early loan repayments on disposal of finance lease receivables and aircraft	**(4,285.7)**	(5,963.4)
	Net proceeds from issuance of bonds	**–**	3,861.5
	Net payments relating to loans to an associate	**(3.0)**	(356.7)
	Convertible bonds repurchase, interest and repayment	**(160.2)**	(156.9)
	Investment in financial asset at fair value through profit or loss	**(490.3)**	–
	Working capital loan net repayments and net cash generated from other operating activities	**(1,755.5)**	(760.8)
		558.5	4,827.9
Net (decrease)/increase in cash and cash equivalents		**(2,997.3)**	1,087.5
Cash and cash equivalents at beginning of the year		**7,023.4**	5,840.7
Currency exchange difference on cash and cash equivalents		**(36.0)**	95.2
Cash and cash equivalents at end of the year		**3,990.1**	7,023.4

5. CAPITAL MANAGEMENT

The primary objective of the Group's capital management policy is to ensure that it maintains a strong credit standing, as well as healthy capital ratios in order to support its business growth and maximise shareholder value.

Operations and capital expenditure requirements are funded by a combination of cash generated from operating activities, bank borrowings, long-term borrowings, issuance of bonds and medium-term notes, and the asset-light strategy including disposal of aircraft. In order to meet the current rapid expansion, the Group will also consider both equity and debt financing opportunities, and establishing various aircraft investment platform like CAG.

For the year ended 31 December 2018, the objectives, policies and processes for managing capital remained largely unchanged. The Group made full use of capital leverage to keep pace with aircraft delivery.

The Group monitors capital through gearing ratios:

	As at 31 December		
	2018	2017	Change
	HK$'Million	*HK$'Million*	
Interest-bearing debts included in total liabilities	**33,942.4**	31,278.0	8.5%
Total assets	**41,427.1**	37,994.3	9.0%
Gearing ratio	**81.9%**	82.3%	–0.4p.p.

The majority of the Group's cash and bank balances, borrowings and bonds are denominated in US$, for which the currency exchange risk is insignificant. The Group has entered into floating-to-fixed interest rate swaps to hedge against significant interest rate exposure.

6. HUMAN RESOURCES

As at 31 December 2018, staff of the Group numbered 184 (2017: 161). Total remuneration of employees for 2018 amounted to HK$167.4 million (2017: HK$142.1 million).

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

7. CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

7.1 Contingent Liabilities

The Group had no material contingent liabilities outstanding as at 31 December 2018 (2017: Nil).

7.2 Capital Commitments for Aircraft Acquisition and Aircraft Purchase Mandate

The Group's total aircraft purchase commitment amounted to HK$96.5 billion as at 31 December 2018 (2017: HK$76.0 billion), representing estimated total purchase costs of the aircraft contracted to be purchased and delivered, net of PDP paid.

As at 31 December 2018, the Group had 232 aircraft in its order book, comprising 132 Airbus A320 and 100 Boeing B737 aircraft, which will be delivered by the end of 2023.

Under the terms of a general mandate (the "**2017 Aircraft Purchase Mandate**") granted to the Directors by the shareholders of the Company on 22 May 2017, the Directors are authorised to purchase from either Airbus or Boeing, each limited to 70 new aircraft of certain types with an aggregate 2017 list price not exceeding approximately US$8.9 billion and US$8.3 billion respectively (equivalent to approximately HK$69.70 billion and HK$65.00 billion respectively). Further details of the 2017 Aircraft Purchase Mandate are set out in the circular of the Company dated 19 April 2017.

Pursuant to the 2017 Aircraft Purchase Mandate, the Group has committed to purchase a cumulative number of 50 aircraft from Boeing with an aggregate 2017 list price of approximately US$5.8 billion (equivalent to approximately HK$45.42 billion) and 70 aircraft from Airbus with an aggregate 2017 list price of approximately US$7.54 billion (equivalent to approximately HK$59.05 billion). Please refer to the Company's announcements dated 14 June 2017, 21 December 2017, 28 December 2017 and 4 January 2018 for further details.

At the 2018 annual general meeting of the Company held on 9 May 2018, shareholders of the Company granted to the Directors a new general mandate (the "**2018 Aircraft Purchase Mandate**") increasing the limits of purchase from either Airbus or Boeing, each limited to 100 new aircraft of certain types with an aggregate 2018 list price not exceeding approximately US$13 billion (equivalent to approximately HK$101.81 billion). Further details of the 2018 Aircraft Purchase Mandate are set out in the circular of the Company dated 9 April 2018. As at the date of this announcement, the Group has not committed to purchase any aircraft pursuant to the 2018 Aircraft Purchase Mandate.

Amendments to Chapter 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") which took effect on 15 October 2018 provided Qualified Aircraft Lessors (as defined in the Listing Rules) with exemption from specific announcement, circular and/or shareholders' approval requirements previously applicable to Notifiable Transactions (as defined in the Listing Rules) in respect of Qualified Aircraft Leasing Activities (as defined in the Listing Rules) (the "**Exemption**").

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 acquisition of aircraft is a Qualified Aircraft Leasing Activity, purchases from Airbus and Boeing are now exempt from shareholders' approval. As such, the Company will not be seeking shareholders' approval for the renewal of the 2018 Aircraft Purchase Mandate at the forthcoming annual general meeting.

Subsequent to the Exemption came into effect on 15 October 2018, the Group has committed to purchase a cumulative number of 50 aircraft from Boeing. Please refer to the Company's announcements dated 24 December 2018 and 31 December 2018 for further details.

The prices are not fixed at the time of entering into the relevant agreement and can only be determined upon the final specifications of the aircraft. The final purchase prices paid by the Group will be lower than the list prices because of differing aircraft specifications and various price concessions, credits or discounts that may be provided by the manufacturers. As a result, the final purchase prices of the aircraft are expected to be substantially less than the manufacturers' list prices.

7.3 Aircraft Disposal Mandate

Under the terms of a specific mandate (the "**Aircraft Disposal Mandate**") granted to the Directors by the shareholders of the Company on 18 January 2018, the Directors are authorised to dispose any additional aircraft other than Initial Aircraft Portfolio (as defined in the Aircraft Disposal Mandate) by the Group to CAG. Further details of the Aircraft Disposal Mandate are set out in the circular of the Company dated 29 December 2017.

As at the date of this announcement, no aircraft were disposed by the Group to CAG pursuant to the Aircraft Disposal Mandate. Subsequent to the Exemption came into effect on 15 October 2018, as disposal of aircraft is a Qualified Aircraft Leasing Activity, the Group disposed of a cumulative number of 2 additional aircraft (other than the Initial Aircraft Portfolio) to CAG. Please refer to the Company's announcement dated 14 December 2018 for further details.

7.4 Shareholder Loan Commitment for Investment in CAG

The Group has committed shareholder loan for investment in CAG amounting to approximately US$94.7 million (equivalent to approximately HK$741.8 million), of which US$65.6 million (equivalent to approximately HK$513.8 million) had been drawn down up to 31 December 2018. The Group's outstanding committed shareholder loan for investment in CAG as at 31 December 2018 was amounted to US$29.1 million (equivalent to approximately HK$228.0 million).

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

8. OTHER EVENT

Reference is made to the Company's announcement at the Stock Exchange dated 16 June 2017. Due to the non-fulfilment of certain terms and conditions under the Longjiang Aircraft Lease Agreements by Longjiang Airlines, the Group served two termination notices on 16 June 2017 to Longjiang Airlines for termination of two leases, with effect from the date of receipt of such termination notices by Longjiang Airlines.

In July 2017, the Group commenced legal proceedings in Heilongjiang High Court against Longjiang Airlines seeking, inter alia, damages arising from the above termination.

In February 2019, a final judgment from Supreme People's Court in favour of the Group was received in respect of the used Airbus A321-211 aircraft and Longjiang Airlines was ordered to return it to the Group. The new Airbus A321-211 aircraft was never delivered to Longjiang Airlines because of the termination of the Longjiang Aircraft Lease Agreements. The case in respect of the new Airbus A321-211 aircraft is in second trial. The Board considers that the termination of the leases has no material adverse impact on the existing business or financial position of the Group.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2018 HK$'000	2017 HK$'000
ASSETS			
Property, plant and equipment		**18,886,288**	13,059,424
Interests in and loans to associates		**959,111**	870,188
Finance lease receivables – net	*3*	**10,020,816**	12,556,201
Financial asset at fair value through profit or loss	*4*	**499,323**	–
Derivative financial assets		**123,174**	90,835
Prepayments and other assets		**6,771,875**	4,021,516
Restricted cash		**176,451**	372,826
Cash and cash equivalents		**3,990,107**	7,023,359
Total assets		**41,427,145**	37,994,349
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		**67,727**	67,818
Reserves		**1,830,609**	1,861,658
Retained earnings		**1,881,523**	1,497,677
Total equity		**3,779,859**	3,427,153
LIABILITIES			
Deferred income tax liabilities		**670,401**	544,549
Bank borrowings	*5*	**19,166,752**	16,458,411
Long-term borrowings	*6*	**5,436,443**	5,329,396
Medium-term notes	*7*	**758,831**	798,094
Convertible bonds	*8*	**–**	153,190
Bonds	*9*	**8,580,407**	8,538,932
Derivative financial liabilities		**–**	207
Income tax payables		**29,257**	17,254
Interest payables		**269,775**	226,761
Other liabilities and accruals		**2,735,420**	2,500,402
Total liabilities		**37,647,286**	34,567,196
Total equity and liabilities		**41,427,145**	37,994,349

CONSOLIDATED STATEMENT OF INCOME

	Note	Year ended 31 December 2018 HK$'000	2017 HK$'000
Revenue			
Finance lease income	*10*	**792,470**	1,017,462
Operating lease income	*10*	**1,541,677**	828,756
		2,334,147	1,846,218
Net gain from aircraft transactions	*11*	**625,705**	711,167
Other income	*12*	**381,681**	334,210
		3,341,533	2,891,595
Expenses			
Interest expenses		**(1,422,914)**	(1,240,964)
Depreciation		**(585,549)**	(327,064)
Other operating expenses		**(417,217)**	(351,191)
		(2,425,680)	(1,919,219)
Operating profit		**915,853**	972,376
Share of loss of an associate		**–**	(2,203)
Other gains	*13*	**71,222**	42,067
Profit before income tax		**987,075**	1,012,240
Income tax expenses	*14*	**(178,162)**	(277,577)
Profit for the year		**808,913**	734,663
Profit attributable to shareholders of the Company		**808,913**	734,663
Earnings per share for profit attributable to shareholders of the Company (expressed in HK$ per share)			
– Basic earnings per share	*15(a)*	**1.194**	1.088
– Diluted earnings per share	*15(b)*	**1.194**	1.084

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**808,913**	734,663
Other comprehensive (loss)/income for the year:		
Items that may be reclassified subsequently to profit or loss		
Share of reserves of an associate	**–**	(181)
Cash flow hedges	**(4,610)**	(2,438)
Currency translation differences	**(6,253)**	7,252
Total other comprehensive (loss)/income for the year, net of tax	**(10,863)**	4,633
Total comprehensive income for the year	**798,050**	739,296
Total comprehensive income for the year attributable to shareholders of the Company	**798,050**	739,296

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company			
	Share capital	Reserves	Retained earnings	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance as at 1 January 2017	66,990	1,839,694	1,136,662	3,043,346
Comprehensive income				
Profit for the year	–	–	734,663	734,663
Other comprehensive (loss)/income				
Share of reserves of an associate	–	(181)	–	(181)
Cash flow hedges	–	(2,438)	–	(2,438)
Currency translation differences	–	7,252	–	7,252
Total comprehensive income	–	4,633	734,663	739,296
Transactions with shareholders				
Share option scheme:				
– Value of services	–	15,185	–	15,185
– Issue of new shares from exercise of share options	828	20,728	–	21,556
Repurchase of convertible bonds *(Note 8)*	–	(18,582)	12,541	(6,041)
Dividends	–	–	(386,189)	(386,189)
Total transactions with shareholders	828	17,331	(373,648)	(355,489)
Balance as at 31 December 2017	67,818	1,861,658	1,497,677	3,427,153

	Attributable to shareholders of the Company			
	Share capital	**Reserves**	**Retained earnings**	**Total equity**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Balance as at 31 December 2017 as originally presented	**67,818**	**1,861,658**	**1,497,677**	**3,427,153**
Changes in accounting policy *(Note 2.2)*	**–**	**–**	**(9,785)**	**(9,785)**
Restated balance as at 1 January 2018	**67,818**	**1,861,658**	**1,487,892**	**3,417,368**
Comprehensive income				
Profit for the year	**–**	**–**	**808,913**	**808,913**
Other comprehensive (loss)/income				
Cash flow hedges	**–**	**(4,610)**	**–**	**(4,610)**
Currency translation differences	**–**	**(6,253)**	**–**	**(6,253)**
Total comprehensive (loss)/income	**–**	**(10,863)**	**808,913**	**798,050**
Transactions with shareholders				
Share option scheme:				
– Value of services	**–**	**5,531**	**–**	**5,531**
– Issue of new shares from exercise of share options	**–**	**7**	**–**	**7**
Buy-back of shares	**(91)**	**(7,143)**	**(27)**	**(7,261)**
Dividends	**–**	**–**	**(433,836)**	**(433,836)**
Transfer of reserves upon maturity of convertible bonds *(Note 8)*	**–**	**(18,581)**	**18,581**	**–**
Total transactions with shareholders	**(91)**	**(20,186)**	**(415,282)**	**(435,559)**
Balance as at 31 December 2018	**67,727**	**1,830,609**	**1,881,523**	**3,779,859**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Cash flows from operating activities		
Profit after income tax	**808,913**	734,663
Adjustments for:		
– Depreciation	**585,549**	327,064
– Net gain from aircraft transactions	**(625,705)**	(711,167)
– Impairment loss of finance lease receivables	**4,167**	–
– Interest expenses	**1,422,914**	1,240,964
– Share-based payments	**5,531**	15,185
– Unrealised currency exchange gains	**(16,566)**	(1,488)
– Fair value gains on interest rate and currency swaps	**(44,035)**	(49,354)
– Gain on disposal of property, plant and equipment	**–**	(50)
– Loss on repurchase of convertible bonds	**–**	3,055
– Share of loss of an associate	**–**	2,203
– Interest income	**(113,792)**	(99,901)
	2,026,976	1,461,174
Changes in working capital:		
– Finance lease receivables – net	**7,638**	3,080,270
– Prepayments and other assets	**187,458**	(334,103)
– Other liabilities and accruals	**631,323**	1,063,060
– Income tax payables	**12,003**	(26,020)
– Deferred income tax liabilities	**130,676**	205,327
Net cash flows generated from operating activities	**2,996,074**	5,449,708
Cash flows from investing activities		
Purchase of property, plant and equipment	**(10,205,973)**	(6,809,429)
Proceeds from disposal of aircraft and other property, plant and equipment	**6,706,713**	50
Deposit paid for acquisition of aircraft	**(3,931,321)**	(2,766,856)
Deposits refunded for acquisition of aircraft	**1,133,653**	2,220,094
Interest received	**18,897**	28,453
Net payments relating to financial asset at fair value through profit or loss	**(490,304)**	–
Net payments relating to loans to an associate	**(3,047)**	(356,755)
Net cash flows used in investing activities	**(6,771,382)**	(7,684,443)

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Cash flows from financing activities		
Proceeds from issue of new shares from exercise of share options	**7**	21,556
Proceeds from bank borrowings and long-term borrowings	**12,893,611**	13,070,923
Issue of bonds, net of transaction costs	**–**	3,861,548
Refinancing and repayments of bank borrowings and long-term borrowings	**(10,181,063)**	(11,700,659)
Repurchase or repayment of convertible bonds, including transaction costs	**(155,160)**	(156,899)
Interest received/(paid) in respect of derivative financial instruments	**17,673**	(27,544)
Interest paid in respect of borrowings, notes and bonds	**(1,552,077)**	(1,251,280)
Proceeds from disposal of derivative financial instruments	**6,865**	76,091
Decrease/(Increase) in deposits pledged in respect of borrowings	**174,423**	(256,785)
Decrease in deposits pledged in respect of derivative financial instruments	**14,832**	71,382
Buy-back of shares, including transaction costs	**(7,261)**	–
Dividends paid to shareholders	**(433,836)**	(386,189)
Net cash flows generated from financing activities	**778,014**	3,322,144
Net (decrease)/increase in cash and cash equivalents	**(2,997,294)**	1,087,409
Cash and cash equivalents at beginning of the year	**7,023,359**	5,840,746
Currency exchange difference on cash and cash equivalents	**(35,958)**	95,204
Cash and cash equivalents at end of the year	**3,990,107**	7,023,359

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 in Europe and Asia.

The consolidated financial statements for the year ended 31 December 2018 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 Hong Kong Institute of Certified Public Accountants. 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 are disclosed in notes to the consolidated financial statements.

(a) Going concern

Aircraft leasing is a capital-intensive business. As at 31 December 2018, the Group's current liabilities exceeded its current assets by HK$4,109.7 million. The Group had total capital commitments of HK$96,690.0 million mainly relating to acquisition of aircraft, of which HK$8,592.6 million is payable within one year. The Group will satisfy these capital commitments through the Group's internal resources and may need to raise additional funds through pre-delivery payments ("**PDP**") financing, new commercial loans and aircraft bank loans, bonds, other debt and capital financing, and the asset-light strategy including disposal of aircraft. In view of such circumstance, the directors of the Company have given due and careful consideration to the liquidity of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to fulfil its financial obligations and its capital commitments; and thus its ability to continue as a going concern. The directors of the Company adopted a going concern basis in preparing the consolidated financial statements based on the following assessments:

– According to the relevant aircraft purchase agreements, PDP scheduled to be paid in the next twelve months from 31 December 2018 amounted to HK$5,193.5 million. Up to the approval date of the consolidated financial statements, the Group had signed PDP financing agreements and commitment letters with various commercial banks which have agreed to provide financing of HK$4,243.5 million to the Group in the next twelve months from 31 December 2018. The remaining balance of PDP amounting to HK$950.0 million is to be funded by internal resources, available banking facilities or additional financing.

– The new commercial aircraft bank borrowings are primarily used for the PDP financing and aircraft acquisition cost. Such aircraft acquisition borrowing will only be confirmed before delivery of the relevant aircraft and 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 31 December 2018. The directors of the Company thus believe that long-term aircraft borrowings can be obtained or other internal resources, issuing bonds and available banking facilities can be used to settle the PDP financing and the remaining payments of the aircraft acquisition costs due in the next twelve months from 31 December 2018.

– For the existing long-term aircraft borrowings, under the business model of the Group, the expected cash inflows from lease receivables generally are sufficient for the required cash outflows for instalment repayments of the long-term aircraft borrowings over the entire lease term of the aircraft.

The directors of the Company have reviewed the Group's cash flow forecasts prepared by management, covering a period of not less than twelve months from 31 December 2018. The forecasts are based on a number of assumptions including aircraft delivery and leasing schedules, and/or disposal of aircraft, internal resources, available banking facilities that have been granted or will be granted, other available sources of financing, and the amount of capital commitments.

On this basis, the directors of the Company are of the opinion that, the Group expects to have sufficient working capital to finance its operations and to meet its financial obligations, including those capital commitments in the next twelve months from 31 December 2018. Accordingly, the directors of the Company consider that the Group will be in a position to continue as a going concern and have prepared the consolidated financial statements on a going concern basis.

(b) New and amended standards adopted by the Group

The following standards and amendments have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2018:

- HKFRS 9, 'Financial instruments'
- HKFRS 15, 'Revenue from contracts with customers'
- Amendments to HKFRS 2, 'Classification and measurement of share-based payment transactions'
- Amendment to HKAS 28, 'Investments in associates and joint ventures'
- HK (IFRIC) 22, 'Foreign currency transactions and advance consideration'

The impact of adoption of HKFRS 9 is disclosed in Note 2.2 below. Other new and revised HKFRSs did not have a material impact on the Group's accounting policies and did not require retrospective adjustments.

(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 2019 and have not been early adopted in preparing the consolidated financial statements for the year ended 31 December 2018.

	Effective Date
HKFRS 16, 'Leases'	1 January 2019
HK (IFRIC) 23, 'Uncertainty over income tax treatments'	1 January 2019
Amendments to HKFRS 9, 'Prepayment features with negative compensation'	1 January 2019
Amendments to HKAS 19, 'Plan amendment, curtailment or settlement'	1 January 2019
Amendment to HKAS 28, 'Long-term interests in associates and joint ventures'	1 January 2019
Annual improvements to HKFRS standards 2015 – 2017 cycle	1 January 2019
Amendments to HKFRS 10 and HKAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	1 January 2022

Management's preliminary assessment is that except HKFRS16 disclosed below, the application of the above standards, amendments and interpretations will not have a material impact on the Group.

HKFRS 16, 'Leases'

HKFRS 16 was issued in January 2016. HKFRS 16 will result in virtually all leases being recognised on the balance sheet for the lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the operating leases where the Group is a lessee. As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$40.7 million and commitments of HK$36.3 million will result in the recognition of an asset and a liability for future payments and affect the Group's profit and classification of cash flows.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

2.2 Changes in accounting policy

This note explains the impact of the adoption of HKFRS 9, 'Financial Instruments' on the Group's consolidated financial statements.

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9, 'Financial Instruments' from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. There was no significant impact on the classification and measurements of the Group's financial assets and financial liabilities at the date of initial application of HKFRS 9. The adjustments arising from the new impairment rules are therefore not reflected in the consolidated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

Consolidated financial statement items	As at 31 December 2017 As originally presented	Increase in provision for finance lease receivables	As at 1 January 2018 Restated
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Finance lease receivables – net	12,556,201	(9,909)	12,546,292
LIABILITIES			
Deferred income tax liabilities	544,549	(124)	544,425
EQUITY			
Retained earnings	1,497,677	(9,785)	1,487,892

3 FINANCE LEASE RECEIVABLES – NET

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Finance lease receivables	**3,790,263**	7,139,331
Guaranteed residual values	**5,849,909**	6,519,844
Unguaranteed residual values	**6,548,174**	7,284,728
Gross investment in leases	**16,188,346**	20,943,903
Less: Unearned finance income	**(6,153,437)**	(8,387,702)
Net investment in leases	**10,034,909**	12,556,201
Less: Accumulated allowance for impairment	**(14,093)**	–
Finance lease receivables – net	**10,020,816**	12,556,201

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

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Gross investment in finance leases	**16,188,346**	20,943,903
Less: Unguaranteed residual values	**(6,548,174)**	(7,284,728)
Minimum lease payments receivable	**9,640,172**	13,659,175
Less: Unearned finance income related to minimum lease payments receivable	**(3,406,188)**	(4,996,644)
Present value of minimum lease payments receivable	**6,233,984**	8,662,531

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

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Gross investment in finance leases		
– Not later than 1 year	**952,009**	851,211
– Later than 1 year and not later than 5 years	**1,955,373**	3,557,303
– Later than 5 years	**13,280,964**	16,535,389
	16,188,346	20,943,903

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

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Present value of minimum lease payments receivable		
– Not later than 1 year	**542,839**	298,044
– Later than 1 year and not later than 5 years	**1,112,478**	863,357
– Later than 5 years	**4,578,667**	7,501,130
	6,233,984	8,662,531

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

	As at 31 December			
	2018		2017	
	HK$'000	*%*	*HK$'000*	*%*
Categorised by customer in terms of lease receivables:				
Five largest airline companies	**8,060,406**	**80%**	9,314,147	74%
Other airline companies	**1,960,410**	**20%**	3,242,054	26%
Finance lease receivables – net	**10,020,816**	**100%**	12,556,201	100%

4 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Long-term debt investments	**499,323**	–

CAG Bermuda 1 Limited and its subsidiaries (collectively as "**CAG Group**") are principally engaged in lease-attached aircraft portfolio investment. CAG Bermuda 1 Limited uses the fund injected through the shareholder's loan from the Group and the mezzanine financing from other investors at a ratio of 20% to 80%, together with a shareholding between the Group and other investors at the same ratio. Pursuant to shareholders' agreement and shareholder loan agreement, all investors of CAG Bermuda 1 Limited committed to invest in CAG Bermuda 1 Limited through shareholder loans according to the shareholding proportion. The Group's committed shareholder loan is approximately US$94.7 million (equivalent to approximately HK$741.8 million).

5 BANK BORROWINGS

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Bank borrowings for aircraft acquisition financing (a)	**15,634,391**	13,981,599
PDP financing (b)	**3,455,263**	1,709,129
Working capital borrowings (c)	**77,098**	767,683
	19,166,752	16,458,411

(a) Bank borrowings for aircraft acquisition financing are principally based on fixed or floating US dollar London Interbank Offered Rate interest rates. As at 31 December 2018, 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$128,678,000 (2017: HK$312,434,000).

(b) As at 31 December 2018, PDP financing of HK$2,184,082,000 (2017: HK$478,817,000) was unsecured and guaranteed by the Company. Other PDP financing was secured by certain rights and benefits in respect of the acquisition of the aircraft, and guarantees from certain companies of the Group.

(c) As at 31 December 2018, the Group had aggregate unsecured working capital borrowings of HK$77,098,000 (2017: HK$767,683,000) which were guaranteed by certain companies of the Group.

6 LONG-TERM BORROWINGS

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Borrowings from trust plans (a)	**5,114,323**	5,018,672
Other borrowings (b)	**322,120**	310,724
	5,436,443	5,329,396

(a) As at 31 December 2018, 46 borrowings (2017: 43 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% (2017: 3.5% to 7.8%) per annum for remaining terms of five to 11 years (2017: six to 11 years). These long-term borrowings are secured by the shares of, and the aircraft held by the relevant subsidiaries, guaranteed by certain companies of the Group, and pledge of deposits amounting to HK$44,296,000 (2017: HK$41,969,000).

(b) As at 31 December 2018, four borrowings (2017: four borrowings) were obtained through a structured financing arrangement for four aircraft (2017: four aircraft) delivered to airlines. These borrowings bear an effective interest rate ranging from 3.9% to 5.7% (2017: 3.9% to 5.7%) per annum for their remaining terms of six to seven years (2017: seven to eight 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.

As at 31 December 2018, after deducting the issuing cost, the total carrying amount of these notes was HK$758,831,000 (2017: HK$798,094,000).

8 CONVERTIBLE BONDS

	Liability	Equity	Total
	HK$'000	*HK$'000*	*HK$'000*
Carrying value as at 1 January 2017	292,706	37,163	329,869
Repurchase of convertible bonds during 2017	(147,802)	(18,582)	(166,384)
Interest accrued at effective interest rate (inclusive of arrangement fees) during 2017	23,107	–	23,107
Interest paid (inclusive of arrangement fees) during 2017	(14,821)	–	(14,821)
Carrying value as at 31 December 2017 and 1 January 2018	**153,190**	**18,581**	**171,771**
Interest accrued at effective interest rate (inclusive of arrangement fees) during 2018	**7,012**	**–**	**7,012**
Interest paid (inclusive of arrangement fees) during 2018	**(5,042)**	**–**	**(5,042)**
Redemption during 2018	**(155,160)**	**(18,581)**	**(173,741)**
Carrying value as at 31 December 2018	**–**	**–**	**–**

In April and May 2015, the Company completed the issue of convertible bonds at par values of HK$387.9 million, HK$116.4 million and HK$387.9 million respectively to China Huarong International Holdings Limited ("**Huarong**"), China Great Wall AMC (International) Holdings Company Limited ("**Great Wall**") and China Everbright Financial Investments Limited ("**CE Financial**"). These bonds bear coupon interest at 3.0% per annum and arrangement fees of 3.5% per annum with maturity of three years from the issue date and can be converted into shares at the holder's option at any time between the 41st day from issue date and to the 10th day prior to maturity date. The conversion price is HK$11.28 per share, subject to adjustment in accordance with the terms and conditions of the bonds.

In July 2016, the Company entered into separate agreements with Huarong, Great Wall and CE Financial to repurchase issued convertible bonds in the aggregate principal amount of HK$581,850,000 for an aggregate consideration of HK$590,578,000 plus the relevant interest and fees. This included a repurchase from CE Financial in a principal amount of HK$77,580,000. Based on the fair value estimated and redemption expenses at the completion of repurchase on 25 July 2016, a liability component of HK$524,370,000 and equity component of HK$79,378,000 were derecognised, and a net loss of HK$39,000 was charged to "Other gains" for the year ended 31 December 2016.

In May 2017, the Company entered into a separate agreement with CE Financial to repurchase issued convertible bonds in the aggregate principal amount of HK$155,160,000 for an aggregate consideration of HK$156,711,600 plus the relevant interest and fees. Based on the fair value estimated and redemption expenses at the completion of repurchase on 15 May 2017, a liability component of HK$147,802,000 and equity component of HK$18,582,000 were derecognised, of which HK$12,541,000 was realised and reclassified from convertible bonds reserve to retained earnings, and a net loss of HK$3,055,000 was charged to "Other gains" for the year ended 31 December 2017. After the repurchase, the principal amount of convertible bonds held by CE Financial was HK$155,160,000.

Interest expenses on the carrying amount of the liability component were paid or accrued at the effective interest rate (inclusive of arrangement fees) of 11.8% (2017: 11.8%) to adjust the carrying amount of the liability component to its amortised cost, being the present value of the expected future cash flows relating to periodic interest payments and principal repayment at par value at the maturity date.

In May 2018, the convertible bonds with aggregate principal amount of HK$155,160,000 were fully redeemed upon maturity.

9 BONDS

In May 2016, the Group issued three-year US$300 million senior unsecured bonds due in 2019, bearing coupon interest at 5.9% per annum, payable semi-annually.

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.

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. After deducting the issuing cost, total carrying amount of these bonds as at 31 December 2018 was HK$8,580,407,000 (2017: HK$8,538,932,000).

10 LEASE INCOME AND SEGMENT INFORMATION

During the year ended 31 December 2018, the Group was engaged in a single business segment, the provision of aircraft leasing services to airline companies in the United States, Mainland China and other countries or regions in Europe, Asia and South America. 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			
	2018		2017	
	HK$'000	*%*	*HK$'000*	*%*
Categorised by customer in terms of lease income:				
Airline Company – A	**235,802**	**10%**	195,807	11%
Airline Company – B	**196,249**	**8%**	180,621	10%
Airline Company – C	**154,336**	**7%**	184,255	10%
Airline Company – D	**152,403**	**7%**	177,541	10%
Airline Company – E	**145,189**	**6%**	122,748	7%
Other airline companies	**1,450,168**	**62%**	985,246	52%
Total finance and operating lease income	**2,334,147**	**100%**	1,846,218	100%

11 NET GAIN FROM AIRCRAFT TRANSACTIONS

The net gain from aircraft transactions for the year ended 31 December 2017 represented the gain from disposal of the finance lease receivables of 21 aircraft. Certain wholly-owned subsidiaries of the Group signed separate contracts with the trust plans to transfer their future aircraft lease receivables under their separate aircraft lease agreements with certain airline companies to the trust plans. As the Group has transferred substantially all the risks and rewards related to the lease receivables, it derecognised the corresponding finance lease receivables and recorded the gain from disposal of finance lease receivables in the consolidated financial statements.

The net gain from aircraft transactions for the year ended 31 December 2018 included the gain from disposal of the finance lease receivables of three aircraft, the gain from disposal of two aircraft to a wholly-owned subsidiary of Aircraft Recycling International Limited ("**ARI**"), and the gain from one lease-attached aircraft disposed to a wholly-owned subsidiary of ARI and the net gain from 18 lease-attached aircraft disposed to CAG Group by way of transferring the share interests of those wholly-owned subsidiaries which own direct interests in the lease-attached aircraft and leases, determined by comparing the net proceeds with the relevant carrying amount of net assets less transaction costs and other expenses.

12 OTHER INCOME

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Government grants	**222,135**	204,207
Interest income from loans to an associate	**85,876**	71,448
Bank interest income	**18,897**	28,453
Servicer fees income from CAG Group	**5,536**	–
Operating lease income on office premises from related parties	**1,402**	1,275
Operating lease income on other assets from a related party	**2,640**	1,320
Operating lease income on office premises from an associate	**3,106**	3,790
Others	**42,089**	23,717
	381,681	334,210

13 OTHER GAINS

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Unrealised gain/(loss) on currency swap	**1,124**	(9,381)
Realised gains on interest rate swaps	**16,252**	58,735
Fair value gains on interest rate swaps	**26,659**	–
Currency exchange gains/(losses)	**18,168**	(4,282)
Interest income from CAG Group	**9,019**	–
Loss on repurchase of convertible bonds	**–**	(3,055)
Gain on disposal of property, plant and equipment	**–**	50
	71,222	42,067

14 INCOME TAX EXPENSES

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Current income tax:		
Mainland China, Hong Kong and others	**50,002**	72,250
Deferred income tax	**128,160**	205,327
	178,162	277,577

15 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 2017 and 2018.

	Year ended 31 December	
	2018	2017
Profit attributable to shareholders of the Company *(HK$'000)*	**808,913**	734,663
Weighted average number of ordinary shares in issue *(number of shares in thousands)*	**677,721**	675,464
Basic earnings per share *(HK$ per share)*	**1.194**	1.088

(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 issue of ordinary shares for less than the average market price of ordinary shares during the financial period. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the period) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	Year ended 31 December	
	2018	2017
Earnings		
Profit attributable to shareholders of the Company *(HK$'000)*	**808,913**	734,663
Weighted average number of ordinary shares for diluted earnings per share		
Weighted average number of ordinary shares in issue *(number of shares in thousands)*	**677,721**	675,464
Adjustment for:		
– Share options *(number of shares in thousands)*	**–**	2,574
Weighted average number of ordinary shares for diluted earnings per share *(number of shares in thousands)*	**677,721**	678,038
Diluted earnings per share *(HK$ per share)*	**1.194**	1.084

16 DIVIDENDS

A final dividend of HK$0.42 per ordinary share totalling HK$284.8 million for the year ended 31 December 2017 was paid in June 2018.

An interim dividend of HK$0.22 per ordinary share totalling HK$149.0 million was paid in September 2018.

On 21 March 2019, the Board recommended a final dividend of HK$0.44 per ordinary share totalling HK$298.0 million which is calculated based on 677,269,380 issued shares as at 21 March 2019. The proposed dividend is not reflected as a dividend payable in the consolidated financial statements as at 31 December 2018, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2019.

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Interim dividend paid of HK$0.22 (2017: HK$0.18) per ordinary share	**148,999**	122,072
Proposed final dividend of HK$0.44 (2017: HK$0.42) per ordinary share	**297,999**	284,837
Total	**446,998**	406,909

FINAL DIVIDENDS

The Board has recommended the payment of a final dividend of HK$0.44 per share (2017: HK$0.42 per share) in respect of the year ended 31 December 2018 to shareholders whose names appear on the register of members of the Company on 22 May 2019. The proposed final dividend will be paid on or about 6 June 2019, following approval at the annual general meeting of the Company to be held on 10 May 2019 (the "**AGM**").

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 of the Company 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 6 May 2019
b)	Closure of Register of Members	7 May 2019 to 10 May 2019 *(both dates inclusive)*

(ii) For determining entitlement to the final dividend:

a)	Latest time to lodge transfer documents for registration	4:30 pm on 20 May 2019
b)	Closure of Register of Members	21 May 2019 to 22 May 2019 *(both dates inclusive)*
c)	Record date	22 May 2019

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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than the time set out above.

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

The Company repurchased a total of 914,000 ordinary shares of the Company at the highest price and the lowest price per share of HK$7.99 and HK$7.85 respectively on the Stock Exchange for the year ended 31 December 2018 at an aggregate consideration of approximately HK$7,234,000 (before expense). All the repurchased shares were subsequently cancelled by the Company on 13 July 2018.

Save as disclosed above, during the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

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

The Company has complied with all Code Provisions as set out in the CG Code during the year ended 31 December 2018.

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 enquiries 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 AND REVIEW OF THE FINANCIAL STATEMENTS

As at the date of this announcement, the Company's Audit Committee consisted of Mr. CHOW Kwong Fai, Edward (chairman of the Audit Committee), Mr. FAN Yan Hok, Philip, Mr. NIEN Van Jin, Robert and Mr. CHEOK Albert Saychuan, all of them are Independent Non-executive Directors. During the year, the Audit Committee has reviewed with the management team and PricewaterhouseCoopers ("**PwC**"), the 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 financial results of the Group for the year ended 31 December 2018.

The consolidated financial statements of the Group for the year ended 31 December 2018 have been audited by PwC in accordance with Hong Kong Financial Reporting Standards.

AGM AND PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company at www.calc.com.hk and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The AGM is scheduled to be held on 10 May 2019. The notice of the AGM and the 2018 annual report will be dispatched to the shareholders of the Company 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, 21 March 2019

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