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 2017

The Board of Directors (the "**Board**") of China Aircraft Leasing Group Holdings Limited ("**CALC**" or the "**Company**") announces the unaudited interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2017 as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2017	2016	Change
	HK$'Million	*HK$'Million*	
Revenue and other income	**1,258.0**	1,026.6	+22.5%
Profit for the period	**248.7**	240.0	+3.6%
EPS (Basic) *(HK$)*	**0.370**	0.392	-5.6%
Interim dividend per share *(HK$)*	**0.18**	0.14	+28.6%

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM BUSINESS REVIEW

Aircraft Leasing

During the first half of 2017, CALC took delivery of nine aircraft, seven of them new, growing its fleet to 90 aircraft as at 30 June 2017.

The Group is expected to deliver 20 more aircraft in the second half of 2017, thereby expanding its fleet to no fewer than 110 aircraft by the end of 2017. CALC also expects to build on this as the year progresses through various means including portfolio trading, and purchase and leaseback agreements.

CALC has one of the youngest fleet with the longest average remaining lease term among its peers. Its fleet has an average age of 3.8 years and average remaining lease term of approximately nine years.

In line with its globalisation initiative, CALC continued to expand and diversify its customer portfolio in the first half of 2017, during which CALC fostered new relationships with airlines, including leading carriers in markets in which it operates, and widened its client base. All nine of the aircraft delivered in the first half of 2017 were leased to new customers, of which six were leased to overseas clients. As a result, CALC's client base increased from 16 airlines as at the end of 2016 to 20 airlines in eight countries and regions as at 30 June 2017.

In April 2017, CALC signed agreements with Airbus S.A.S. ("**Airbus**") for the pop-up orders of three A320 aircraft to be delivered this year. In addition, CALC entered into its first purchase order in June 2017 with The Boeing Company ("**Boeing**") for 50 new 737 MAX series aircraft, scheduled for delivery in stages up to 2023. This order includes 15 of the 737 MAX 10 model, making CALC among the inaugural customers of this latest version of Boeing's 737 jetliner. These arrangements not only mark a major step towards expanding and diversifying CALC's fleet, but also underscore Airbus and Boeing's vote of confidence in CALC's strong marketing and efficient placing capabilities.

With 90 aircraft in its current fleet and 138 very popular narrow-body aircraft on order as at 30 June 2017, together with portfolio trading and purchase and leasebacks, among other arrangements, CALC is looking to expand its fleet size to no fewer than 232 aircraft by the end of 2023. This aircraft portfolio has enabled CALC to provide a wider range of solutions to meet airline customers' varying demands in this dynamic market.

Financing

In March 2017, the Group took advantage of the low interest rate environment and issued its third US dollar senior unsecured bond, comprising US$300 million five-year and US$200 million seven-year bonds with coupon rates of 4.7% and 5.5% respectively. These bonds, with a longer maturity date and a reduced interest rate as compared with those previously issued, were over-subscribed among a wide range and diverse pool of investors. The issuance placed CALC in a healthier debt profile while boosting its working capital to support its fleet expansion strategy.

The Group continued to bolster its balance sheet. In May 2017, CALC repurchased convertible bonds in an aggregate principal amount of HK$155.2 million from China Everbright Financial Investments Limited.

During the first half of 2017, CALC completed the disposal of finance lease receivables for 10 aircraft. Since its foray in 2013, CALC has made disposal of finance lease receivables a regular transaction, thus increasing the efficiency with which it utilises equity and debt.

In the context of forecast US dollar interest rate hikes, CALC took an early step to arrange interest rate swaps for those aircraft loans with floating interest rates to mitigate the risk of interest rate fluctuations. As at 30 June 2017, only one out of 90 aircraft in CALC's fleet was subject to mismatch between fixed US dollar rental and US dollar long-term floating interest rate loan, excluding five aircraft being identified for disposal of finance lease receivables arrangements in the short term.

Aircraft Recycling International Limited ("ARI")

With 48% of its equity interest held by CALC, ARI is the first company in Asia to provide turnkey solutions for mid- to late-life aircraft. Its comprehensive used aircraft solutions include purchase and leasebacks, trading of aircraft components, teardown and recycling, maintenance, repair and overhaul, and aircraft conversion. ARI builds solutions for mid- to old-aged aircraft to maximise their value over the entirety of the aircraft's life spans.

ARI currently has 10 aircraft in its fleet, among which four are leased to Sichuan Airlines (one under a joint venture) while the other six are under negotiation for trade-out. The construction of an aircraft recycling facility in Harbin, the world's largest in scale, is progressing well and is expected to be completed by the fourth quarter of 2017.

In March 2017, ARI completed the acquisition of 100% equity interest in Universal Asset Management, Inc. ("**UAM**"), one of the world's leading global diversified aviation solutions providers based in Tennessee, US. This acquisition will create a global state-of-the-art aircraft life cycle solutions platform and further strengthen CALC's position as an aircraft full value chain solutions provider.

Awards

In recognition of its outstanding services and effective financing solutions, CALC was named "Lessor of the Year of 2016" by Global Transport Finance, for a second time it has won this award. For its excellence in corporate governance, CALC was named "Best Investor Relations Company" and "Asia's Best CEO (Investor Relations)" by Corporate Governance Asia, as well as being honored in the "Quam IR Awards". CALC also won the "Most Promising New Stock Award" organised jointly by Finet and qq.com.

Passage of the Hong Kong Inland Revenue Amendment Bill for Aircraft Leasing Incentives

In June 2017, the Legislative Council passed the "Inland Revenue (Amendment) (No. 2) Bill 2017", which significantly reduces the effective tax rate for aircraft transactions in Hong Kong. This initiative is aimed at enhancing Hong Kong's competitiveness in the global aircraft leasing arena and attracting international lessors and aviation businesses to Hong Kong.

CALC welcomes the passage of the bill. Over the years, CALC has, through different channels, worked with the industry to relay to the government the industry's needs. CALC has been working closely with the aviation community to set up Hong Kong Aircraft Leasing and Aviation Finance Association. Mr. Chen Shuang, Chairman of CALC, is honored to be the first Chairman of the Association, while Mr. Mike Poon, CALC's CEO is acting as its Founding Chief Advisor. Capitalising on its expertise in global aviation finance and its past experience working with Tianjin government in developing the city into one of China's major leasing hubs, the Group hopes to play a role in establishing Hong Kong as an international aircraft leasing hub and aviation finance centre.

Meanwhile, CALC is planning to extend its leasing platforms to Hong Kong, in addition to the existing Dublin, Tianjin and Shanghai platforms, so as to bolster its strength in addressing the myriad needs of customers from different regions and further support its globalisation initiative.

Outlook

Looking ahead, CALC will remain focused on enhancing its reputation as an aircraft full value chain solutions provider that offers a combination of innovative, value-added solutions for clients. It will continue to develop its customer-centric business model and promote vertical integration within the Group. CALC's long-term fundamentals remain strong and the Group will capitalise on its momentum to move beyond the status quo.

CALC remains steadfast to its strategy of growing the Group's fleet and diversifying its global customer base. This year, CALC will celebrate its 100th aircraft delivery during the journey to strengthening its fleet to no fewer than 110 aircraft by year end, a phenomenal target benchmark that will be underpinned by its outstanding services. In addition to the disposal of finance lease receivables, CALC is seeking to establish the China Aircraft Global (CAG) venture with other institutional investors to serve as a brand new platform for aircraft leasing and transactions. Such moves are aimed at utilising the Group's equity and debt more effectively. With the development of ARI and UAM, CALC will be able to meet clients' need for fleet planning and asset management with more diverse and sophisticated solutions.

1. RESULTS

For the six months ended 30 June 2017, the Group delivered nine aircraft, which increased its fleet size to 90. Revenue and other income was HK$1,258.0 million, an increase of HK$231.4 million or 22.5% from the corresponding period last year. Profit for the period ended 30 June 2017 amounted to HK$248.7 million, an increase of HK$8.7 million or 3.6% compared with the corresponding period last year. This was mainly due to increased lease income from continued expansion of the scale of the Group's aircraft leasing business and gains from disposal of finance lease receivables generated during the period under review.

Total assets value was HK$34,028.7 million as at 30 June 2017, compared with HK$30,900.2 million as at 31 December 2016, an increase of HK$3,128.5 million or 10.1%. The increase in assets was mainly due to the increase in fleet size and a stronger cash position following the issuance of bonds and disposal of finance lease receivables during 2017. Total liabilities amounted to HK$30,974.2 million as at 30 June 2017, an increment of HK$3,117.4 million or 11.2% compared with the HK$27,856.8 million as at 31 December 2016.

The equity attributable to owners of the Company was HK$3,054.5 million as at 30 June 2017 compared with HK$3,043.3 million as at 31 December 2016, an increase of HK$11.2 million or 0.4%.

2. ANALYSIS OF INCOME AND EXPENSES

	Unaudited Six months ended 30 June		
	2017	2016	Change
	HK$'Million	*HK$'Million*	
Finance lease income	**540.6**	617.1	-12.4%
Operating lease income	**340.3**	176.7	92.6%
Total lease income	**880.9**	793.8	11.0%
Gain from disposal of finance lease receivables	**289.6**	145.1	99.6%
Government grants	**49.4**	81.9	-39.7%
Bank interest income	**19.6**	2.7	625.9%
Interest income from loans to an associate	**12.4**	–	N/A
Operating lease income on office premises from related parties	**3.0**	1.3	130.8%
Sundry income	**3.1**	1.8	72.2%
Other income	**377.1**	232.8	62.0%
Total revenue and other income	**1,258.0**	1,026.6	22.5%
Total expenses and losses	**(915.2)**	(691.4)	32.4%
Profit before income tax	**342.8**	335.2	2.3%
Income tax expenses	**(94.1)**	(95.2)	-1.2%
Profit for the period	**248.7**	240.0	3.6%

2.1 Total Revenue and Other Income

For the six months ended 30 June 2017, total revenue and other income amounted to HK$1,258.0 million compared with HK$1,026.6 million for the corresponding period last year, an increase of HK$231.4 million or 22.5%.

Total lease income from finance leases and operating leases for the six months ended 30 June 2017 was totalled HK$880.9 million, compared with HK$793.8 million for the six months ended 30 June 2016, an increase of HK$87.1 million or 11.0%. The decrease in finance lease income was due to disposal of finance lease receivables for 10 aircraft during the six months ended 30 June 2017. The growth in operating lease income was attributable to the increase in fleet size under operating leases from 10 aircraft as at 30 June 2016 to 25 aircraft as at 30 June 2017.

In addition, the Group recognised a total gain of HK$289.6 million from the disposal of finance lease receivables during the six months ended 30 June 2017, an increase of HK$144.5 million or 99.6% compared with HK$145.1 million for the six months ended 30 June 2016. During the period under review, the Group completed disposal of finance lease receivables for 10 aircraft (six months ended 30 June 2016: four aircraft). The rise in the number of disposal transactions underlines the ever-growing knowledge and confidence of investors in the aircraft leasing industry, as well as the increasing demand for USD-denominated aircraft finance products with stable return. Such transactions have played an important part in the Group's regular business and financing strategies, and it intends to continue pursuing them.

Government grants for the six months ended 30 June 2017 amounted to HK$49.4 million, compared with HK$81.9 million for the six months ended 30 June 2016, a decrease of HK$32.5 million or 39.7%.

2.2 Total Expenses and Losses

During the six months ended 30 June 2017, the Group had the following expenses and losses:

	Unaudited Six months ended 30 June		
	2017	2016	Change
	HK$'Million	*HK$'Million*	
Interest expenses	**614.6**	475.4	29.3%
Depreciation	**131.4**	69.8	88.3%
Other operating expenses	**157.9**	137.8	14.6%
Other losses	**5.7**	8.4	-32.1%
Share of loss of an associate	**5.6**	–	N/A
Total expenses and losses	**915.2**	691.4	32.4%

(a) Interest Expenses

For the six months ended 30 June 2017, interest expenses incurred by the Group amounted to HK$614.6 million compared with HK$475.4 million in the corresponding period last year, an increase of HK$139.2 million or 29.3%. This was mainly due to increased total borrowings as a result of the issuance of second and third bonds in August 2016 and March 2017, the issuance of medium-term notes in November 2016, and the full period effect of interest expenses incurred from the first bonds issued in May 2016.

(b) Depreciation

Depreciation on the Group's aircraft under operating leases, leasehold improvements and office equipment for the six months ended 30 June 2017 was HK$131.4 million compared with HK$69.8 million in the corresponding period last year, an increase of HK$61.6 million or 88.3%. This was mainly because the number of aircraft under operating leases increased from 10 aircraft as at 30 June 2016 to 25 as at 30 June 2017.

(c) Other Operating Expenses

Other operating expenses mainly represented salaries and bonuses; professional fees related to the aircraft leasing business; rentals and office administration expenses. The Group's globalisation strategy, which includes plans to diversify its overseas client base and expand overseas offices, led to an increase in manpower and business running costs.

3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets

As at 30 June 2017, the Group's total assets amounted to HK$34,028.7 million, compared with HK$30,900.2 million as at 31 December 2016, an increase of HK$3,128.5 million or 10.1%.

	Unaudited As at 30 June 2017 *HK$'Million*	Audited As at 31 December 2016 *HK$'Million*	Change
Finance leases receivables – net	**13,471.9**	15,031.0	-10.4%
Property, plant and equipment	**8,585.5**	6,214.1	38.2%
Interests in and loans to an associate	**1,152.1**	444.4	159.2%
Cash and bank balances	**6,762.1**	6,016.8	12.4%
Pre-delivery payments ("**PDP**") and other receivables	**3,963.1**	3,062.8	29.4%
Derivative financial assets	**94.0**	131.1	-28.3%
Total assets	**34,028.7**	30,900.2	10.1%

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

The majority of total assets as at 30 June 2017 represented finance lease receivables and property, plant and equipment.

Finance lease receivables represented the present value of minimum lease amount receivables from aircraft classified as finance leases and their residual values. Despite an increase in the fleet size under finance leases, there was a net decrease in finance lease receivables from HK$15,031.0 million as at 31 December 2016 to HK$13,471.9 million as at 30 June 2017 because the Group completed disposal of finance lease receivables for 10 aircraft during the six months ended 30 June 2017.

Property, plant and equipment mainly represented the cost of aircraft classified as operating leases, net of their accumulated depreciation. During the six months ended 30 June 2017, seven of the newly delivered aircraft were classified as operating leases, resulting in an increase in property, plant and equipment.

	Finance leases	Finance lease receivables disposed	Total aircraft under finance leases	Total aircraft under operating leases	**Total fleet size**
As at 30 June 2016	49	11	60	10	**70**
– Disposed	(10)	10	–	–	**–**
– Delivered	3	–	3	8	**11**
As at 31 December 2016	42	21	63	18	**81**
– Disposed	(10)	10	–	–	**–**
– Delivered	2	–	2	7	**9**
As at 30 June 2017	34	31	65	25	**90**

3.1.2 Interests in and Loans to an Associate

Pursuant to the shareholders' loan agreement, the Group granted loans to Aircraft Recycling International Limited ("**ARI**") which are unsecured, 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. The increase in the amount of interests in and loans to an associate was due to the increase in loan amounts granted to ARI.

3.1.3 Cash and Bank Balances

Cash and bank balances increased by HK$745.3 million or 12.4% from HK$6,016.8 million as at 31 December 2016 to HK$6,762.1 million as at 30 June 2017, mainly due to proceeds from an issuance of bonds in aggregate amount of US$500.0 million in March 2017 and sales proceeds received from the disposal of finance lease receivables for 10 aircraft.

3.2 Liabilities

As at 30 June 2017, the Group's total liabilities amounted to HK$30,974.2 million, compared with HK$27,856.8 million as at 31 December 2016, an increase of HK$3,117.4 million or 11.2%.

An analysis is given as follows:

	Unaudited As at 30 June 2017 *HK$'Million*	Audited As at 31 December 2016 *HK$'Million*	Change
Bank borrowings	**15,356.5**	17,834.7	-13.9%
Bonds	**8,524.2**	4,611.9	84.8%
Long-term borrowings	**3,502.5**	2,346.1	49.3%
Medium-term notes	**764.3**	740.1	3.3%
Deferred income tax liabilities	**374.6**	332.8	12.6%
Interest payables	**220.9**	153.4	44.0%
Convertible bonds	**149.6**	292.7	-48.9%
Derivative financial liabilities	**18.6**	15.0	24.0%
Income tax payables	**8.5**	43.3	-80.4%
Other payables and accruals	**2,054.5**	1,486.8	38.2%
Total liabilities	**30,974.2**	27,856.8	11.2%

3.2.1 Bank Borrowings

The analysis of bank borrowings is as follows:

	Unaudited As at 30 June 2017 *HK$'Million*	Audited As at 31 December 2016 *HK$'Million*	Change
Secured bank borrowings for aircraft acquisition financing	**13,201.4**	15,131.6	-12.8%
PDP financing	**1,855.5**	2,236.9	-17.1%
Working capital borrowings	**299.6**	466.2	-35.7%
Total bank borrowings	**15,356.5**	17,834.7	-13.9%

Secured bank borrowings for aircraft acquisition financing are principally based on fixed or floating US dollar ("**US$**") London Interbank Offered Rate ("**LIBOR**") rates. As at 30 June 2017, the bank borrowings were secured by, in addition to legal charges, the related aircraft leased to airline companies under either finance leases or operating leases; pledge of the shares of the subsidiaries owning the related aircraft; guarantees from certain companies of the Group; and pledge of deposits amounting to HK$51.9 million (31 December 2016: HK$51.7 million). The decrease in bank borrowings was mainly due to bank loan repayments upon the disposal of finance lease receivables during the six months ended 30 June 2017.

PDP was required to be made under the aircraft acquisition agreements with Airbus S.A.S. ("**Airbus**") and The Boeing Company ("**Boeing**"). The PDP financing was subject to floating interest rates and was used for the settlement of the PDP for the aircraft committed to be purchased and delivered under the relevant aircraft acquisition agreements. As at 30 June 2017 and 31 December 2016, PDP financing was secured by rights and benefits in respect of the acquisition of the aircraft and guarantees from certain companies of the Group.

As at 30 June 2017, the Group had aggregate unsecured working capital borrowings of HK$299.6 million (31 December 2016: HK$466.2 million), which were guaranteed by certain companies of the Group.

The Group's financial resources, including cash on hand, banking facilities and bond issues, will provide sufficient financial resources for its operating activities and its current and potential investment opportunities.

3.2.2 Bonds

In May 2016, the Group issued three-year US$300.0 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$300.0 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$500.0 million, of which US$300.0 million are five-year bonds due in 2022 bearing coupon interest at 4.7% per annum, and US$200.0 million are seven-year bonds due in 2024 bearing coupon interest at 5.5% per annum. The interest is payable semi-annually.

These bonds were listed on The Stock Exchange of Hong Kong and are guaranteed by the Company. As at 30 June 2017, after deducting the issuing cost, the total carrying amount of these bonds was HK$8,524.2 million (31 December 2016: HK$4,611.9 million).

3.2.3 Long-term Borrowings

The increase was mainly due to two reasons:

Firstly, an increase in the number of borrowings provided by trust plans to the Group from 21 as at 31 December 2016 to 31 as at 30 June 2017. The effective average interest rates of these borrowings range from 6.0% to 7.8% (31 December 2016: 6.0% to 7.8%) per annum for remaining terms of seven to 11 years (31 December 2016: same). These long-term borrowings are secured by the shares of, and the aircraft held by, the relevant subsidiaries and guaranteed by certain companies of the Group. The trust plans are also counterparties to the disposal of finance lease receivable transactions entered into with the relevant subsidiaries.

Secondly, the number of borrowings obtained through a structured financing arrangement increased from two as at 31 December 2016 to four as at 30 June 2017. These borrowings bear an effective interest rate ranging from 3.9% to 5.7% per annum (31 December 2016: 5.7% per annum) for their remaining terms of seven to eight years (31 December 2016: eight years) and are guaranteed by the Company.

3.2.4 Medium-term Notes

In July 2015 and November 2016 respectively, the Group issued five-year unsecured medium-term notes in a principal amount of RMB340.0 million due in 2020 and five-year unsecured medium-term notes in a principal amount of RMB330.0 million due in 2021. These notes bear coupon interest at 6.50% and 4.19% per annum respectively. As at 30 June 2017, after deducting the issuing cost, the total carrying amount of these notes was HK$764.3 million (31 December 2016: HK$740.1 million).

3.2.5 Convertible Bonds

On 8 May 2017, the Company entered into a separate agreement with China Everbright Financial Investments Limited ("**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/(losses)". After the repurchase, the principal amount of convertible bonds held by CE Financial was HK$155,160,000.

4. ANALYSIS OF CASH FLOWS

The following table illustrates the cash position and cash flows for the six months ended 30 June 2017:

		Unaudited Six months ended 30 June	
		2017	2016
		HK$'Million	*HK$'Million*
I:	Aircraft in operation		
	Lease income	**1,017.8**	1,013.5
	Bank repayment	**(764.3)**	(860.4)
		253.5	153.1
II:	Aircraft purchase and delivery		
	Capital expenditure	**(3,028.6)**	(2,313.0)
	Bank borrowings	**1,734.4**	2,109.6
		(1,294.2)	(203.4)
III:	New aircraft not yet delivered		
	PDP paid	**(1,476.3)**	(951.5)
	PDP refunded	**898.1**	869.3
	PDP financing	**297.9**	1,098.0
	Repayment of PDP financing	**(742.8)**	(1,213.9)
		(1,023.1)	(198.1)
IV:	Net capital movement		
	Proceeds from exercise of share options	**16.2**	25.5
	Purchase of non-controlling interests	**–**	(19.5)
	Dividends paid	**(263.3)**	(110.5)
	Disposal of finance lease receivables and proceeds from long-term borrowings	**3,802.3**	1,566.3
	Early loan repayment on disposal of finance lease receivables	**(1,450.8)**	–
	Proceeds from issuance of bonds, net of transaction costs	**3,857.2**	2,301.2
	Net payments relating to loans to an associate	**(686.1)**	–
	Working capital loan net repayment and net cash generated from other operating activities	**(2,505.3)**	(541.6)
		2,770.2	3,221.4
Net increase in cash and cash equivalents		**706.4**	2,973.0
Cash and cash equivalents at beginning of the period		**5,840.7**	1,389.3
Currency exchange difference on cash and cash equivalents		**54.8**	(9.7)
Cash and cash equivalents at end of the period		**6,601.9**	4,352.6

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 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, PDP financing, issuance of bonds and medium-term notes, and proceeds from the disposal of finance lease receivables. 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 2017, 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:

	Unaudited As at 30 June 2017	Audited As at 31 December 2016	Change
	HK$'Million	*HK$'Million*	
Interest-bearing debts included in total liabilities	**28,297.2**	25,825.6	9.6%
Total assets	**34,028.7**	30,900.2	10.1%
Gearing ratio	**83.2%**	83.6%	-0.4p.p.

6. CAPITAL EXPENDITURE

During the six months ended 30 June 2017, capital expenditure of the Group was principally the purchase of aircraft to generate lease income. The primary source of financing for its capital expenditure was bank borrowings and bonds issuance.

The following table sets out the Group's capital expenditure:

	Unaudited Six months ended 30 June		
	2017	2016	Change
	HK$'Million	*HK$'Million*	
Acquisition of aircraft (for finance and operating leases)	**3,028.6**	2,313.0	30.9%
Acquisition of property, plant and equipment (excluding aircraft)	**0.3**	33.9	-99.1%
Total	**3,028.9**	2,346.9	29.1%

7. HUMAN RESOURCES

As at 30 June 2017, staff of the Group numbered 152 (30 June 2016: 107). Total remuneration of employees for the six months ended 30 June 2017 amounted to HK$57.4 million (six months ended 30 June 2016: HK$38.5 million).

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

8. CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

8.1 Contingent Liabilities

The Group had no material contingent liabilities outstanding as at 30 June 2017 (31 December 2016: nil).

8.2 Capital Commitments for Aircraft Acquisition and Aircraft Purchase Mandate

The Group's total aircraft purchase commitment amounted to HK$55.1 billion as at 30 June 2017 (31 December 2016: HK$35.4 billion), representing estimated total purchase costs of the aircraft contracted to be purchased and delivered, net of PDP paid.

In December 2014, the Group entered into an aircraft purchase agreement with Airbus for the purchase of 100 aircraft of the A320 family. Of these, 15 aircraft have been delivered up to 30 June 2017, with the rest planned to be delivered in stages up to 2022.

In April 2017, a further agreement was made with Airbus for the purchase of three additional aircraft of the A320 family, executed in the form of an amendment to the purchase agreement signed in 2014. These aircraft are planned to be delivered by the end of 2017.

At the 2017 annual general meeting of the Company held on 22 May 2017 (the "**Mandate Date**"), shareholders of the Company granted a general mandate (the "**Aircraft Purchase Mandate**") to the Directors to purchase new aircraft from Airbus and Boeing during the mandate period (as defined in the Aircraft Purchase Mandate), pursuant to which the Directors are authorised to purchase from either Airbus or Boeing, each limited to 70 aircraft of certain types with an aggregate list price not exceeding US$8.9 billion and US$8.3 billion respectively (equivalent to approximately HK$69.4 billion and HK$64.7 billion respectively). Further details of the Aircraft Purchase Mandate are set out in the circular of the Company dated 19 April 2017.

Since the Mandate Date, the Company has committed at the date of this announcement to purchase a cumulative total of 50 aircraft from Boeing with an aggregate list price of approximately US$5.8 billion (equivalent to approximately HK$45.3 billion) pursuant to the Aircraft Purchase Mandate. Please refer to the Company's announcement dated 14 June 2017 for further details.

In its agreements to purchase these aircraft, the Group has secured a series of scheduled deliveries which will enable it to achieve it targeted growth. For each aircraft, there is an obligation to make PDP at specific dates prior to their scheduled delivery.

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 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 manufacturer. These concessions take the form of credit memoranda, which the Group may apply towards the purchase of goods and services. These credit memoranda are generally incorporated into the final aircraft invoices and thus reduce the amount to be paid for each aircraft. As a result, the final purchase prices of the aircraft are expected to be substantially less than the manufacturer's list prices.

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

9. OTHER EVENT

Reference was made to the announcement of the Company dated 16 June 2017. Due to the non-fulfilment of certain terms and conditions under the Longjiang Aircraft Lease Agreements by Longjiang Airlines, the Company served two termination notices on 16 June 2017 to Longjiang Airlines for termination of two lease agreements, with effect from the date of receipt of such termination notices by Longjiang Airlines. In July 2017, the Company commenced legal proceedings in Heilongjiang High Court against Longjiang Airlines seeking, inter alia, damages arising from the above termination. The Board considers that the termination of the Longjiang Aircraft Lease Agreements has no material adverse impact on the existing business or financial position of the Group.

INTERIM CONSOLIDATED BALANCE SHEET

	Note	Unaudited As at 30 June 2017 HK$'000	Audited As at 31 December 2016 HK$'000
ASSETS			
Property, plant and equipment	4	**8,585,449**	6,214,103
Finance lease receivables – net	5	**13,471,942**	15,030,972
Interests in and loans to an associate		**1,152,057**	444,369
Derivative financial assets		**93,965**	131,113
Prepayments and other receivables		**3,963,117**	3,062,797
Restricted cash		**160,222**	176,087
Cash and cash equivalents		**6,601,927**	5,840,746
Total assets		**34,028,679**	30,900,187
EQUITY			
Equity attributable to owners of the Company			
Share capital		**67,734**	66,990
Reserves		**1,853,024**	1,839,694
Retained earnings		**1,133,756**	1,136,662
Total equity		**3,054,514**	3,043,346
LIABILITIES			
Deferred income tax liabilities		**374,585**	332,824
Bank borrowings	6	**15,356,525**	17,834,742
Long-term borrowings	7	**3,502,520**	2,346,110
Medium-term notes	8	**764,295**	740,126
Convertible bonds	9	**149,606**	292,706
Bonds	10	**8,524,243**	4,611,878
Derivative financial liabilities		**18,542**	14,973
Income tax payables		**8,516**	43,274
Interest payables		**220,919**	153,392
Other payables and accruals		**2,054,414**	1,486,816
Total liabilities		**30,974,165**	27,856,841
Total equity and liabilities		**34,028,679**	30,900,187

INTERIM CONSOLIDATED STATEMENT OF INCOME

	Note	Unaudited Six months ended 30 June 2017 HK$'000	2016 HK$'000
Revenue			
Finance lease income	*11*	**540,621**	617,135
Operating lease income	*11*	**340,291**	176,741
		880,912	793,876
Other income	*12*	**377,138**	232,761
Revenue and other income		**1,258,050**	1,026,637
Expenses			
Interest expenses		**(614,647)**	(475,421)
Depreciation		**(131,443)**	(69,834)
Other operating expenses		**(157,850)**	(137,832)
		(903,940)	(683,087)
Operating profit		**354,110**	343,550
Share of loss of an associate		**(5,548)**	–
Other losses	*13*	**(5,740)**	(8,394)
Profit before income tax		**342,822**	335,156
Income tax expenses	*14*	**(94,152)**	(95,138)
Profit for the period		**248,670**	240,018
Profit attributable to owners of the Company		**248,670**	240,018
Earnings per share for profit attributable to owners of the Company (expressed in HK$ per share)			
– Basic earnings per share	*15(a)*	**0.370**	0.392
– Diluted earnings per share	*15(b)*	**0.368**	0.379

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Profit for the period	**248,670**	240,018
Other comprehensive income/(expense) for the period:		
Items that may be reclassified subsequently to profit or loss		
Share of reserves of an associate	**5,389**	–
Cash flow hedges	**(15,709)**	(71,383)
Currency translation differences	**17,313**	(938)
Total other comprehensive income/(expense) for the period, net of tax	**6,993**	(72,321)
Total comprehensive income for the period	**255,663**	167,697
Total comprehensive income for the period attributable to owners of the Company	**255,663**	167,697

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to owners of the Company					
	Share capital *HK$'000*	Reserves *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance as at 1 January 2016	60,592	1,437,497	690,452	2,188,541	19,461	2,208,002
Comprehensive income						
Profit for the period	–	–	240,018	240,018	–	240,018
Other comprehensive income						
Cash flow hedges	–	(71,383)	–	(71,383)	–	(71,383)
Currency translation differences	–	(938)	–	(938)	–	(938)
Total comprehensive income	–	(72,321)	240,018	167,697	–	167,697
Transaction with owners:						
Dividends *(Note 16)*	–	–	(111,201)	(111,201)	–	(111,201)
Share option scheme:						
– Value of services	–	1,244	–	1,244	–	1,244
– Issue of new shares from exercise of share options	1,686	23,802	–	25,488	–	25,488
Purchase of non-controlling interests	–	(39)	–	(39)	(19,461)	(19,500)
Total transactions with owners	1,686	25,007	(111,201)	(84,508)	(19,461)	(103,969)
Balance as at 30 June 2016	62,278	1,390,183	819,269	2,271,730	–	2,271,730
Balance as at 1 January 2017	**66,990**	**1,839,694**	**1,136,662**	**3,043,346**	**–**	**3,043,346**
Comprehensive income						
Profit for the period	**–**	**–**	**248,670**	**248,670**	**–**	**248,670**
Other comprehensive income						
Share of reserves of an associate	**–**	**5,389**	**–**	**5,389**	**–**	**5,389**
Cash flow hedges	**–**	**(15,709)**	**–**	**(15,709)**	**–**	**(15,709)**
Currency translation differences	**–**	**17,313**	**–**	**17,313**	**–**	**17,313**
Total comprehensive income	**–**	**6,993**	**248,670**	**255,663**	**–**	**255,663**
Transaction with owners:						
Dividends *(Note 16)*	**–**	**–**	**(264,117)**	**(264,117)**	**–**	**(264,117)**
Share option scheme:						
– Value of services	**–**	**9,472**	**–**	**9,472**	**–**	**9,472**
– Issue of new shares from exercise of share options	**744**	**15,447**	**–**	**16,191**	**–**	**16,191**
Repurchase of convertible bonds	**–**	**(18,582)**	**12,541**	**(6,041)**	**–**	**(6,041)**
Total transactions with owners	**744**	**6,337**	**(251,576)**	**(244,495)**	**–**	**(244,495)**
Balance as at 30 June 2017	**67,734**	**1,853,024**	**1,133,756**	**3,054,514**	**–**	**3,054,514**

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Cash flows from operating activities		
Profit after income tax	**248,670**	240,018
Adjustments for:		
– Depreciation	**131,443**	69,834
– Interest expenses	**614,647**	475,421
– Share-based payments	**9,472**	1,244
– Unrealised currency exchange losses/(gains)	**3,742**	(1,264)
– Fair value (gains)/losses on interest rate and currency swaps	**(4,600)**	6,457
– Loss on repurchase of convertible bonds	**3,055**	–
– Share of loss of an associate	**5,548**	–
– Interest income	**(32,078)**	(2,693)
	979,899	789,017
Changes in working capital:		
– Finance lease receivables – net	**1,675,669**	(201,436)
– Prepayments and other receivables	**(67,354)**	(71,916)
– Other payables and accruals	**528,041**	426,274
– Income tax payables	**(34,758)**	(3,897)
– Deferred income tax liabilities	**37,963**	78,146
Net cash flows generated from operating activities	**3,119,460**	1,016,188
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2,410,801)**	(1,066,659)
Deposits paid for acquisition of aircraft	**(784,898)**	(285,919)
Interest received	**19,631**	2,693
Net payments relating to loans to an associate	**(686,137)**	–
Net cash flow used in investing activities	**(3,862,205)**	(1,349,885)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Cash flows from financing activities		
Proceeds from exercise of share options	**16,191**	25,488
Proceeds from bank borrowings and long-term borrowings	**4,908,856**	4,951,371
Proceeds from termination of derivative financial instruments	**32,025**	–
Issue of bonds, net of transaction costs	**3,857,191**	2,301,168
Refinancing and repayments of bank borrowings and long-term borrowings	**(6,374,125)**	(3,064,860)
Purchase of non-controlling interests	**–**	(19,500)
Repurchase of convertible bonds, including transaction costs	**(156,899)**	–
Interest paid in respect of derivative financial instruments	**(15,019)**	(15,136)
Interest paid in respect of borrowings, notes and bonds	**(574,658)**	(475,174)
Decrease/(increase) in deposits pledged in respect of borrowings	**19,254**	(252,820)
Increase in deposits pledged in respect of derivative financial instruments	**(356)**	(33,300)
Dividends paid to shareholders	**(263,294)**	(110,455)
Net cash flows generated from financing activities	**1,449,166**	3,306,782
Net increase in cash and cash equivalents	**706,421**	2,973,085
Cash and cash equivalents at beginning of the period	**5,840,746**	1,389,289
Currency exchange difference on cash and cash equivalents	**54,760**	(9,725)
Cash and cash equivalents at end of the period	**6,601,927**	4,352,649

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 in Europe and Asia.

The interim condensed consolidated financial information for the six months ended 30 June 2017 ("**Interim Financial Information**") is presented in Hong Kong Dollars ("**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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and included in the 2016 annual report of the Company.

As at 30 June 2017, the Group had total capital commitments of HK$55,112.5 million, relating to acquisition of aircraft, of which HK$8,940.2 million is payable within one year. 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 consolidated financial statements based on the following assessments:

– The Group uses short-term borrowings to finance the pre-delivery payments ("**PDP**") to the aircraft manufacturers when new aircraft ordered by the Group are being built. The Group normally uses PDP financing for settlement of PDP, repayable after the aircraft is delivered. As at 30 June 2017, PDP amounting to HK$3,670.0 million had been paid and the balance of the corresponding PDP financing amounted to HK$1,855.5 million, of which HK$1,265.3 million is repayable within one year and is related to aircraft to be delivered in the next twelve months from 30 June 2017. The Group uses long-term aircraft borrowings for the repayment of PDP financing and the settlement of the balance payments of aircraft acquisition costs. However, the long-term aircraft borrowings can only be confirmed shortly before 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. For the aircraft scheduled for delivery in the next twelve months from 30 June 2017, lease agreements or letters of intent have already been signed. Thus the directors of the Company believe that long-term aircraft borrowings can be obtained, while internal resources or available banking facilities can be used to settle PDP financing and the balance payments of the aircraft acquisition costs due in the next twelve months from 30 June 2017.

- According to the relevant aircraft purchase agreements, PDP scheduled to be paid in the next twelve months from 30 June 2017 amounted to HK$2,186.8 million. Up to the approval date of the consolidated financial statements, the Group had signed PDP financing agreements and term sheets with various commercial banks which have agreed to provide financing of US$132.6 million (equivalent to approximately HK$1,034.9 million) to the Group in the next twelve months from 30 June 2017. The remaining balance of PDP amounting to HK$1,151.9 million is to be funded by internal resources, available banking facilities or additional financing.

- The Group has entered into cooperative agreements with certain banks, pursuant to which these banks have agreed to provide to the Group conditional loan facilities for aircraft acquisition. The granting of each specific loan will be subject to the banks' credit assessments and approvals and the agreement of terms and conditions of the respective loan agreements, which will only be confirmed shortly before the delivery of the relevant aircraft.

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

- As at 30 June 2017, the Group had cash and cash equivalents amounting to HK$6,601.9 million.

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 2017. The forecasts are based on a number of assumptions including aircraft delivery and leasing schedules, internal resources, available banking facilities that have been granted or will be granted, and the amount of capital commitments. Based on these projections, the sufficiency of cash flows for the Group's present requirements for the next twelve months from 30 June 2017 is dependent on the Group's ability to obtain the necessary funding from the long-term aircraft borrowings and the availability of banking and other sources of financing. Based on the industry practice and prior experience, the directors are of the view that long-term aircraft borrowings can be obtained as the related lease agreements or letters of intent have already been signed for the aircraft scheduled for delivery in the next twelve months from 30 June 2017.

On this basis, the directors of the Company are of the opinion that, taking into account the Group's operating performance and business prospects, internal resources and available banking facilities that have been granted or will be granted as detailed above, 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 30 June 2017. Accordingly, the directors 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.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the Group's financial statements for the year ended 31 December 2016.

Changes in accounting policy and disclosure

(a) 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 2017:

Amendments to HKAS 12, 'Income taxes'
Amendments to HKAS 7, 'Statement of cash flows'
Amendment to HKFRS 12, 'Disclosure of interest in other entities'

The adoption of these amendments did not have any financial impact on the current year or any prior year.

(b) New standards and interpretations not yet adopted

The following new accounting standards, interpretations and amendments to standards that are relevant to the Group have been issued but are not yet effective and have not been early adopted by the Group:

	Effective for annual periods beginning on or after
HKFRS 15, "Revenue from Contracts with Customers"	1 January 2018
HKFRS 9, "Financial Instruments"	1 January 2018
HKFRS 16, "Leases"	1 January 2019

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 PROPERTY, PLANT AND EQUIPMENT

	Aircraft *HK$'000*	Leasehold improvements *HK$'000*	Unaudited Office equipment *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
Net book value as at 31 December 2016 and 1 January 2017	**6,207,533**	**1,995**	**4,575**	**–**	**6,214,103**
Additions	**2,447,138**	**–**	**347**	**–**	**2,447,485**
Depreciation	**(130,054)**	**(442)**	**(947)**	**–**	**(131,443)**
Currency translation difference	**55,279**	**11**	**14**	**–**	**55,304**
Net book value as at 30 June 2017	**8,579,896**	**1,564**	**3,989**	**–**	**8,585,449**
Net book value as at 1 January 2016	2,391,503	2,369	3,275	15,397	2,412,544
Additions	1,344,665	75	1,188	32,662	1,378,590
Depreciation	(68,781)	(370)	(683)	–	(69,834)
Currency translation difference	(3,952)	(1)	(3)	(993)	(4,949)
Net book value as at 30 June 2016	3,663,435	2,073	3,777	47,066	3,716,351

5 FINANCE LEASE RECEIVABLES – NET

	Unaudited As at 30 June 2017 ***HK$'000***	Audited As at 31 December 2016 *HK$'000*
Finance lease receivables	**9,531,262**	12,357,712
Guaranteed residual values	**5,957,027**	5,723,943
Unguaranteed residual values	**6,924,720**	6,693,720
Gross investment in leases	**22,413,009**	24,775,375
Less: Unearned finance income	**(8,941,067)**	(9,744,403)
Net investment in leases	**13,471,942**	15,030,972
Less: Accumulated allowance for impairment (a)	**–**	–
Finance lease receivables – net	**13,471,942**	15,030,972

(a) The directors of the Company are of the view that the credit risk inherent in the Group's outstanding finance lease receivables balances due from airline companies is low. No impairment allowance was made for the finance lease receivables as at 30 June 2017.

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 2017 *HK$'000*	Audited As at 31 December 2016 *HK$'000*
Gross investment in finance leases	**22,413,009**	24,775,375
Less: Unguaranteed residual values	**(6,924,720)**	(6,693,720)
Minimum lease payments receivable	**15,488,289**	18,081,655
Less: Unearned finance income related to minimum lease payments receivable	**(5,584,265)**	(6,390,192)
Present value of minimum lease payments receivable	**9,904,024**	11,691,463

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

	Unaudited As at 30 June 2017 *HK$'000*	Audited As at 31 December 2016 *HK$'000*
Gross investment in finance leases		
– Not later than 1 year	**1,089,464**	1,317,014
– Later than 1 year and not later than 5 years	**4,402,094**	5,450,682
– Later than 5 years	**16,921,451**	18,007,679
	22,413,009	24,775,375

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 As at 30 June 2017 *HK$'000*	Audited As at 31 December 2016 *HK$'000*
Present value of minimum lease payments receivable		
– Not later than 1 year	**436,258**	563,904
– Later than 1 year and not later than 5 years	**1,597,850**	2,281,551
– Later than 5 years	**7,869,916**	8,846,008
	9,904,024	11,691,463

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

	Unaudited As at 30 June 2017		Audited As at 31 December 2016	
	HK$'000	*%*	*HK$'000*	*%*
Categorised by customer in terms of lease receivables:				
Five largest airline companies	**9,131,993**	**68%**	10,098,289	67%
Other airline companies	**4,339,949**	**32%**	4,932,683	33%
	13,471,942	**100%**	15,030,972	100%

6 BANK BORROWINGS

	Unaudited As at 30 June 2017	Audited As at 31 December 2016
	HK$'000	*HK$'000*
Secured bank borrowings for aircraft acquisition financing (a)	**13,201,357**	15,131,613
PDP financing (b)	**1,855,523**	2,236,897
Working capital borrowings (c)	**299,645**	466,232
	15,356,525	17,834,742

(a) Secured bank borrowings for aircraft acquisition financing are principally based on fixed or floating USD London Interbank Offered Rate ("**LIBOR**") rates. As at 30 June 2017, the 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$51,867,000 (31 December 2016: HK$51,698,000).

(b) As at 30 June 2017, 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 2017, the Group had aggregate unsecured working capital borrowings of HK$299,645,000 (31 December 2016: HK$466,232,000), which were guaranteed by certain companies of the Group.

7 LONG-TERM BORROWINGS

	Unaudited As at 30 June 2017	Audited As at 31 December 2016
	HK$'000	*HK$'000*
Borrowings from trust plans (a)	**3,189,735**	2,195,235
Other borrowings (b)	**312,785**	150,875
	3,502,520	2,346,110

(a) As at 30 June 2017, 31 borrowings (31 December 2016: 21 borrowings) were provided by trust plans to 31 subsidiaries (31 December 2016: 21 subsidiaries) of the Group. The effective average interest rates of the long-term borrowings range from 6.0% to 7.8% (31 December 2016: 6.0% to 7.8%) per annum for remaining terms of seven to 11 years (31 December 2016: same). These long-term borrowings are secured by the shares of, and the aircraft held by, the relevant subsidiaries and guaranteed by certain companies of the Group. The trust plans are also counterparties to the disposal of finance lease receivable transactions entered into with the relevant subsidiaries.

(b) As at 30 June 2017, four borrowings (31 December 2016: two borrowings) were obtained through a structured financing arrangement for four aircraft (31 December 2016: two aircraft) delivered to airlines. The borrowings bear an effective interest rate ranging from 3.9% to 5.7% (31 December 2016: 5.7%) per annum for their remaining terms of seven to eight years (31 December 2016: eight years) and are guaranteed by the Company.

8 MEDIUM-TERM NOTES

In July 2015 and November 2016 respectively, the Group issued five-year unsecured medium-term notes in a principal amount of RMB340.0 million due in 2020 and five-year unsecured medium-term notes in a principal amount of RMB330.0 million due in 2021. After deducting the issuing cost, total carrying amount of the notes as at 30 June 2017 was HK$764,295,000 (31 December 2016: HK$740,126,000). These notes bear coupon interest at 6.50% and 4.19% per annum, respectively.

9 CONVERTIBLE BONDS

	Audited		
	As at 31 December 2016		
	Liability	Equity	Total
	HK$'000	*HK$'000*	*HK$'000*
Carrying value as at 1 January 2016	796,506	116,541	913,047
Repurchase of convertible bonds during 2016	(524,370)	(79,378)	(603,748)
Interest accrued at effective interest rate (inclusive of arrangement fees) for the year ended 31 December 2016	70,289	–	70,289
Interest paid (inclusive of arrangement fees) for the year ended 31 December 2016	(49,719)	–	(49,719)
Carrying value as at 31 December 2016	292,706	37,163	329,869

	Unaudited		
	As at 30 June 2017		
	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) for the six months ended 30 June 2017	**14,480**	**–**	**14,480**
Interest paid (inclusive of arrangement fees) for the six months ended 30 June 2017	**(9,778)**	**–**	**(9,778)**
Carrying value as at 30 June 2017	**149,606**	**18,581**	**168,187**

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**", formerly known as Great Wall Pan Asia International Investment Co., Limited) 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.

On 6 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.

On 8 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/(losses)". 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 are accrued at the effective interest rate (inclusive of arrangement fee) of 11.8% (six months ended 30 June 2016: 11.8% to 14.1%) 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.

10 BONDS

In May 2016 and August 2016, the Group issued three-year US$300.0 million senior unsecured bonds due in 2019 and five-year US$300.0 million senior unsecured bonds due in 2021 respectively. The bonds bear coupon interest at 5.9% and 4.9% per annum, respectively, payable semi-annually.

In March 2017, the Group issued senior unsecured bonds in an aggregate principal amount of US$500.0 million, of which US$300.0 million are five-year bonds due in 2022 and US$200.0 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 30 June 2017 was HK$8,524,243,000 (31 December 2016: HK$4,611,878,000).

11 LEASE INCOME AND SEGMENT INFORMATION

During the six months ended 30 June 2017, the Group was engaged in a single business segment, the provision of aircraft leasing services to airline companies in Mainland China and other countries or regions in Europe and Asia. 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			
	2017		2016	
	HK$'000	***%***	*HK$'000*	*%*
Categorised by customer in terms of lease income:				
Airline company – A	**106,602**	**12%**	120,845	15%
Airline company – B	**92,230**	**10%**	92,956	12%
Airline company – C	**89,635**	**10%**	90,239	12%
Airline company – D	**88,493**	**10%**	97,950	12%
Airline company – E	**66,527**	**8%**	63,161	8%
Other airline companies	**437,425**	**50%**	328,725	41%
Total finance and operating lease income	**880,912**	**100%**	793,876	100%

12 OTHER INCOME

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Gains from disposal of finance lease receivables	**289,587**	145,060
Government grants	**49,407**	81,859
Bank interest income	**19,631**	2,693
Interest income from loans to an associate	**12,447**	–
Operating lease income on office premises from related parties	**3,008**	1,319
Others	**3,058**	1,830
	377,138	232,761

13 OTHER LOSSES

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Unrealised (loss)/gain on a currency swap	**(1,351)**	4,083
Fair value gains/(losses) on interest rate swaps	**5,951**	(10,540)
Currency exchange loss	**(7,285)**	(1,937)
Loss on repurchase of convertible bonds	**(3,055)**	–
	(5,740)	(8,394)

14 INCOME TAX EXPENSES

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Current income tax: Mainland China, Hong Kong and others	**56,189**	16,992
Deferred income tax	**37,963**	78,146
	94,152	95,138

15 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2016 and 2017.

	Unaudited Six months ended 30 June	
	2017	2016
Profit attributable to owners of the Company *(HK$'000)*	**248,670**	240,018
Weighted average number of ordinary shares in issue *(number of shares in thousands)*	**672,950**	612,254
Basic earnings per share *(HK$ per share)*	**0.370**	0.392

(b) Diluted earnings per share

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 two categories of dilutive potential ordinary shares: convertible bonds and share options. For convertible bonds, the weighted average number of ordinary shares is adjusted to include the additional shares issued upon conversion, and the net profit is adjusted to eliminate the post-tax interest expenses and loss on repurchase charged to profit or loss during the financial period. For share options, 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	
	2017	2016
Earnings		
Profit attributable to owners of the Company *(HK$'000)*	**248,670**	240,018
Adjustments for:		
– Interest expenses net of tax on convertible bonds, excluding capitalised amount *(HK$'000)*	**–**	27,456
	248,670	267,474
Weighted average number of ordinary shares for diluted earnings per share		
Weighted average number of ordinary shares in issue *(number of shares in thousands)*	**672,950**	612,254
Adjustments for:		
– Assumed conversion of convertible bonds *(number of shares in thousands)*[(Note)]	**–**	79,093
– Share options *(number of shares in thousands)*	**3,605**	13,470
Weighted average number of ordinary shares for diluted earnings per share *(number of shares in thousands)*	**676,555**	704,817
Diluted earnings per share *(HK$ per share)*	**0.368**	0.379

Note: Only potential ordinary shares that are dilutive are considered in the calculation of diluted earnings per share.

16 DIVIDENDS

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Interim dividend proposed of HK$0.18 (2016: HK$0.14) per ordinary share	**121,960**	93,777

On 22 March 2016, the Board declared a final dividend of HK$0.18 per ordinary share totalling HK$111,201,000 for the year ended 31 December 2015, which was paid in June 2016.

On 24 March 2017, the Board declared a final dividend of HK$0.39 per ordinary share totalling HK$264,117,000 for the year ended 31 December 2016, which was paid in June 2017.

On 25 August 2017, the Board declared an interim dividend of HK$0.18 (six months ended 30 June 2016: HK$0.14) per ordinary share totalling HK$121,959,965 (six months ended 30 June 2016: HK$93,777,000) which is calculated based on 677,555,360 issued shares as at 25 August 2017. The proposed dividend is not reflected as a dividend payable in the consolidated financial information as at 30 June 2017, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2017.

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK$0.18 per share in respect of the six months ended 30 June 2017 (six months ended 30 June 2016: HK$0.14 per share) to shareholders whose names appear on the register of members of the Company on 12 September 2017. The interim dividend will be paid on or about 25 September 2017.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from 11 September 2017 to 12 September 2017, both days inclusive, during which period no transfer of shares will be registered. The record date on which the shareholders of the Company are qualified to receive the interim dividend is 12 September 2017. 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 8 September 2017.

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

During the six months ended 30 June 2017, 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 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited.

The Company has complied with all Code Provisions as set out in the CG Code during the six months ended 30 June 2017 with the exception of Code Provision A.2.1 due to the overlapping roles of Chairman and Chief Executive Officer (the "**CEO**") of the Company performed by Mr. CHEN Shuang during a short period from 1 to 18 January 2017. The Board considered that the balance of power and authority of the Board were not impaired even though the roles of the Chairman and the CEO were performed by the same individual.

Mr. POON Ho Man was appointed as the CEO in place of Mr. CHEN Shuang on 19 January 2017, thereby separating the roles of Chairman and CEO. The Company has therefore complied with Code Provision A.2.1 of the CG Code since 19 January 2017.

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 six months ended 30 June 2017.

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. CHEOK Albert Saychuan, Mr. NIEN Van Jin, Robert and Mr. GUO Zibin, among whom, three are Independent Non-executive Directors. During the period under review, the Audit Committee has reviewed with the management team and the external auditor of the Company, PricewaterhouseCoopers ("**PwC**"), 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 2017.

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2017 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 2017 interim report to be sent to the shareholders of the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim 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 2017 interim 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, 25 August 2017

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 Directors are Mr. TANG Chi Chun, Mr. GUO Zibin and Ms. CHEN Chia-Ling; 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.