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 2017

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 2017 as follows:

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2017	2016	Change
	HK$'Million	*HK$'Million*	
Revenue and other income	**2,891.6**	2,448.1	+18.1%
Profit for the year	**734.7**	638.4	+15.1%
EPS (Basic) *(HK$)*	**1.088**	1.009	+7.8%
Final dividend per share *(HK$)*	**0.42**	0.39	+7.7%
Full year dividend per share *(HK$)*	**0.60**	0.53	+13.2%
Dividend payout ratio *(Note 1)*	**55.1%**	52.5%	+2.6p.p.
Gearing ratio *(Note 2)*	**82.3%**	83.6%	-1.3p.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 2017 consolidated results for the year ended 31 December 2017.

PERFORMANCE AND DIVIDENDS

Year 2017 was a challenging yet fruitful one for CALC. In pursuit of CALC's strategic vision, the Group undertook a series of business transformation initiatives that involved ecosystem innovation for aircraft solutions. Despite the transition, CALC achieved strong performance. It was listed by renowned aviation consulting firm ICF International as one of the top 10 global aircraft lessors, based on the combined asset value of its fleet and order book.

During the year, total lease income and other income of the Group reached HK$2,891.6 million, representing a year-on-year increase of 18.1%. Consolidated net profit grew by 15.1% year-on-year, amounting to HK$734.7 million. Earnings per share were HK$1.088 (2016: HK$1.009).

The Board recommends the payment of a final dividend of HK$0.42 (2016: HK$0.39) per share to those shareholders whose names appear on the register of members of the Company on 17 May 2018. Together with the interim dividend of HK$0.18 (2016: HK$0.14) per share paid in September 2017, full year dividend amount to HK$0.60 per share for 2017 (2016: HK$0.53), with dividend payout ratio standing at 55.1% (2016: 52.5%).

DEVELOPING INTO A GLOBAL AIRCRAFT SOLUTIONS PROVIDER

This impressive performance did not come easily, especially at a time when CALC was undergoing a period of transition in its efforts to strive for long-term sustainable growth. The past year saw CALC embark on a new phase of corporate development with the objective of adopting an asset-light approach in this traditionally capital-intensive industry. In an incredibly vibrant aviation landscape, we believe this innovative business model, by advancing capital efficiency, provides the optimal approach for CALC to evolve ahead of the market, achieve sustainability and thrive.

The asset-light strategy echoes the Group's unwavering commitment to providing full value chain aircraft solutions to airlines worldwide. Value creation through active asset management is an evolutionary development in the aircraft leasing industry. CALC's enlarged aircraft portfolio under the asset-light model, its extensive network of worldwide aviation partners and established asset management capabilities, further strengthened after the ARI-UAM acquisition, will allow the Group to carry out its unified vision to become the first mover, as one of the operators that can truly be a full life cycle solutions provider to the airline industry worldwide.

Our vision to develop into a full value chain aircraft solutions provider could not be realised without our ongoing globalisation initiatives. We are very proud to have extended our footprint in Asia-Pacific, the Middle East, Europe, North America and Latin America in less than three years. Such established global presence provides a solid foundation for CALC's efficient deployment of aircraft solutions.

OUTLOOK

Looking ahead, the macro fundamentals of the global aviation industry remain broadly intact, supporting a rosy outlook as emerging countries in the Asia-Pacific region continue to run full steam ahead. While riding on this encouraging context, we shall nevertheless stay vigilant as we move forward on our strategic journey. I feel very excited about CALC's growth potential as it leverages its unique position in the industry as a full value chain aircraft solutions provider.

Nurturing a favourable policy environment for industry development

CALC is an avid supporter of Hong Kong's initiative in developing into an aircraft leasing and aviation finance centre. We are extremely pleased that in June 2017, the city's Legislative Council enacted a dedicated tax regime reducing the profits tax liability of qualifying aircraft lessors and aircraft leasing managers. This is a highly visionary and pragmatic first move. As one of the few lessors established and headquartered in Hong Kong, CALC is set to benefit from these concessionary tax incentives. The Group delivered one aircraft through the Hong Kong platform in 2017. In addition, it is planning another delivery scheduled for 2018, which is set to enjoy the new tax regime. This is but one of many deals in active discussion with the aim of leasing more aircraft through Hong Kong.

Moreover, CALC has worked with the industry to establish the Hong Kong Aircraft Leasing and Aviation Finance Association. The association, which gathers together all key international and local players, was set up in June 2017, with CALC a founding member. I am honoured to serve as Chairman of the association; Mr Mike Poon, CEO of CALC, acts as Founding Chief Advisor. Together with the whole community, we will strive to promote Hong Kong in the global arena of aircraft leasing by leveraging its sophisticated financing platform with ample liquidity, well-established legal and accounting systems and outstanding living infrastructure. Backed by the high-growth Asian market, we have no doubt that the global center of gravity for aircraft leasing will shift to the region.

In the meantime, CALC has been in close talks with free-trade zones in China to communicate the needs of the aircraft leasing community to the government. In particular, we have exchanged thoughts on how to nurture a favourable policy environment for lessors from both home and abroad. The aim is to unify the efforts of other market players in strengthening China's aircraft leasing platform, ultimately yielding better economic benefits locally. On this front, I believe that Hong Kong, as a major gateway into China, can capitalise on its geographic advantage to complement the domestic free-trade zones, so that together they can forge an integrated aircraft leasing platform that is competitive globally.

Grasping opportunities created by the One Belt One Road Initiative

China is actively spearheading the One Belt One Road ("**OBOR**") Initiative, aimed at strengthening economic capacity and connectivity among over 60 nations across the globe. This ambitious and far-reaching programme will create huge amounts of new passenger and cargo traffic, hence the aviation industry is set to play an increasingly larger role. Meanwhile, with the C919, China's first home-made large passenger aircraft, having undergone multiple successful tests, and the ARJ21, the first domestic regional aircraft already in commercial operation, Chinese-manufactured aircraft are well poised to take to the global skies.

I am confident that CALC has a big role to play in this visionary blueprint, given its impressive track record of developing itself from China's first operating lessor into an industry pioneer in the global aviation value chain. In particular, leveraging its industry network and expertise, CALC is planning to work with China Everbright Limited to orchestrate an aviation silk road fund. The fund will channel investments in aircraft leasing and recycling in the OBOR area, promote the overseas endeavours of China's home-made aircraft, and ultimately support the development of China's aviation industry.

AWARDS

Recognising its outstanding service offerings and all-round capabilities, CALC has been named "Aircraft Lessor of the Year" three years in a row from 2015 to 2017 by Global Transport Finance. This accolade was echoed by Airline Economics, which honoured CALC as "APAC Lessor of the Year". For its excellence in corporate governance, CALC received the "Best Investor Relations Company" and "Asia's Best CEO (Investor Relations)" awards from Corporate Governance Asia. The Group was also named among the "Listed Enterprises of the Year 2017" by Bloomberg Businessweek (Chinese Edition), and received a "Listed Company Award of Excellence 2017" from the Hong Kong Economic Journal in recognition for its robust operating performance.

ACKNOWLEDGMENT

I would like to express my sincere gratitude 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, the Group's most valuable asset. 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, 23 March 2018

CEO'S STATEMENT

Vision to Reality

CALC is proud to have delivered its vision of aircraft full aircraft life-cycle solutions for global airlines in 2017. The Group has transformed from one of the leading aircraft lessors in Asia into an international full value-chain aircraft solutions provider that services new aircraft, used aircraft and aircraft coming to the end of their life, thanks to its successful global business strategy and the continued extension of its aviation value chain.

To further support CALC's sustainable growth, a lot of groundwork was done, throughout the year towards the goal of adopting an asset-light business model. The new business model paves the way for the Group to turn over its capital more efficiently, which in turn will enable CALC, as an asset manager, to scale up aircraft assets under management with greater flexibility going forward.

Year 2017 in review

Despite its transition into an asset-light approach from the industry's traditional capital-intensive practice, CALC continued to deliver strong results in 2017 with its sharpened fundamentals:

(1) Expanded fleet

In 2017, the Group augmented its fleet with a total of 26 aircraft, the largest annual recorded expansion in CALC's history. The move increased its fleet to 107 aircraft as of 31 December 2017. The expanded fleet is supported by myriad sourcing channels, including new aircraft order book, purchase and leaseback, and portfolio trading. Additionally, CALC has one of the youngest and most modern fleets in the industry with an average age of 3.7 years and average remaining lease of 8.4 years as of 31 December 2017.

We are especially proud of having taken delivery of a record-high nine aircraft in the single month of December 2017, an eloquent testimony to CALC's strengths: efficiency, effectiveness and capacity. CALC celebrated its 100th aircraft delivery with the debut delivery of an Airbus A320neo passenger jet in December 2017, a milestone highlighting CALC's dedication to providing reliable and flexible services for its airline clients.

(2) Stronger order book

The Group also significantly built up its order book in 2017, a key asset that supports CALC's future delivery pipeline. In June 2017, CALC made its first purchase order 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 one of the launch customers of this latest edition of Boeing's 737 jetliner. CALC further augmented its future fleet by adding 50 in-demand A320neo jetliners from Airbus S.A.S ("**Airbus**") in December 2017. Together with a pop-up order for three A320 aircraft sealed in April 2017 and another five ordered in December 2017, CALC purchased a total of 108 aircraft during the year. The Group has subsequently added 15 Airbus A320neo to its order book in January 2018, incrementing its aircraft purchase total to 123 within a space of nine months.

As of the reporting date, CALC's current fleet totaled 111 aircraft, with the total backlog for new aircraft reaching 193 aircraft, comprising 143 from Airbus and 50 from Boeing, all due for delivery by 2023. The strong order book is testimony to the robust relationship CALC has built with the OEMs (Original Equipment Manufacturers) since its inception.

(3) Further global reach

As an important part of its global business strategy, CALC continues to expand its presence actively around the world and diversify its clientele. In 2017, CALC made forays into new markets such as Japan, Thailand, Malaysia and Indonesia in the Asia Pacific region, Spain and Russia in Europe, the US in North America as well as Chile in Latin America – remarkable achievements that underscore CALC's globalisation initiative that commenced in 2015.

Out of the 26 deliveries in 2017, 15 (i.e. approximately 58%) were leased to non-mainland carriers, growing CALC's overseas client share to 28% as of 31 December 2017 from approximately 20% at the end of 2016. As of 31 December 2017, our client portfolio included 27 airlines widely spread across 13 countries and regions in Asia Pacific, the Middle East, Europe, North America and Latin America, laying a solid foundation for further strengthened global presence.

CALC also continues to partner with top-tier aviation players as it goes global. In 2017, it initiated partnerships with renowned airline management and investment groups, including IAG and Indigo Partners, further optimising its customer portfolio.

(4) Strengthened financing capability

CALC has continued to put itself at the forefront of financing innovation in the aircraft leasing industry. In 2017, CALC raised a total of US$3,242 million through diversified financing channels, to boost its financing flexibility, fueling its transition into the next phase of development. In March 2017, CALC took advantage of the low interest rate environment – before US interest rate hikes – and issued senior unsecured bonds to the value of US$500 million, consisting of five-year US$300 million and seven-year US$200 million bonds bearing interest rates of 4.7% and 5.5% respectively. Despite the bonds' unsecured nature and longer maturity period, the Group managed to bring down interest costs by reaching out to a diversified investor base beyond the banking community. This issuance has permitted CALC greater freedom and flexibility to capture market opportunities. In October 2017, CALC closed its first unsecured syndicated loan with a 4.5 year maturity. The loans will be used to finance or refinance part of the Pre-Delivery Payments ("**PDP**") to be made for aircraft acquisition. Launched at US$175 million, the loan closed at US$425 million after receiving an overwhelming market response, reflecting the market's growing knowledge and confidence in the aircraft leasing industry. Furthermore, CALC established a US$3 billion senior unsecured medium-term note ("**MTN**") programme, which will further simplify the Group's financing arrangements and lower its financing future costs.

Since introducing the disposal of finance lease receivables into China in 2013, CALC has advanced such products to meet investors' evolving demands. After the successful of lease receivables through private placement disposal for 40 aircraft since 2013, CALC struck a historic breakthrough in December 2017 when it launched China's first listed asset-backed security ("**ABS**") denominated and settled in foreign currency, and the first aircraft lease receivable ABS. This product provides an important investing and hedging tool for domestic investors, enabling CALC to tap into investors' huge appetite for US dollar denominated aircraft finance products with long-term and stable returns. The ABS was listed on the Shanghai Stock Exchange in January 2018, setting a precedent in China's asset securitisation history. By way of both private placement and listed ABS agreements, CALC disposed finance lease receivables for a sum of 21 aircraft in 2017.

(5) Continued extension of aviation value chain

Capitalising on CALC's well founded platform, Aircraft Recycling International Limited ("**ARI**") is on board to a trajectory of encouraging development with its business deployment now well in place. ARI's scope of business includes aircraft and engine trading, leasing, purchase and leaseback, aircraft marketing and asset management, aircraft recycling, disassembly and part out as well as aircraft maintenance.

To strengthen CALC's downstream aviation ecosystem on a global scale, ARI completed in March 2017 the full acquisition of Universal Asset Management, Inc. ("**UAM**"), a global leader in aviation asset management, hi-tech aircraft disassembly and commercial aviation aftermarket solutions. As a full-fledged operator, UAM is of strategic significance to ARI and CALC as both can leverage its professional expertise in asset management, strong track record in aircraft disassembly and extensive distribution network, so as to collectively create a global state-of-the-art life cycle aircraft solutions platform.

The performance of CALC, ARI and UAM's unified team has been inspiring, demonstrating consistent execution of the Group's strategic plan and making CALC the only company that can truly be a full life cycle solutions provider for the airline industry worldwide. We are very positive about the prospects of ARI and the synergy that it will bring to CALC.

Currently, ARI has four mid-life aircraft leased to Sichuan Airlines, one under a joint venture. Additionally, it carried out its first engine purchase and leaseback transaction, involving four brand new CFM56-7B26 engines. The first was delivered in December 2017 while the other three completed delivery successively in 2018. ARI also closed its first aircraft trading deal by selling six old B737-700 aircraft to a US investor, recording a disposal gain.

Meanwhile, UAM witnessed another year of healthy business growth in 2017 thanks to its consistent execution, an efficient go-to-market strategy and robust customer network. Moreover, its strong purchasing capabilities, combined with UAM's ongoing focus on improving efficiencies across the organisation, resulted in enhanced cash flow efficiency. Meanwhile, with financial assistance from ARI, UAM was able to purchase strong aviation assets to augment trading and component support opportunities for its customer base worldwide.

The first phase of construction of ARI's aircraft recycling facility in Harbin has been completed. Once this facility is fully functional, it will significantly enhance the Group's aircraft recycling capabilities to meet strong customer demand for quality aircraft components and services. Along with UAM's existing recycling base in US, the dual platforms will tap into market opportunities in mainland China and throughout America, Europe, Asia and the rest of the world.

(6) Transition into an asset-light business model

Riding on its established prowess in the field of aircraft leasing and financing, CALC announced the establishment of an aircraft investment vehicle in late 2017 as part of its business transformation initiatives for an asset-light oriented business model. The Group is doing so by working with mezzanine financiers, holding interests at a ratio of 20% to 80%, to invest in the portfolio of lease-attached aircraft up to US$1.4 billion. The newly set-up platform, which mainly manages the overseas fleet portfolio, complements the current arrangement of disposals of finance lease receivables which mainly involve leases attached to PRC airlines. To facilitate the set up and to initiate its operations, CALC plans to inject aircraft from its fleet within two years, including 18 aircraft initially in 2018. The Group is looking to set this vehicle in motion in the first half of 2018.

By providing aircraft and lease management services to the aforementioned platform, CALC will strengthen its focus as an aircraft asset manager. The asset-light strategy will increase the aircraft assets under the Group's management without inducing substantial financial burden, thereby enabling CALC to maximise returns on equity by efficient capital turnover.

Strategic outlook

Since its inception, CALC has continued to evolve ahead of the market. With our entrepreneurial DNA, CALC has refined its value proposition by extending its aviation value chain in anticipation of consolidation within the industry. Our next strategic goal is to create value for the airline industry worldwide through active asset management, using an innovative delivery platform. With an asset-light business model well in place, CALC will continue to press ahead with its vision: to provide value-added aircraft solutions, maximise value in every part of the aircraft value chain for business partners, and reap satisfactory returns for investors and shareholders.

POON Ho Man
Executive Director and Chief Executive Officer
Hong Kong, 23 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

1. RESULTS

For the year ended 31 December 2017, the Group delivered 26 aircraft, building its fleet size to 107. Revenue and other income was HK$2,891.6 million in 2017, an increase of HK$443.5 million or 18.1% from HK$2,448.1 million in 2016. Profit for the year in 2017 amounted to HK$734.7 million, an increase of HK$96.3 million or 15.1% compared with HK$638.4 million in 2016. This was mainly due to increased lease income from continued expansion of the Group's aircraft leasing business and increased gain from disposal of finance lease receivables.

Total assets was HK$37,994.3 million as at 31 December 2017, compared with HK$30,900.2 million as at 31 December 2016, an increase of HK$7,094.1 million or 23.0%. The increase in assets was mainly due to the increase in fleet size during 2017. Total liabilities amounted to HK$34,567.2 million, an increment of HK$6,710.4 million or 24.1% compared with HK$27,856.8 million as at 31 December 2016.

The equity attributable to shareholders of the Company was HK$3,427.2 million as at 31 December 2017 compared with HK$3,043.3 million in 2016, an increase of HK$383.9 million or 12.6%.

2. ANALYSIS OF INCOME AND EXPENSES

	Year ended 31 December		
	2017	2016	Change
	HK$'Million	*HK$'Million*	
Finance lease income	**1,017.5**	1,163.1	-12.5%
Operating lease income	**828.7**	416.1	99.2%
Total lease income	**1,846.2**	1,579.2	16.9%
Gain from disposal of finance lease receivables	**711.2**	562.0	26.5%
Government grants	**204.2**	260.7	-21.7%
Interest income from loans to an associate	**71.4**	18.8	279.8%
Bank interest income	**28.5**	15.4	85.1%
Sundry income	**30.1**	12.0	150.8%
Other income	**1,045.4**	868.9	20.3%
Total revenue and other income	**2,891.6**	2,448.1	18.1%
Total operating expenses	**(1,919.3)**	(1,592.7)	20.5%
Other gains	**42.1**	44.1	-4.5%
Share of loss of an associate	**(2.2)**	(7.4)	-70.3%
Profit before income tax	**1,012.2**	892.1	13.5%
Income tax expenses	**(277.5)**	(253.7)	9.4%
Profit for the year	**734.7**	638.4	15.1%

2.1 Revenue and Other Income

For the year ended 31 December 2017, revenue and other income amounted to HK$2,891.6 million compared with HK$2,448.1 million in 2016, an increase of HK$443.5 million or 18.1%. This was mainly due to an increase in lease income and the gain from disposal of finance lease receivables.

Lease income from finance leases and operating leases for the year totalled HK$1,846.2 million, compared with HK$1,579.2 million in 2016, an increase of HK$267.0 million or 16.9%. The decrease in finance lease income was due to disposal of finance lease receivables for 21 aircraft during 2017. The growth in operating lease income was attributable to the increase in fleet size under operating leases from 18 as at 31 December 2016 to 37 as at 31 December 2017.

The Group recognised a total gain of HK$711.2 million from disposal of finance lease receivables during 2017 (2016: HK$562.0 million), an increase of HK$149.2 million or 26.5%. In 2017, the Group completed disposal of finance lease receivables for 21 aircraft (2016: 14 aircraft). The rise in the number of disposal transactions underlines the market's ever-growing knowledge and confidence of the aircraft leasing industry, as well as the increasing demand for US dollar denominated aircraft finance products with stable return. Such transactions have played an important part in the Group's recurring business and financing strategies.

Government grants for the year amounted to HK$204.2 million, compared with HK$260.7 million in 2016, a decrease of HK$56.5 million or 21.7%.

2.2 Total Operating Expenses

During the year ended 31 December 2017, the Group had the following operating expenses.

	Year ended 31 December		
	2017	2016	Change
	HK$'Million	*HK$'Million*	
Interest expenses	**1,241.0**	1,029.3	20.6%
Depreciation	**327.1**	164.0	99.5%
Other operating expenses	**351.2**	399.4	-12.1%
Total operating expenses	**1,919.3**	1,592.7	20.5%

(a) Interest Expenses

For the year ended 31 December 2017, interest expenses incurred by the Group amounted to HK$1,241.0 million compared with HK$1,029.3 million in 2016, an increase of HK$211.7 million or 20.6%. The increase was mainly due to increase of interest-bearing borrowings to finance the new additions of aircraft in 2017 to cope with the business expansion.

(b) Depreciation

Depreciation on the Group's aircraft under operating leases, leasehold improvements, office equipment and other assets for the year ended 31 December 2017 was HK$327.1 million compared with HK$164.0 million in 2016, an increase of HK$163.1 million or 99.5%. 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, and rentals and office administration expenses.

2.3 Other Gains

Other gains mainly represented fair value changes from interest rate and currency swaps; and currency exchange differences. Total gains of HK$58.7 million were recognised from termination of interest rate swaps for the year ended 31 December 2017 (2016: HK$12.1 million).

2.4 Income Tax Expenses

Income tax for the year ended 31 December 2017 was HK$277.5 million (2016: HK$253.7 million), resulting mainly from the increased profits achieved through growth in the leasing business and the gain from disposal of finance lease receivables.

3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets

As at 31 December 2017, the Group's total assets amounted to HK$37,994.3 million compared with HK$30,900.2 million as at 31 December 2016, an increase of HK$7,094.1 million or 23.0%.

	As at 31 December		
	2017	2016	Change
	HK$'Million	*HK$'Million*	
Finance lease receivables – net	**12,556.2**	15,031.0	-16.5%
Property, plant and equipment	**13,059.4**	6,214.1	110.2%
Interests in and loans to an associate	**870.2**	444.4	95.8%
Cash and bank balances	**7,396.2**	6,016.8	22.9%
Pre-delivery payments ("**PDP**") and other receivables	**4,021.5**	3,062.8	31.3%
Derivative financial assets	**90.8**	131.1	-30.7%
Total assets	**37,994.3**	30,900.2	23.0%

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

The majority of total assets as at 31 December 2017 represented finance lease receivables and property, plant and equipment.

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$15,031.0 million as at 31 December 2016 to HK$12,556.2 million as at 31 December 2017 because the Group completed disposal of finance lease receivables for 21 aircraft during 2017.

Property, plant and equipment mainly included the cost of aircraft classified as operating leases, net of their accumulated depreciation. Increase in property, plant and equipment was mainly due to aircraft delivered during 2017 under operating leases.

3.1.2 Interests in and Loans to an Associate

Pursuant to the shareholders' loan agreement, 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. The increase in the amount of interests in and loans to an associate was due to the increase in loan amounts granted to ARI. As at 31 December 2017, the outstanding loan balance receivable from ARI amounted to HK$870.2 million (2016: HK$442.0 million).

3.1.3 Cash and Bank Balances

Cash and bank balances increased by HK$1,379.4 million or 22.9% from HK$6,016.8 million as at 31 December 2016 to HK$7,396.2 million as at 31 December 2017.

3.2 Liabilities

As at 31 December 2017, the Group's total liabilities amounted to HK$34,567.2 million compared with HK$27,856.8 million as at 31 December 2016, an increase of HK$6,710.4 million or 24.1%.

An analysis is given as follows:

	As at 31 December		
	2017	2016	Change
	HK$'Million	*HK$'Million*	
Bank borrowings	**16,458.4**	17,834.7	-7.7%
Bonds	**8,538.9**	4,611.9	85.1%
Long-term borrowings	**5,329.4**	2,346.1	127.2%
Medium-term notes	**798.1**	740.1	7.8%
Deferred income tax liabilities	**544.5**	332.8	63.6%
Convertible bonds	**153.2**	292.7	-47.7%
Interest payables	**226.8**	153.4	47.8%
Income tax payables	**17.3**	43.3	-60.0%
Derivative financial liabilities	**0.2**	15.0	-98.7%
Other payables and accruals	**2,500.4**	1,486.8	68.2%
Total liabilities	**34,567.2**	27,856.8	24.1%

3.2.1 Bank Borrowings

The analysis of bank borrowings is as follows:

	As at 31 December		
	2017	2016	Change
	HK$'Million	*HK$'Million*	
Secured bank borrowings for aircraft acquisition financing	**13,981.6**	15,131.6	-7.6%
PDP financing	**1,709.1**	2,236.9	-23.6%
Working capital borrowings	**767.7**	466.2	64.7%
Total bank borrowings	**16,458.4**	17,834.7	-7.7%

Bank borrowings are principally based on fixed or floating US dollar London Interbank Offered Rate interest rates. In October 2017, the Group signed the first unsecured syndicated loan for PDP financing. Except for this unsecured syndicated loan and working capital borrowings, the other bank borrowings were secured by, in addition to other legal charges, the rights and benefits in respect of the aircraft acquisition or related aircraft leased to airline companies, 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$312.4 million (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 2017.

3.2.2 Bonds

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

Sequence	Issued date	Terms	Maturity date	Coupon interest per annum	US$'Million
First bond	May 2016	3 year	May 2019	5.9%	300.0
Second bond	August 2016	5 year	August 2021	4.9%	300.0
Third bond	March 2017	5 year	March 2022	4.7%	300.0
Third bond	March 2017	7 year	March 2024	5.5%	200.0
	Total principal amount				**1,100.0**
	Issuing cost				(7.4)
	Carrying amount				**1,092.6**

As at 31 December 2017, after deducting the issuing cost, the total carrying amount of these bonds were US$1,092.6 million (equivalent to HK$8,538.9 million).

3.2.3 Long-term Borrowings

The increase was mainly due to two reasons:

Firstly, an increase in the number of borrowings provided 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 21 as at 31 December 2016 to 43 as at 31 December 2017. The effective average interest rates of these borrowings range from 3.5% to 7.8% (2016: 6.0% to 7.8%) per annum for remaining terms of six to 11 years (2016: seven 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$42.0 million (2016: Nil) as at 31 December 2017.

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

3.2.4 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 2017, after deducting the issuing cost, the total carrying amount of these notes was HK$798.1 million (2016: HK$740.1 million).

3.2.5 Convertible Bonds

In 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$155.2 million for an aggregate consideration of HK$156.7 million plus the relevant interest and fees. After the repurchase, the principal amount of convertible bonds held by CE Financial was HK$155.2 million. These convertible bonds will be matured in May 2018.

4. ANALYSIS OF CASH FLOWS

The following table illustrates the cash position and cash flows for the year ended 31 December 2017:

	Year ended 31 December	
	2017	2016
	HK$'Million	*HK$'Million*
I: Aircraft in operation		
Lease income	**1,995.1**	2,029.9
Bank repayment	**(1,425.6)**	(1,633.5)
	569.5	396.4
II: Aircraft purchase and delivery		
Capital expenditure	**(9,141.3)**	(5,911.9)
Bank borrowings	**6,017.6**	4,461.6
	(3,123.7)	(1,450.3)
III: New aircraft not yet delivered		
PDP paid	**(2,766.9)**	(1,730.8)
PDP refunded	**2,220.1**	1,811.7
PDP financing	**1,119.1**	1,758.4
Repayment of PDP financing	**(1,758.5)**	(1,686.2)
Advance payment for aircraft purchase	**(274.8)**	–
	(1,461.0)	153.1
IV: Net capital movement		
Proceeds from issue of new shares	**21.5**	390.9
Purchase of non-controlling interests	**–**	(19.5)
Dividends paid	**(386.2)**	(204.2)
Disposal of finance lease receivables and proceeds from long-term borrowings	**8,568.9**	5,494.3
Early loan repayment on disposal of finance lease receivables	**(5,963.4)**	(4,107.3)
Proceeds from issuance of bonds, net of transaction costs	**3,861.5**	4,608.6
Proceeds from issuance of medium-term notes, net of transaction costs	**–**	384.7
Proceeds from disposal of ARI Group	**–**	322.8
Payments relating to interests in and loans to an associate	**(356.7)**	(469.6)
Repurchase of convertible bonds, including transaction costs	**(156.9)**	(591.0)
Working capital loan net repayment and net cash generated from other operating activities	**(486.0)**	(423.0)
	5,102.7	5,386.7
Net increase in cash and cash equivalents	**1,087.5**	4,485.9
Cash and cash equivalents at beginning of the year	**5,840.7**	1,389.3
Currency exchange difference on cash and cash equivalents	**95.2**	(34.5)
Cash and cash equivalents at end of the year	**7,023.4**	5,840.7

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, issuance of bonds and medium-term notes and 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 year ended 31 December 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:

	As at 31 December		
	2017	2016	Change
	HK\$'Million	*HK\$'Million*	
Interest-bearing debts included in total liabilities	**31,278.0**	25,825.6	21.1%
Total assets	**37,994.3**	30,900.2	23.0%
Gearing ratio	**82.3%**	83.6%	-1.3p.p.

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

6. HUMAN RESOURCES

As at 31 December 2017, staff of the Group numbered 161 (2016: 134). Total remuneration of employees for 2017 amounted to HK$142.1 million (2016: HK$124.1 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 2017 (2016: Nil).

7.2 Capital Commitments for Aircraft Acquisition and Aircraft Purchase Mandate

The Group's total aircraft purchase commitment amounted to HK$76.0 billion as at 31 December 2017 (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 acquisition agreement with Airbus for the purchase of 100 aircraft of the A320 family. Of these, 27 aircraft have been delivered up to 31 December 2017, with the rest planned for delivery between 2018 and 2022.

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 of the Company to purchase new aircraft from Airbus and Boeing during the mandate period (as defined in the Aircraft Purchase Mandate), pursuant to which the directors of the Company 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$69.55 billion and HK$64.86 billion respectively). Further details of the Aircraft Purchase Mandate are set out in the circular of the Company dated 19 April 2017.

Since the beginning of the Mandate Date, the Company has committed at the date of this report to purchase (i) a cumulative total of 50 aircraft from Boeing with an aggregate list price of approximately US$5.8 billion (equivalent to approximately HK$45.33 billion); and (ii) a total of 70 aircraft from Airbus with an aggregate list price of approximately US$7.54 billion (equivalent to approximately HK$58.92 billion) pursuant to the Aircraft Purchase Mandate. Please refer to the Company's announcements at The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") dated 14 June 2017, 21 December 2017, 28 December 2017 and 4 January 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 Company 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 manufacturer's list prices.

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

8. OTHER EVENT

Reference is made to the Stock Exchange 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 leases, 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 leases has no material adverse impact on the existing business or financial position of the Group.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2017** *HK$'000*	2016 *HK$'000*
ASSETS			
Property, plant and equipment		**13,059,424**	6,214,103
Interests in and loans to an associate		**870,188**	444,369
Finance lease receivables – net	*3*	**12,556,201**	15,030,972
Derivative financial assets		**90,835**	131,113
Prepayments and other receivables		**4,021,516**	3,062,797
Restricted cash		**372,826**	176,087
Cash and cash equivalents		**7,023,359**	5,840,746
Total assets		**37,994,349**	30,900,187
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		**67,818**	66,990
Reserves		**1,861,658**	1,839,694
Retained earnings		**1,497,677**	1,136,662
Total equity		**3,427,153**	3,043,346
LIABILITIES			
Deferred income tax liabilities		**544,549**	332,824
Bank borrowings	*4*	**16,458,411**	17,834,742
Long-term borrowings	*5*	**5,329,396**	2,346,110
Medium-term notes	*6*	**798,094**	740,126
Convertible bonds	*7*	**153,190**	292,706
Bonds	*8*	**8,538,932**	4,611,878
Derivative financial liabilities		**207**	14,973
Income tax payables		**17,254**	43,274
Interest payables		**226,761**	153,392
Other payables and accruals		**2,500,402**	1,486,816
Total liabilities		**34,567,196**	27,856,841
Total equity and liabilities		**37,994,349**	30,900,187

CONSOLIDATED STATEMENT OF INCOME

	Note	Year ended 31 December 2017 HK$'000	2016 HK$'000
Revenue			
Finance lease income	*9*	**1,017,462**	1,163,127
Operating lease income	*9*	**828,756**	416,041
		1,846,218	1,579,168
Other income	*10*	**1,045,377**	868,984
Revenue and other income		**2,891,595**	2,448,152
Expenses			
Interest expenses		**(1,240,964)**	(1,029,282)
Depreciation		**(327,064)**	(163,982)
Other operating expenses		**(351,191)**	(399,486)
		(1,919,219)	(1,592,750)
Operating profit		**972,376**	855,402
Share of loss of an associate		**(2,203)**	(7,364)
Other gains	*11*	**42,067**	44,071
Profit before income tax		**1,012,240**	892,109
Income tax expenses	*12*	**(277,577)**	(253,694)
Profit for the year		**734,663**	638,415
Profit attributable to shareholders of the Company		**734,663**	638,415
Earnings per share for profit attributable to shareholders of the Company (expressed in HK$ per share)			
– Basic earnings per share	*13(a)*	**1.088**	1.009
– Diluted earnings per share	*13(b)*	**1.084**	0.984

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**734,663**	638,415
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss		
Share of reserves of an associate	**(181)**	(7,799)
Cash flow hedges	**(2,438)**	100,325
Currency translation differences	**7,252**	(3,313)
Total other comprehensive income for the year, net of tax	**4,633**	89,213
Total comprehensive income for the year	**739,296**	727,628
Total comprehensive income for the year attributable to shareholders of the Company	**739,296**	727,628

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company					
	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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 year	–	–	638,415	638,415	–	638,415
Other comprehensive income						
Share of reserves of an associate	–	(7,799)	–	(7,799)	–	(7,799)
Cash flow hedges	–	100,325	–	100,325	–	100,325
Currency translation differences	–	(3,313)	–	(3,313)	–	(3,313)
Total comprehensive income	–	89,213	638,415	727,628	–	727,628
Transactions with shareholders						
Issue of new shares	4,000	315,991	–	319,991	–	319,991
Share option scheme:						
– Value of services	–	7,915	–	7,915	–	7,915
– Issue of new shares from exercise of share options	2,398	68,495	–	70,893	–	70,893
Repurchase of convertible bonds *(Note 7)*	–	(79,378)	12,773	(66,605)	–	(66,605)
Purchase of non-controlling interests	–	(39)	–	(39)	(19,461)	(19,500)
Dividends	–	–	(204,978)	(204,978)	–	(204,978)
Total transactions with shareholders	6,398	312,984	(192,205)	127,177	(19,461)	107,716
Balance as at 31 December 2016	66,990	1,839,694	1,136,662	3,043,346	–	3,043,346

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company			
	Share capital *HK$'000*	**Reserves** *HK$'000*	**Retained earnings** *HK$'000*	**Total equity** *HK$'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 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 7)*	–	(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**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Cash flows from operating activities		
Profit after income tax	**734,663**	638,415
Adjustments for:		
– Depreciation	**327,064**	163,982
– Interest expenses	**1,240,964**	1,029,282
– Share-based payments	**15,185**	7,915
– Unrealised currency exchange gains	**(1,488)**	(2,089)
– Fair value gains on interest rate and currency swaps	**(49,354)**	(27,913)
– Gain on disposal of Aircraft Recycling International Limited ("**ARI**") Group	**–**	(8,731)
– Gain on disposal of property, plant and equipment	**(50)**	–
– Loss on repurchase of convertible bonds	**3,055**	39
– Share of loss of an associate	**2,203**	7,364
– Interest income	**(99,901)**	(34,240)
	2,172,341	1,774,024
Changes in working capital:		
– Finance lease receivables – net	**2,369,103**	1,217,008
– Prepayments and other receivables	**(334,103)**	121,987
– Other payables and accruals	**1,063,060**	760,676
– Income tax payables	**(26,020)**	5,620
– Deferred income tax liabilities	**205,327**	212,944
Net cash flows generated from operating activities	**5,449,708**	4,092,259
Cash flows from investing activities		
Purchase of property, plant and equipment	**(6,809,429)**	(3,669,249)
Proceeds from disposal of property, plant and equipment	**50**	–
Deposit paid for acquisition of aircraft	**(2,766,856)**	(1,730,821)
Deposit refunds for acquisition of aircraft	**2,220,094**	1,811,731
Interest received	**28,453**	15,435
Proceeds from disposal of ARI Group	**–**	322,840
Payments relating to interests in and loans to an associate	**(356,755)**	(469,569)
Net cash flows used in investing activities	**(7,684,443)**	(3,719,633)

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Cash flows from financing activities		
Proceeds from issue of new shares	**21,556**	390,884
Proceeds from bank borrowings and long-term borrowings	**13,070,923**	9,577,342
Issue of medium-term notes, net of transaction costs	**–**	384,680
Issue of bonds, net of transaction costs	**3,861,548**	4,608,628
Refinancing and repayments of bank borrowings and long-term borrowings	**(11,700,659)**	(8,999,729)
Purchase of non-controlling interests	**–**	(19,500)
Repurchase of convertible bonds, including transaction costs	**(156,899)**	(591,014)
Interest paid in respect of derivative financial instruments	**(27,544)**	(30,950)
Interest paid in respect of borrowings, notes and bonds	**(1,251,280)**	(1,029,233)
Proceeds from disposal of derivative financial instruments	**76,091**	–
(Increase)/decrease in deposits pledged in respect of bank borrowings	**(256,785)**	59,872
Decrease/(increase) in deposits pledged in respect of derivative financial instruments	**71,382**	(33,462)
Dividends paid to shareholders	**(386,189)**	(204,232)
Net cash flows generated from financing activities	**3,322,144**	4,113,286
Net increase in cash and cash equivalents	**1,087,409**	4,485,912
Cash and cash equivalents at beginning of the year	**5,840,746**	1,389,289
Currency exchange difference on cash and cash equivalents	**95,204**	(34,455)
Cash and cash equivalents at end of the year	**7,023,359**	5,840,746

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 2017 are presented in Hong Kong Dollars ("**HK$**"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments, 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 Note.

(a) Going concern

Aircraft leasing is a capital-intensive business. As at 31 December 2017, the Group had total capital commitments of HK$76,030.6 million mainly relating to aircraft purchase, of which HK$7,738.0 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 aircraft bank loans, issuance of notes under the US$3,000 million medium-term note programme set up in December 2017 ("**MTN Programme**"), and other debt and equity financing. 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 2017 amounted to HK$3,149.7 million. Up to the approval date of the consolidated financial statements, the Group had signed PDP financing agreements with various commercial banks which have agreed to provide financing of HK$2,311.5 million to the Group in the next twelve months from 31 December 2017. The remaining balance of PDP amounting to HK$838.2 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 delivery in the next twelve months from 31 December 2017. The directors of the Company thus believes 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 balance payments of the aircraft acquisition costs due in the next twelve months from 31 December 2017.

– 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.

– As at 31 December 2017, the Group had cash and cash equivalents amounting to HK$7,023.4 million. In addition, the Group set up the MTN Programme of US$3,000 million in December 2017, pursuant through which the Group may raise necessary funds as when needed. Each issuance of the note from such MTN Programme will be subject to the board of directors' approval and other external factors.

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 2017. The forecasts are based on a number of assumptions including aircraft delivery and leasing schedules, planned disposal of finance lease receivables 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 2017. 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) ***Changes in accounting policy and disclosure***

(i) *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 impact on the amounts recognised in the current year or any prior year.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities.

(ii) *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 2018 and have not been early adopted in preparing the consolidated financial statements for the year ended 31 December 2017.

	Effective Date
HKFRS 9, 'Financial instruments'	1 January 2018
HKFRS 15, 'Revenue from contracts with customers'	1 January 2018
Amendments to HKFRS 2, 'Classification and measurement of share-based payment transactions'	1 January 2018
Amendment to HKAS 28, 'Investments in associates and joint ventures'	1 January 2018
HK (IFRIC) 22, 'Foreign currency transactions and advance consideration'	1 January 2018
HKFRS 16, 'Leases'	1 January 2019
HK (IFRIC) 23, 'Uncertainty over income tax treatments'	1 January 2019
Amendments to HKFRS 10 and HKAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far the Group has identified some aspects of the new and revised HKFRSs that are expected to have an impact on the Group's accounting policies and are discussed below, which mainly include HKFRS 9, HKFRS 15 and HKFRS 16. Other new and revised HKFRSs are not expected to have a material impact on the Group's financial performance and position.

HKFRS 9, 'Financial instruments'

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The Group has assessed that its debt instruments currently classified as loans and receivables and measured at amortised cost will continue with their respective classification and measurements upon the adoption of HKFRS 9.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39, 'Financial instruments: recognition and measurement' and have not been changed under HKFRS 9.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group is yet to undertake a detailed assessment, it would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of HKFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECLs) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects the increase in the loss allowance for lease receivables by approximately US$1,268,000 (equivalent to HK$9,909,000).

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

HKFRS 15, 'Revenue from contracts with customers'

HKFRS 15 replaces the previous revenue standards: IAS/HKAS 18, 'Revenue' and IAS/HKAS 11, 'Construction contracts', and the related interpretations on revenue recognition. The directors of the Company have performed a preliminary assessment. Based on this assessment, it is noted that HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a five-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date. According to the business model of the Group and assessment, the Group does not expect a significant impact on the accounting from HKFRS 15.

HKFRS 16, 'Leases'

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 2017, the Group has non-cancellable operating lease commitments of HK$26.7 million. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will 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.

3 FINANCE LEASE RECEIVABLES – NET

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Finance lease receivables	**7,139,331**	12,357,712
Guaranteed residual values	**6,519,844**	5,723,943
Unguaranteed residual values	**7,284,728**	6,693,720
Gross investment in leases	**20,943,903**	24,775,375
Less: Unearned finance income	**(8,387,702)**	(9,744,403)
Net investment in leases	**12,556,201**	15,030,972
Less: Accumulated allowance for impairment (a)	**–**	–
Finance lease receivables – net	**12,556,201**	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 balance due from airline companies is low. No impairment allowance was made for the finance lease receivables as at 31 December 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:

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Gross investment in finance leases	**20,943,903**	24,775,375
Less: Unguaranteed residual values	**(7,284,728)**	(6,693,720)
Minimum lease payments receivable	**13,659,175**	18,081,655
Less: Unearned finance income related to minimum lease payments receivable	**(4,996,644)**	(6,390,192)
Present value of minimum lease payments receivable	**8,662,531**	11,691,463

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	
	2017	2016
	HK$'000	*HK$'000*
Gross investment in finance leases		
– Not later than 1 year	**851,211**	1,317,014
– Later than 1 year and not later than 5 years	**3,557,303**	5,450,682
– Later than 5 years	**16,535,389**	18,007,679
	20,943,903	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 the reporting period:

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Present value of minimum lease payments receivable		
– Not later than 1 year	**298,044**	563,904
– Later than 1 year and not later than 5 years	**863,357**	2,281,551
– Later than 5 years	**7,501,130**	8,846,008
	8,662,531	11,691,463

4 BANK BORROWINGS

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Secured bank borrowings for aircraft acquisition financing (a)	**13,981,599**	15,131,613
PDP financing (b)	**1,709,129**	2,236,897
Working capital borrowings (c)	**767,683**	466,232
	16,458,411	17,834,742

(a) Secured 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 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$312,434,000 (2016: HK$51,698,000).

(b) In October 2017, the Group signed the first unsecured syndicated loan for PDP financing. 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 2017, the Group had aggregate unsecured working capital borrowings of HK$767,683,000 (2016: HK$466,232,000) which were guaranteed by certain companies of the Group.

5 LONG-TERM BORROWINGS

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Borrowings from trust plans (a)	**5,018,672**	2,195,235
Other borrowings (b)	**310,724**	150,875
	5,329,396	2,346,110

(a) As at 31 December 2017, 43 borrowings (2016: 21 borrowings) were provided to the Group by investors under trust plans or an asset-backed securities programme (both are 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% (2016: 6.0% to 7.8%) per annum for remaining terms of six to 11 years (2016: seven 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$41,969,000 (2016: Nil).

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

6 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 2017, after deducting the issuing cost, the total carrying amount of these notes was HK$798,094,000 (2016: HK$740,126,000).

7 CONVERTIBLE BONDS

	Liability *HK$'000*	**Equity** *HK$'000*	**Total** *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) during 2016	70,289	–	70,289
Interest paid (inclusive of arrangement fees) during 2016	(49,719)	–	(49,719)
Carrying value as at 31 December 2016 and 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	**153,190**	**18,581**	**171,771**

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 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 are accrued at the effective interest rate (inclusive of arrangement fees) of 11.8% (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.

8 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 2017 was HK$8,538,932,000 (2016: HK$4,611,878,000).

9 LEASE INCOME AND SEGMENT INFORMATION

During the year ended 31 December 2017, 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 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:

	Year ended 31 December			
	2017		2016	
	HK$'000	*%*	*HK$'000*	*%*
Categorised by customer in terms of lease income:				
Airline Company – A	**195,807**	**11%**	243,163	15%
Airline Company – B	**184,255**	**10%**	186,472	12%
Airline Company – C	**180,621**	**10%**	179,020	11%
Airline Company – D	**177,541**	**10%**	169,443	11%
Airline Company – E	**133,364**	**7%**	129,827	8%
Other airline companies	**974,630**	**52%**	671,243	43%
Total finance and operating lease income	**1,846,218**	**100%**	1,579,168	100%

10 OTHER INCOME

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Gain from disposal of finance lease receivables	**711,167**	562,025
Government grants	**204,207**	260,738
Interest income from loans to an associate	**71,448**	18,805
Bank interest income	**28,453**	15,435
Operating lease income on office premises from a related party	**1,275**	2,646
Operating lease income on other assets from a related party	**1,320**	–
Operating lease income on office premises from an associate	**3,790**	–
Others	**23,717**	9,335
	1,045,377	868,984

11 OTHER GAINS

	Year ended 31 December 2017 HK$'000	2016 HK$'000
Unrealised (loss)/gain on currency swap	**(9,381)**	8,038
Realised gains on interest rate swaps	**58,735**	12,149
Fair value gains on interest rate swaps	**–**	7,726
Currency exchange (losses)/gains	**(4,282)**	7,466
Gain on disposal of ARI Group	**–**	8,731
Loss on repurchase of convertible bonds	**(3,055)**	(39)
Gain on disposal of property, plant and equipment	**50**	–
	42,067	44,071

12 INCOME TAX EXPENSES

	Year ended 31 December 2017 HK$'000	2016 HK$'000
Current income tax:		
Mainland China, Hong Kong and others	**72,250**	40,750
Deferred income tax	**205,327**	212,944
	277,577	253,694

13 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue during the years ended 31 December 2016 and 2017.

	Year ended 31 December 2017	2016
Profit for the year *(HK$'000)*	**734,663**	638,415
Weighted average number of ordinary shares in issue *(number of shares in thousands)*	**675,464**	632,849
Basic earnings per share *(HK$ per share)*	**1.088**	1.009

(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 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 expense 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.

	Year ended 31 December	
	2017	2016
Earnings		
Profit for the year *(HK$'000)*	**734,663**	638,415
Adjustments for:		
– Interest expenses net of tax on convertible bonds, excluding capitalised amount *(HK$'000)* *(Note)*	**–**	49,746
– Loss on repurchase of convertible bonds *(HK$'000)* *(Note)*	**–**	39
	734,663	688,200
Weighted average number of ordinary shares for diluted earnings per share		
Weighted average number of ordinary shares in issue *(number of shares in thousands)*	**675,464**	632,849
Adjustment for:		
– Share options *(number of shares in thousands)*	**2,574**	9,947
– Assumed conversion of convertible bonds *(number of shares in thousands)* *(Note)*	**–**	56,684
Weighted average number of ordinary shares for diluted earnings per share *(number of shares in thousands)*	**678,038**	699,480
Diluted earnings per share *(HK$ per share)*	**1.084**	0.984

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

14 DIVIDENDS

On 24 March 2017, the Board declared a final dividend of HK$0.39 per ordinary share totalling HK$264.1 million 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 per ordinary share totalling HK$122.1 million, which was paid in September 2017.

On 23 March 2018, the Board declared a final dividend of HK$0.42 per ordinary share totalling HK$284.8 million which is calculated based on 678,183,380 issued shares as at 23 March 2018. The proposed dividend is not reflected as a dividend payable in the consolidated financial statements as at 31 December 2017, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2018.

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Interim dividend paid of HK$0.18 (2016: HK$0.14) per ordinary share	**122,072**	93,777
Proposed final dividend of HK$0.42 (2016: HK$0.39) per ordinary share	**284,837**	264,117
Total	**406,909**	357,894

FINAL DIVIDENDS

The Board has recommended the payment of a final dividend of HK$0.42 per share (2016: HK$0.39 per share) in respect of the year ended 31 December 2017 to shareholders whose names appear on the register of members of the Company on 17 May 2018. The proposed final dividend will be paid on or about 5 June 2018, following approval at the Annual General Meeting of the Company to be held on 9 May 2018 (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 3 May 2018
b)	Closure of Register of Members	4 May 2018 to 9 May 2018 *(both dates inclusive)*

(i) For determining entitlement to the final dividend:

a)	Latest time to lodge transfer documents for registration	4:30 pm on 15 May 2018
b)	Closure of Register of Members	16 May 2018 to 17 May 2018 *(both dates inclusive)*
c)	Record date	17 May 2018

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

During the year ended 31 December 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 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 Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange.

The Company has complied with all Code Provisions as set out in the CG Code during the year ended 31 December 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 be 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 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. CHEOK Albert Saychuan, Mr. NIEN Van Jin, Robert and Mr. GUO Zibin, among whom, three are Independent Non-executive Directors. During the year, 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 reviewing the financial results of the Group for the year ended 31 December 2017.

The consolidated financial statements of the Company for the year ended 31 December 2017 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 9 May 2018. The notice of the AGM and the 2017 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 CEO

Hong Kong, 23 March 2018

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.