

CALC

China Aircraft Leasing Group Holdings Limited

(Incorporated under the laws of the Cayman Islands with limited liability)
Stock code : 01848

Weather *the Storm*



INTERIM REPORT 2020





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. ZHAO Wei (*Chairman of the Board*)
Mr. POON Ho Man (*Chief Executive Officer*)
Ms. LIU Wanting (*Deputy Chief Executive Officer*)

Non-executive Director

Mr. TANG Chi Chun

Independent Non-executive Directors

Mr. FAN Yan Hok, Philip
Mr. NIEN Van Jin, Robert
Mr. CHEOK Albert Saychuan

COMPOSITION OF COMMITTEES

Audit Committee

Mr. CHEOK Albert Saychuan (*Chairman*)
Mr. FAN Yan Hok, Philip
Mr. NIEN Van Jin, Robert

Remuneration Committee

Mr. FAN Yan Hok, Philip (*Chairman*)
Mr. ZHAO Wei
Mr. POON Ho Man
Mr. NIEN Van Jin, Robert
Mr. CHEOK Albert Saychuan

Nomination Committee

Mr. CHEOK Albert Saychuan (*Chairman*)
Mr. FAN Yan Hok, Philip
Mr. NIEN Van Jin, Robert

COMPANY SECRETARY

Ms. TAI Bik Yin

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISER

Linklaters

REGISTERED OFFICE

Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

28th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS AND FINANCIAL INSTITUTIONS

Agricultural Bank of China Limited
Bank of Beijing Co., Ltd.
Bank of China Limited
Bank of Communications Co., Ltd.
The Bank of East Asia, Limited
Bank of Jiangsu Co., Ltd.
Bank SinoPac Company Limited
BNP Paribas
Cathay Bank
Cathay United Bank Co., Ltd.
Chang Hwa Commercial Bank Ltd.
China Construction Bank Corporation
China Development Bank
China Everbright Bank Co., Ltd.
China Merchants Bank Co., Ltd.
China Minsheng Banking Corp., Ltd.
Chiyu Banking Corporation Limited
Chong Hing Bank Limited
Credit Agricole Corporate and Investment Bank
Crédit Industriel et Commercial
Credit Suisse Securities (USA) LLC
Dah Sing Bank Limited
Deutsche Bank AG
Development Bank of Japan Inc.
E.Sun Commercial Bank, Ltd.
EnTie Commercial Bank
Far Eastern International Bank, Ltd.
The Export-Import Bank of China
Goldman Sachs (Asia) LLC
Hua Nan Commercial Bank, Ltd.
Industrial Bank Co., Ltd.
Industrial and Commercial Bank of China (Asia) Limited
Industrial and Commercial Bank of China (Thai) Public Company Limited
KDB Asia Limited
Korea Development Bank
KfW IPEX-Bank GmbH
Mega International Commercial Bank Co., Ltd.
MUFG Bank, Ltd
Nanyang Commercial Bank, Limited
Ping An Bank Co., Ltd.
Shanghai Pudong Development Bank Co., Ltd.
Société Générale
Tai Fung Bank Limited
Taishin International Bank Co., Ltd.
Taiwan Cooperative Bank Limited
TIAA Bank
Toronto-Dominion Bank

COMPANY'S WEBSITE

www.calc.com.hk

INVESTOR RELATIONS CONTACT

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STOCK CODE

01848

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM BUSINESS REVIEW

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

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

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

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

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

CALC'S PRUDENT OPERATION STRATEGY

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

Our fleet

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

Strong airline clientele

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

MANAGEMENT DISCUSSION AND ANALYSIS

Highly liquid and most popular aircraft assets

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

Young and modern fleet

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

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

Asset-light model

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

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

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

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

Financing platform development

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

Full value chain operation

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

PROSPECTS

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. RESULTS

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

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

2. ANALYSIS OF INCOME AND EXPENSES

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

MANAGEMENT DISCUSSION AND ANALYSIS

2.1 Total Revenue and Other Income

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

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

During the six months ended 30 June 2020, the Group's average lease rental yield of the finance leases and operating leases was 12.6% (During the six months ended 30 June 2019: 11.0%) and 9.7% (During the six months ended 30 June 2019: 9.3%), respectively. Average lease rental yield for finance leases and operating leases is calculated by annual gross lease receipt divided by net book value of aircraft.

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

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

2.2 Total Operating Expenses

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

(a) Interest Expenses

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

(b) Depreciation

The amount represented depreciation on aircraft under operating leases, leasehold improvements, office equipment, office building, right-of-use assets and other assets. Depreciation for the six month ended 30 June 2020 was HK\$430.4 million compared with HK\$362.2 million for the corresponding period last year, an increase of HK\$68.2 million or 18.8%. This was mainly attributable to an increase in the number of aircraft under operating leases from 53 aircraft as at 30 June 2019 to 62 aircraft as at 30 June 2020.

(c) Other Operating Expenses

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

3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

3.1.2 Prepayments and Other Assets

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

3.1.3 Aircraft Portfolio

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

3.2 Liabilities

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

An analysis is given as follows:

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

3.2.1 Borrowings

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

MANAGEMENT DISCUSSION AND ANALYSIS

3.2.2 Bonds and debentures

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

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

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

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

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

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

3.3 Equity

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

4. CAPITAL MANAGEMENT

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

Operations and capital expenditure requirements are funded by a combination of cash generated from operating activities, bank borrowings, issuance of bonds, debentures and medium-term notes and disposal of aircraft. In order to meet the current rapid expansion, the Group will also consider both equity and debt financing opportunities.

For the six months ended 30 June 2020, the objectives, policies and processes for managing capital remained largely unchanged. The Group made full use of capital leverage and the asset-light strategy to keep pace with aircraft delivery.

The Group monitors capital through gearing ratios:

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

5. HUMAN RESOURCES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

6. CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

6.1 Contingent Liabilities

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

6.2 Capital Commitments for Aircraft Acquisition and Qualified Aircraft Leasing Activity

The Board confirms that the Company is a listed issuer actively engaged in aircraft leasing with aircraft operators as a principal business in its ordinary and usual course of business and the Company is therefore a Qualified Aircraft Lessor (as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited) (the "Listing Rules"). Acquisition or disposal of aircraft is a Qualified Aircraft Leasing Activity pursuant to the Listing Rules.

The Group's total aircraft purchase commitment amounted to HK\$100.3 billion as at 30 June 2020 (31 December 2019: HK\$86.1 billion), representing estimated total purchase costs of the aircraft contracted to be purchased and delivered, net of PDP paid.

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

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

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

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

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

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

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

7. OTHER EVENT

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

OTHER INFORMATION

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations

As at 30 June 2020, the interests and short positions of Directors and the chief executive of the Company in shares of the Company (the "Shares"), underlying Shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he/she was taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange are as follows:

Name of Directors	Capacity	Number of Shares Held (L) ⁽¹⁾		Approximate percentage of Shares in issue ⁽²⁾
		Number of Shares/ underlying Share held	Total interests	
ZHAO Wei	Beneficial owner	10,000,000 ⁽³⁾	10,000,000	1.42%
POON Ho Man	Interest of controlled corporation	203,841,472 ⁽⁴⁾	203,841,472	28.87%
LIU Wanting	Interest of controlled corporation	10,697,877 ⁽⁵⁾	13,697,877	1.94%
	Beneficial owner	3,000,000 ⁽³⁾		
TANG Chi Chun	Beneficial owner	200,000	200,000	0.03%
FAN Yan Hok, Philip	Beneficial owner	200,000	200,000	0.03%
NIEN Van Jin, Robert	Beneficial owner	234,000	234,000	0.03%
CHEOK Albert Saychuan	Beneficial owner	5,000	205,000	0.03%
	Beneficial owner	200,000 ⁽³⁾		

OTHER INFORMATION

DISCLOSURE OF INTERESTS *(continued)*

Directors' and Chief Executive's Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations *(continued)*

Notes:

- (1) The letter "L" denotes the entity/person's long position in the securities.
- (2) Based on 705,970,647 Shares in issue as at 30 June 2020.
- (3) These interests represented the interests in the underlying Shares in respect of the share options granted by the Company to Directors pursuant to the post-IPO share option scheme of the Company.
- (4) Mr. POON Ho Man was deemed to be interested in 203,841,472 Shares in the following manner:
 - (a) 195,294,658 Shares were held by Friedmann Pacific Asset Management Limited, a substantial shareholder of the Company and wholly-owned by Capella Capital Limited which in turn was owned as to 50% by Ms. Christina NG and 50% by Mr. POON; and
 - (b) 8,546,814 Shares were held by Equal Honour Holdings Limited, a company wholly-owned by Mr. POON.
- (5) These Shares were held by Smart Aviation Investment Limited, a company wholly-owned by Ms. LIU Wanting.

Save as disclosed above, as at 30 June 2020, none of the Directors or the chief executive of the Company had any interests or short positions in any Shares, underlying Shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be: i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions in which he/she was taken or deemed to have under such provisions of the SFO); or ii) entered in the register of interests required to be kept by the Company pursuant to section 352 of the SFO; or iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

Arrangements for the Directors to purchase Shares or Debentures

Save as disclosed herein, at no time during the six months ended 30 June 2020 were there any rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

OTHER INFORMATION

DISCLOSURE OF INTERESTS (continued)

Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

Based on the information available to the Directors as at 30 June 2020 (including such information as was available on the website of the Stock Exchange) or so far as they are aware of, as at 30 June 2020, the entities and/or persons who had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company are as follows:

Name of shareholders	Capacity	Number of Shares Held (L) ⁽¹⁾		Approximate percentage of Shares in issue ⁽²⁾
		Number of Shares/ underlying Shares held	Total interests	
China Everbright Aerospace Holdings Limited ("CE Aerospace")	Beneficial owner	223,563,682 ⁽³⁾	223,563,682	31.67%
China Everbright Limited ("CEL")	Interest of controlled corporation	258,455,878 ⁽³⁾	258,455,878	36.61%
China Everbright Holdings Company Limited ("CE Hong Kong")	Interest of controlled corporation	258,455,878 ⁽⁴⁾	258,455,878	36.61%
China Everbright Group Ltd ("CE Group")	Interest of controlled corporation	258,455,878 ⁽⁵⁾	258,455,878	36.61%
Central Huijin Investment Ltd. ("Huijin Ltd.")	Interest of controlled corporation	258,455,878 ⁽⁵⁾	258,455,878	36.61%
Friedmann Pacific Asset Management Limited ("FPAM")	Beneficial owner	195,294,658 ⁽⁶⁾	195,294,658	27.66%
Capella Capital Limited ("Capella")	Interest of controlled corporation	195,294,658 ⁽⁶⁾	195,294,658	27.66%
POON Ho Man	Interest of controlled corporation	203,841,472 ^{(7) & (8)}	203,841,472	28.87%
Christina NG	Interest of controlled corporation	195,294,658 ⁽⁷⁾		
	Beneficial owner	7,500,000		
	Beneficial owner	3,800,000 ⁽⁹⁾	206,594,658	29.26%

OTHER INFORMATION

DISCLOSURE OF INTERESTS *(continued)*

Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares *(continued)*

Notes:

- (1) The letter "L" denotes the entity/person's long position in the securities.
- (2) Based on 705,970,647 Shares in issue as at 30 June 2020.
- (3) CEL was deemed to be interested in 223,563,682 and 34,892,196 Shares held by CE Aerospace and China Everbright Financial Investments Limited respectively, both of which were wholly-owned by CEL.
- (4) CE Hong Kong indirectly held more than one-third of the voting power at general meetings of CEL. Accordingly, CE Hong Kong was deemed to be interested in all Shares mentioned in note (3) above.
- (5) Huijin Ltd. held 55.67% equity interest in CE Group which in turn held 100% of the issued share capital of CE Hong Kong. Accordingly, CE Group and Huijin Ltd. were deemed to be interested in all Shares mentioned in notes (3) and (4) above.
- (6) The issued share capital of FPAM was wholly-owned by Capella. Accordingly, Capella was deemed to be interested in all Shares held by FPAM.
- (7) The issued share capital of Capella was owned as to 50% by Ms. Christina NG and 50% by Mr. POON Ho Man. Accordingly, Mr. POON and Ms. NG were deemed to be interested in all Shares mentioned in note (6) above.
- (8) Mr. POON Ho Man was interested in 8,546,814 Shares held by Equal Honour Holdings Limited, a company wholly-owned by Mr. POON.
- (9) These interests represented the interests in underlying Shares in respect of the share options granted by the Company to Ms. Christina NG pursuant to the post-IPO share option scheme of the Company.

Save as disclosed above, as at 30 June 2020, the Directors are not aware of any person who had an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, directly or indirectly, be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

OTHER INFORMATION

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

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

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

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

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

The Company has complied with all Code Provisions as set out in the CG Code during the six months ended 30 June 2020.

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

Directors' Securities Transactions

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

OTHER INFORMATION

BOARD COMMITTEES

Audit Committee

The Audit Committee was established by the Board in September 2013 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and Code Provision C.3 of the CG Code. The primary duties of the Audit Committee include but not limited to reviewing and supervising the Group's financial reporting process, internal audit function, internal control and risk management systems, and providing advices and comments to the Board. As at the date of this report, the Audit Committee consisted of Mr. CHEOK Albert Saychuan (chairman), Mr. FAN Yan Hok, Philip and Mr. NIEN Van Jin, Robert, all of them are independent non-executive Directors (the "INEDs, each an "INED"). The chairman of the Audit Committee holds appropriate professional qualifications or expertise in accounting or relevant financial management.

During the period under review, the Audit Committee has reviewed with the management team and PricewaterhouseCoopers ("PwC"), the external auditor of the Company, the accounting principles and practices adopted by the Group and discussed matters regarding auditing, internal control, risk management and financial reporting including the following:

- The review of the audited consolidated financial statements of the Group for the year ended 31 December 2019 and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2020, which 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 Hong Kong Institute of Certified Public Accountants;
- The discussion with PwC on the nature and scope of the audit and reporting obligations before commencement of audit;
- The recommendation to the Board for the proposal for re-appointment of PwC and approval of the remuneration and terms of engagement of PwC; and
- The review of the Company's financial control, internal control and risk management systems, and the effectiveness of the internal audit function.

OTHER INFORMATION

BOARD COMMITTEES *(continued)*

Remuneration Committee

The Remuneration Committee was established by the Board in September 2013 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and Code Provision B.1 of the CG Code. The primary duties of the Remuneration Committee include but not limited to regular monitoring of the remuneration of all Directors and senior management to ensure that levels of their remuneration and compensation are appropriate. As at the date of this report, the Remuneration Committee consisted of Mr. FAN Yan Hok, Philip (chairman), Mr. ZHAO Wei, Mr. POON Ho Man, Mr. NIEN Van Jin, Robert and Mr. CHEOK Albert Saychuan.

During the period under review, the Remuneration Committee has considered and recommended to the Board the remuneration and other benefits paid by the Company to the Directors and senior management.

Nomination Committee

The Nomination Committee was established by the Board in September 2013 with written terms of reference in compliance with Code Provision A.5 of the CG Code. The primary duties of the Nomination Committee include but not limited to selecting and recommending candidates for directorship, reviewing of the structure, size and composition of the Board to achieve its diversity and assessing the independence of INEDs. As at the date of this report, the Nomination Committee consisted of Mr. CHEOK Albert Saychuan (chairman), Mr. FAN Yan Hok, Philip and Mr. NIEN Van Jin, Robert.

During the period under review, the Nomination Committee has reviewed the structure, size and composition of the Board, assessed the independence of INEDs and made recommendation to the Board on the re-election of Directors.

POST-IPO SHARE OPTION SCHEME

The post-IPO share option scheme (the "Post-IPO Share Option Scheme") was conditionally approved and adopted pursuant to a resolution in writing passed by the shareholders of the Company (the "Shareholders") on 23 June 2014, which became effective on the listing date of 11 July 2014.

As at the date of this interim report, the total number of Shares available for issue under the Post-IPO Share Option Scheme is 24,854,000 Shares (as at the date of the 2019 interim report of 27 August 2019: 24,974,000 Shares), which represented approximately 3.52% (as at 27 August 2019: 3.69%) of the Shares in issue.

OTHER INFORMATION

POST-IPO SHARE OPTION SCHEME (continued)

On 2 January 2020, options to subscribe for 10,000,000 Shares at an exercise price of HK\$9 per Share were granted to Mr. ZHAO Wei, an executive Director and the Chairman of the Board, pursuant to the Post-IPO Share Option Scheme, which was approved by the Shareholders at an extraordinary general meeting of the Company held on 17 April 2020.

During the period under review, no share options were exercised and the movement of share options granted under the Post-IPO Share Option Scheme is as follows:

Name of grantees	Date of grant	Number of Shares under options				As at 30 June 2020	Exercise price per Share HK\$	Exercise period
		As at 1 January 2020	Granted during the period	Exercised during the period	Lapsed during the period			
Directors								
ZHAO Wei	2 Jan 2020	-	10,000,000	-	-	10,000,000	9.00	17 Apr 2020 to 17 Apr 2022 (Note 1)
LIU Wanting	22 Jul 2016	3,000,000	-	-	-	3,000,000	8.80	up to 21 Jul 2020
CHEOK Albert Saychuan	22 Jul 2016	200,000	-	-	-	200,000	8.80	up to 21 Jul 2020
Sub-total		3,200,000	10,000,000	-	-	13,200,000		
Substantial Shareholder								
Christina NG	22 Jul 2016	3,800,000	-	-	-	3,800,000	8.80	up to 21 Jul 2020
Sub-total		3,800,000	-	-	-	3,800,000		
Other Participants								
Senior Management and other Employees	22 Jul 2016	7,774,000	-	-	(120,000)	7,654,000	8.80	up to 21 Jul 2020
Others (Note 2)	22 Jul 2016	200,000	-	-	-	200,000	8.80	up to 21 Jul 2020
Sub-total		7,974,000	-	-	(120,000)	7,854,000		
Total		14,974,000	10,000,000	-	(120,000)	24,854,000		

OTHER INFORMATION

POST-IPO SHARE OPTION SCHEME *(continued)*

Notes:

- (1) As approved by the Shareholders at an extraordinary general meeting of the Company held on 17 April 2020, the initial exercise period of all share options granted to Mr. ZHAO Wei will expire on 17 April 2022 (the "Expiry Date"). Subject to the approval of the Board on or before the Expiry Date and also compliance with the relevant requirements under the Listing Rules, any share options which have not been exercised by Mr. ZHAO within the initial exercise period will have an additional exercise period of two years from the date following the Expiry Date.
- (2) Mr. CHOW Kwong Fai, Edward, *JP* an INED, passed away on 1 June 2020. Pursuant to the Post-IPO Share Option Scheme, Mr. CHOW's legal personal representative is entitled to take up his options to subscribe for 200,000 Shares.

OTHERS

Change of Directors' Information Under Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes and updated information regarding the Directors since the Company's last published annual report and up to the date of this interim report are set out below:

Mr. ZHAO Wei, an executive Director and the Chairman of the Board, stepped down from the chairman of Everbright Jiabao Co., Ltd., a company listed on Shanghai Stock Exchange (stock code: 600622.SH), with effect from 20 May 2020.

Mr. CHOW Kwong Fai, Edward, *JP* an INED and the chairman of Audit Committee of the Company, passed away on 1 June 2020.

Mr. CHEOK Albert Saychuan, an INED, was appointed as the chairman of Audit Committee of the Company in place of Mr. CHOW Kwong Fai, Edward *JP* with effect from 2 June 2020. Mr. CHEOK also resigned as a non-executive director of Peppermint Innovation Limited, a company listed in Australia, with effect from 31 March 2020.

As set out in the section of "Post-IPO Share Option Scheme" above, options to subscribe for 10,000,000 Shares were granted to Mr. ZHAO Wei on 2 January 2020. In addition, all share options previously granted to grantees (including certain Directors) on 22 July 2016 were lapsed upon expiry of the exercise period with effect from 22 July 2020.

The updated biographies of Directors are available on the Company's website.

Save as disclosed above, the Company is not aware of other information which is required to be disclosed under Rule 13.51B(1) of the Listing Rules.

Public Float

Based on the information publicly available to the Company and as far as the Directors are aware as at the date of this report, at least 25% of the total Shares in issue is held by the public pursuant to the Listing Rules.

OTHER INFORMATION

OTHERS *(continued)*

Interim Dividend

The Board has declared the payment of an interim dividend of HK\$0.20 per Share in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$0.23 per Share) to the Shareholders whose names appear on the register of members of the Company (the "Register of Members") on 11 September 2020. Shareholders will be given the option to receive the 2020 interim dividend in new shares in lieu of cash (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is subject to the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

A circular containing details of the Scrip Dividend Scheme will be despatched to the Shareholders together with the form of election for scrip dividend in September 2020. Cheques for cash dividend and/or definitive certificates for the scrip shares in respect of the 2020 interim dividend are expected to be despatched to the Shareholders on or about 29 October 2020.

Closure of Register of Members

For the purpose of determining Shareholders' entitlement to the interim dividend, the Register of Members will be closed from 9 September 2020 to 11 September 2020, both days inclusive, during which period, no transfer of Shares will be registered. The record date on which the Shareholders are qualified to receive the interim dividend is 11 September 2020. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 8 September 2020.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Saved as disclosed above, during the six months ended 30 June 2020, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
China Aircraft Leasing Group Holdings Limited

POON HO MAN
Executive Director and Chief Executive Officer

Hong Kong, 14 August 2020

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

TO THE BOARD OF DIRECTORS OF CHINA AIRCRAFT LEASING GROUP HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 25 to 66, which comprises the interim consolidated balance sheet of China Aircraft Leasing Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 and the interim consolidated statement of income, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 14 August 2020

INTERIM CONSOLIDATED BALANCE SHEET

	Note	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
ASSETS			
Property, plant and equipment and right-of-use assets	6	21,503,363	19,611,484
Interests in and loans to associates and joint ventures	7	1,394,230	1,117,606
Finance lease receivables – net	8	7,359,141	7,790,510
Financial assets at fair value through profit or loss	9	738,853	752,913
Derivative financial assets	17	22,984	26,337
Prepayments and other assets	10	10,546,778	9,765,047
Restricted cash		459,119	235,101
Cash and cash equivalents		3,364,233	4,352,327
Total assets		45,388,701	43,651,325
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	11	70,597	67,727
Reserves and others	12	1,431,030	1,559,472
Retained earnings		2,350,620	2,342,515
		3,852,247	3,969,714
Non-controlling interests		31,617	–
Total equity		3,883,864	3,969,714
LIABILITIES			
Deferred income tax liabilities	13	784,068	746,374
Borrowings	14	26,944,378	26,881,194
Medium-term notes	15	1,607,042	1,636,499
Bonds and debentures	16	8,623,568	7,245,367
Derivative financial liabilities	17	423,101	129,610
Income tax payables		28,433	7,386
Interest payables		289,380	269,280
Other liabilities and accruals	18	2,804,867	2,765,901
Total liabilities		41,504,837	39,681,611
Total equity and liabilities		45,388,701	43,651,325

The notes on page 31 and 66 form an integral part of this interim condensed consolidated financial information.

The interim condensed consolidated financial information was approved by the Board of Directors on 14 August 2020 and was signed on its behalf.

ZHAO Wei
Director

POON Ho Man
Director

INTERIM CONSOLIDATED STATEMENT OF INCOME

	Note	Unaudited	
		2020	2019
		HK\$'000	HK\$'000
Revenue			
Finance lease income		273,601	352,165
Operating lease income		991,599	877,194
	19	1,265,200	1,229,359
Net income from aircraft transactions and aircraft trading	20	170,571	218,106
Other income	21	200,133	227,794
		1,635,904	1,675,259
Expenses			
Interest expenses	22	(687,094)	(715,553)
Depreciation	6	(430,392)	(362,181)
Other operating expenses	23	(149,620)	(191,690)
		(1,267,106)	(1,269,424)
Operating profit		368,798	405,835
Share of results from associates and joint ventures and other gains	24	30,180	4,037
Profit before income tax		398,978	409,872
Income tax expenses	25	(79,972)	(97,475)
Profit for the period		319,006	312,397
Profit/(loss) attributable to			
Shareholders of the Company		331,641	312,397
Non-controlling interests		(12,635)	–
		319,006	312,397
Earnings per share for profit attributable to shareholders of the Company (expressed in HK\$ per share)			
– Basic earnings per share	27(a)	0.491	0.461
– Diluted earnings per share	27(b)	0.491	0.461

The notes on page 31 and 66 form an integral part of this interim condensed consolidated financial information.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited	
		Six months ended 30 June	
		2020	2019
		HK\$'000	HK\$'000
Profit for the period		319,006	312,397
Other comprehensive loss for the period:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Cash flow hedges	17	(279,733)	(203,673)
Currency translation differences		(44,792)	(22,438)
Total other comprehensive loss for the period, net of tax		(324,525)	(226,111)
Total comprehensive (loss)/income for the period		(5,519)	86,286
Total comprehensive (loss)/income for the period attributable to			
Shareholders of the Company		6,983	86,286
Non-controlling interests		(12,502)	–
		(5,519)	86,286

The notes on page 31 and 66 form an integral part of this interim condensed consolidated financial information.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to shareholders of the Company				Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Reserves and others HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
Balance as at 1 January 2019	67,727	1,830,609	1,881,523	3,779,859	–	3,779,859
Comprehensive income						
Profit for the period	–	–	312,397	312,397	–	312,397
Other comprehensive loss						
Cash flow hedges (Note 17)	–	(203,673)	–	(203,673)	–	(203,673)
Currency translation differences	–	(22,438)	–	(22,438)	–	(22,438)
Total comprehensive income	–	(226,111)	312,397	86,286	–	86,286
Transaction with shareholders						
Dividends (Note 26)	–	–	(297,999)	(297,999)	–	(297,999)
Share option scheme:						
– Value of services (Note 11)	–	339	–	339	–	339
Total transactions with shareholders	–	339	(297,999)	(297,660)	–	(297,660)
Balance as at 30 June 2019	67,727	1,604,837	1,895,921	3,568,485	–	3,568,485
Balance as at 1 January 2020	67,727	1,559,472	2,342,515	3,969,714	–	3,969,714
Comprehensive income						
Profit for the period	–	–	331,641	331,641	(12,635)	319,006
Other comprehensive loss						
Cash flow hedges (Note 17)	–	(279,733)	–	(279,733)	–	(279,733)
Currency translation differences	–	(44,925)	–	(44,925)	133	(44,792)
Total comprehensive loss	–	(324,658)	331,641	6,983	(12,502)	(5,519)
Transaction with shareholders						
Transactions with non-controlling interests	–	–	–	–	44,119	44,119
Dividends (Note 26)	3,170	214,871	(323,649)	(105,608)	–	(105,608)
Buy-back of shares (Note 11)	(300)	(18,803)	(69)	(19,172)	–	(19,172)
Share option scheme:						
– Value of services (Note 11)	–	330	–	330	–	330
– Share options lapsed (Note 11)	–	(182)	182	–	–	–
Total transactions with shareholders	2,870	196,216	(323,536)	(124,450)	44,119	(80,331)
Balance as at 30 June 2020	70,597	1,431,030	2,350,620	3,852,247	31,617	3,883,864

The notes on page 31 and 66 form an integral part of this interim condensed consolidated financial information.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Cash flows from financing activities		
Proceeds from borrowings	4,747,549	8,559,824
Proceeds from termination of derivative financial instruments	–	3,961
Issue of bonds and debentures, net of transaction costs	1,419,954	1,151,837
Repayments of borrowings	(4,582,581)	(5,587,332)
Repayment of bonds	–	(2,352,780)
Interest (paid)/received in respect of derivative financial instruments	(16,053)	22,550
Interest paid in respect of borrowings, notes and bonds	(784,723)	(877,753)
Increase in deposits pledged in respect of borrowings and derivative financial instruments	(228,057)	(52,489)
Buy-back of shares, including transaction costs (Note 11)	(19,172)	–
Dividends paid to shareholders (Note 26)	(105,608)	(297,999)
Net cash flows generated from financing activities	431,309	569,819
Net (decrease)/increase in cash and cash equivalents	(958,617)	204,141
Cash and cash equivalents at beginning of the period	4,352,327	3,990,107
Currency exchange difference on cash and cash equivalents	(29,477)	(21,879)
Cash and cash equivalents at end of the period	3,364,233	4,172,369

The notes on page 31 and 66 form an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 21 December 2012 as an exempted company with limited liability under the Companies Law (2012 Revision) of the Cayman Islands. The address of the Company's registered office is Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 11 July 2014 (the "Listing").

The Company is an investment holding company and its subsidiaries are principally engaged in the aircraft leasing business. The Company and its subsidiaries (together, "the Group") have operations mainly in Mainland China and other countries or regions globally.

The interim condensed consolidated financial information for the six months ended 30 June 2020 ("Interim Financial Information") is presented in Hong Kong Dollar ("HK\$"), unless otherwise stated.

The Interim Financial Information has been reviewed, not audited.

2 BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim financial reporting". The Interim Financial Information should be read in conjunction with the Group's financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and included in the 2019 annual report of the Company.

Going concern

As at 30 June 2020, the Group's current liabilities exceeded its current assets by HK\$5,923.8 million. The Group had total capital commitments of HK\$100,412.3 million mainly relating to acquisition of aircraft (Note 29(b)) which will be delivered in stages in the coming years till the end of 2027. Out of the total capital commitments, HK\$9,706.2 million will be incurred and payable within one year. The Group will satisfy these capital commitments through the Group's internal resources and may need to raise additional funds through Pre-Delivery Payments ("PDP") financing, new commercial loans and aircraft bank loans, financings from Export Credit Agencies in Europe ("ECA Financings"), bonds, other debt and capital financing, and asset-light strategy including disposal of aircraft.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

2 BASIS OF PREPARATION *(continued)*

Going concern *(continued)*

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

- According to the relevant aircraft purchase agreements, PDP scheduled to be paid in the next twelve months from 30 June 2020 amounted to HK\$2,723.3 million. Up to the approval date of the condensed consolidated financial information, the Group had signed PDP financing agreements with various commercial banks which have agreed to provide financing of HK\$2,178.6 million to the Group to satisfy such payments. The remaining balance of PDP scheduled to be paid in the next twelve months from 30 June 2020 amounting to HK\$544.7 million is to be funded by internal resources, available banking facilities or additional financing.
- New commercial aircraft bank borrowings are primarily used for the payment of the balance of the aircraft acquisition cost and the repayment of the PDP financing due upon delivery of aircraft. Such aircraft acquisition borrowing will only be confirmed by the banks before the delivery of the relevant aircraft. Based on industry practice and prior experience, long-term aircraft borrowings will be granted by the banks if the aircraft can be leased out to airline companies. Lease agreements or letters of intent have already been signed for the aircraft scheduled for deliveries in the next twelve months from 30 June 2020. The Group has also applied for ECA Financings which aimed to facilitate exports of corporations in Europe including Airbus. ECA Financings is always regarded as a reliable source of financing for new aircraft deliveries when the global economic conditions become uncertain. The directors of the Company believe that long-term aircraft borrowings and ECA Financings can be obtained to settle the PDP financing and the remaining payments of the aircraft acquisition costs due in the next twelve months from 30 June 2020.
- The management of the Group will monitor the delivery schedule of the aircraft. If there is any delay, the Group will further discuss with airline customers, the relevant banks and parties if appropriate on the terms and commencement date of the related leasing and financing arrangements. During the period, the Group had discussed and mutually agreed with the manufacturer to defer the delivery schedules of certain aircraft in view of the impact from the COVID-19.
- In the meanwhile, the Group is actively pursuing other sources of financing, including issuance of bonds and medium-term notes, as well as other debt and capital financings.
- The Group has been persevering the multi-faceted development of its asset-light business model through management of aviation-related funds that acquire aircraft from its fleet. The Group expands the portfolio trading business and number of aircraft is scheduled to be disposed of by the Group in the next twelve months from 30 June 2020 with the letter of intents or sale and purchase agreements being signed.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

2 BASIS OF PREPARATION *(continued)*

Going concern *(continued)*

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

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

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the Group's consolidated financial statements for the year ended 31 December 2019.

New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2020:

Definition of Material – amendments to HKAS 1 and HKAS 8

Definition of a Business – amendments to HKFRS 3

Revised Conceptual Framework for Financial Reporting

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

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

4 ESTIMATES

The preparation of Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's consolidated financial statements for the year ended 31 December 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise the potential adverse effects on the Group's financial performance.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2019.

There have been no significant changes in the risk management department or in any risk management policies since 31 December 2019.

5.1.1 Market risk

(a) Currency exchange risk

In the normal course of business, the Group is exposed to currency exchange risks as certain portion of cash and cash equivalents, financial assets including finance lease receivables, prepayments and other assets, financial liabilities including borrowings, medium-term notes, bonds and debentures and other liabilities and accruals held by the Group are denominated in currencies other than functional currency of the Group entities. The aircraft leasing income and the corresponding borrowings used to finance the leases are mainly denominated in US\$. Currency exchange risk may arise when the finance lease receivables and certain borrowings are denominated in different currencies. The Group did not employ in any significant financial instruments for foreign exchange hedging purposes. The management of the Group closely monitor foreign exchange risks and will consider hedging the exposure where necessary and appropriate.

(b) Cash flow and fair value interest rate risk

Finance lease receivables and bank borrowings at floating rates expose the Group to cash flow interest rate risk. Finance lease receivables, bank borrowings, long-term borrowings, medium-term notes and bonds and debentures at fixed rates expose the Group to fair value interest rate risk.

The Group's primary objective is to manage cash flow interest rate risk.

The Group manages the cash flow interest rate risk by matching the rental rates of aircraft leases with interest rates of bank borrowings. Interest rate exposure arises when rental rates of the leases and the interest rates of corresponding bank borrowings do not match. As at 30 June 2020, the Group had 30 outstanding floating-to-fixed interest rate swaps (31 December 2019: 25 swaps) to manage its unmatched interest rate risk exposure. Such interest rate swaps have the economic effect of converting bank borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference in the amount of interest between the fixed rate and the floating rate calculated by reference to the agreed notional amounts. For the remaining unhedged exposure, the Group closely monitors the interest rate exposure trend and will consider hedging the exposure where necessary and appropriate.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.1 Financial risk factors *(continued)*

5.1.1 Market risk *(continued)*

(b) Cash flow and fair value interest rate risk (continued)

The Group performs sensitivity analysis by measuring the impact of a change in interest rates as at 30 June 2020. It is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit before tax for the six months ended 30 June 2020 by approximately HK\$3,188,000 (six months ended 30 June 2019: decreased/increased by HK\$22,346,000); and would also have increased/decreased the Group's reserves by approximately HK\$112,557,000 (31 December 2019: increased/decreased by HK\$104,331,000) because of the impact of cash flow hedge interest derivatives.

The sensitivity analysis above indicates the impact on the Group's lease income and interest expense that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point change represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date.

5.1.2 Credit risk

The Group takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Group by failing to discharge an obligation. Significant changes in economy, or in the health of the industry segment that represents a concentration in the Group's portfolio (see (d) below), could result in losses that are different from those provided for at the balance sheets date. The Group therefore carefully manages its exposure to credit risk. Credit exposures of the Group arise principally in aircraft leasing service.

The Group implements its industry risk management system according to its plan based on actual situation with focus on industry research, counterparty credit rating, and understanding of the lessee's operations, financial condition as well as their shareholders' support. The Group also obtained deposits from the lessees (Note 18). All these strengthen the control and management of credit risk.

The Group is also exposed to credit risk associated with its interest rate swaps arrangement with five banks, which has a high credit quality.

(a) Probability of default

Default risk – in the event of default, the Group may demand return of aircraft, repossession of aircraft or disposal of aircraft, whenever appropriate. In addition, the Group may request for a security deposit or security deposit letter of credit which it may apply towards the payment or discharge of any obligation owed by the lessee.

Late payment risk – in the event of late payment, the Group is entitled to charge interest at the default rate on any part of lease rental not paid when due until the same shall be paid. Such interest will accrue on a day to day basis. In addition, the Group may request for a security deposit which it may apply towards the payment or discharge of any obligation owed by the lessee.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.1 Financial risk factors *(continued)*

5.1.2 Credit risk *(continued)*

(b) Risk limit control and mitigation policies

The Group manages limits and controls concentrations of credit risk wherever they are identified, in particular, to assess the lessees' repayment ability periodically.

(c) Impairment allowance policies

The Group applies the simplified approach on measuring expected credit losses prescribed by HKFRS 9, which uses the lifetime expected loss provision for lease receivables. To measure the expected credit losses, the relevant receivables are grouped based on shared credit risk characteristics such as financial performance and stability, future growth, default history and other relevant factors. The loss allowances are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(d) Concentration of credit risk

During the six months ended 30 June 2020, the lessees of the Group are airline companies located in the Mainland China and other countries or regions globally. Please see Note 8 and Note 19 for an analysis of lease receivables and lease income by airline companies. If any of them experiences financial difficulties, the recovery of the Group's finance lease receivables and operating lease receivables through regular lease payments might be adversely affected and the Group may have to resort to recovery through repossession of the leased asset.

To manage this risk, the Group assesses the business performance of the airline companies on a regular basis. Due to the COVID-19 pandemic, many of the airline customers have curtailed their commercial operations, which could result in lease defaults. In view of the economic conditions, the operation of airlines, the collection history of the receivable due from them and the impact of COVID-19, management accrued impairment provisions of finance lease receivables of HK\$8,111,000 (Note 8) and impairment provisions of operating lease receivables of HK\$35,694,000 (Note 10) as at 30 June 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.3 Liquidity risk

The following table sets forth the assets and liabilities of the Group which are expected to be recovered or due to be settled within twelve months after the balance sheet date:

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Current assets		
Loans to associates and joint ventures	1,294,126	1,117,419
Financial assets at fair value through profit or loss	18,201	154,372
Finance lease receivables – net	200,726	218,422
Derivative financial assets	–	4,624
Prepayments and other assets	400,599	581,447
Cash and cash equivalents	3,364,233	4,352,327
	5,277,885	6,428,611
Current liabilities		
Deferred income tax liabilities	117,121	116,559
Borrowings	6,529,100	6,194,009
Medium-term notes	372,810	379,516
Bonds and debentures	1,425,450	–
Derivative financial liabilities	133,961	27,465
Income tax payables	28,433	7,386
Interest payables	289,380	269,280
Other liabilities and accruals	2,305,414	2,329,924
	11,201,669	9,324,139
Net current liabilities	(5,923,784)	(2,895,528)

The assets and liabilities of the Group not included in the above table are expected to be recovered or due to be settled in more than twelve months after the balance sheet date.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made to the objectives, policies or processes for managing capital during the six months ended 30 June 2020.

The Group monitors capital risk using gearing ratio, which is calculated as interest-bearing debts included in total liabilities divided by total assets, and asset-liability ratio, which is calculated as total liabilities divided by total assets. The ratios are as follows:

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Interest-bearing debts included in total liabilities	37,174,988	35,763,060
Total liabilities	41,504,837	39,681,611
Total assets	45,388,701	43,651,325
Gearing ratio	81.9%	81.9%
Asset-liability ratio	91.4%	90.9%

5.3 Fair value estimation

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Regarding financial instruments, for which there is an active market, the Group employs the quotations in the active market to determine the fair value thereof. If there is no active market for an instrument, the Group estimates fair value using valuation techniques, which include discounted cash flow analysis.

Financial instruments carried at fair value are measured using different valuation techniques. The inputs to valuation techniques used are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (continued)

5.3 Fair value estimation (continued)

Financial assets and financial liabilities measured at fair values

The following table presents the Group's financial assets and financial liabilities that were measured at fair values.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 30 June 2020 – unaudited				
Assets				
Currency swap	–	22,984	–	22,984
Financial assets at fair value through profit or loss	–	–	738,853	738,853
	–	22,984	738,853	761,837
Liabilities				
Interest rate swaps	–	423,101	–	423,101
As at 31 December 2019 – audited				
Assets				
Currency swap	–	19,045	–	19,045
Interest rate swaps	–	7,292	–	7,292
Financial assets at fair value through profit or loss	–	–	752,913	752,913
	–	26,337	752,913	779,250
Liability				
Interest rate swaps	–	129,610	–	129,610

The fair values of the interest rate swaps for hedging and the currency swap are determined by using valuation techniques, mainly discounted cash flow analysis. The Group uses its judgements to select the appropriate methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. The inputs to the valuation models, including yield curves, US\$/RMB forward rates, are observable either directly or indirectly and thus their fair values are considered to be of level 2 within the fair value hierarchy.

The fair value of the financial assets at fair value through profit or loss is also determined by making reference to discounted cash flow analysis. The Group uses the significant unobservable inputs to the valuation model including the earnings growth factor, risk-adjusted discount rate and other relevant factors. Thus the fair value is considered to be of level 3 within the fair value hierarchy.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (continued)

5.3 Fair value estimation (continued)

Financial assets and financial liabilities measured at fair values (continued)

The following table presents the change in level 3 instrument for the six months ended 30 June 2020.

	Financial assets at fair value through profit or loss HK\$'000
As at 31 December 2019	752,913
Proceeds from financial assets at fair value through profit or loss and interest accrued	(10,497)
Currency translation difference	(3,563)
As at 30 June 2020	738,853

Financial assets and financial liabilities carried at amortised cost

The fair values of cash and cash equivalents, other receivables, loans to associates and joint ventures, interest payables and other payables approximate their carrying amounts because these financial assets and liabilities, which are short term in nature, mature within one year, are not sensitive to changes in inputs to valuation techniques.

The carrying amounts and fair values of the finance lease receivables, borrowings, medium-term notes and bonds and debentures are as follows:

	Unaudited		Audited	
	As at 30 June 2020		As at 31 December 2019	
	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Finance lease receivables – net	7,359,141	8,074,552	7,790,510	8,753,176
Borrowings	26,944,378	26,771,938	26,881,194	26,950,714
Medium-term notes	1,607,042	1,702,897	1,636,499	1,677,286
Bonds and debentures	8,623,568	8,510,941	7,245,367	7,274,165

The fair values of finance lease receivables, borrowings, medium-term notes and certain bonds and debentures denominated in RMB are estimated by discounting the future cash flows at the current market rates available to the Group for similar financial instruments. Their fair values are considered to be of level 2 within the fair value hierarchy.

The fair values of bonds denominated in US\$ are the quoted price in the active market. Their fair values are considered to be of level 1 within the fair value hierarchy.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION

6 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	Unaudited						
	Aircraft and engine HK\$'000	Leasehold improvements HK\$'000	Office equipment HK\$'000	Office building HK\$'000	Right-of-use assets HK\$'000	Others HK\$'000	Total HK\$'000
Net book value as at 31 December 2018 as previously reported	18,824,290	964	3,700	44,796	-	12,538	18,886,288
Effects of the adoption of HKFRS 16	-	-	-	-	22,060	-	22,060
Net book value as at 1 January 2019	18,824,290	964	3,700	44,796	22,060	12,538	18,908,348
Additions	1,841,420	-	1,059	-	-	110	1,842,589
Disposals	(1,541,881)	-	-	-	-	-	(1,541,881)
Depreciation	(353,643)	(426)	(927)	(458)	(5,873)	(854)	(362,181)
Currency translation difference	(46,178)	1	(8)	(106)	-	-	(46,291)
Net book value as at 30 June 2019	18,724,008	539	3,824	44,232	16,187	11,794	18,800,584
Net book value as at 1 January 2020	19,515,819	93	7,219	43,637	33,780	10,936	19,611,484
Additions	2,995,576	-	-	-	28,772	-	3,024,348
Transfer from finance lease receivables	572,426	-	-	-	-	-	572,426
Disposals	(1,176,660)	-	-	-	-	(23)	(1,176,683)
Depreciation	(416,522)	(72)	(3,109)	(452)	(9,384)	(853)	(430,392)
Currency translation difference	(97,583)	(1)	(27)	(207)	-	(2)	(97,820)
Net book value as at 30 June 2020	21,393,056	20	4,083	42,978	53,168	10,058	21,503,363

Lease rentals amounting to HK\$991,599,000 relating to the lease of aircraft and engine for the six months ended 30 June 2020 are included in "operating lease income" in the consolidated statement of income (six months ended 30 June 2019: HK\$877,194,000).

As at 30 June 2020, the net book value of aircraft amounted to HK\$21,224,658,000 (31 December 2019: HK\$19,424,240,000).

As at 30 June 2020, the net book value of aircraft under operating leases amounting to HK\$15,284,985,000 (31 December 2019: HK\$14,707,462,000) were pledged as collateral for bank borrowings for aircraft acquisition financing and borrowings from trust plans (Note 14).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION

7 INTERESTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Interests in and loans to associates and joint ventures	1,394,230	1,117,606

	Unaudited Six months ended 30 June 2020 HK\$'000	2019 HK\$'000
Share of results from associates and joint ventures	2,347	488

As at 30 June 2020, the Group had interests in the following principal associates and joint ventures:

Name	Place of incorporation	Principal activities	% of equity interest	Measurement method
Aircraft Recycling International Limited ("ARI") (a)	Cayman Islands	Investment holding	48%	Equity
FL ARI Aircraft Maintenance & Engineering Company Ltd ("FLARI") (b)	PRC	Line maintenance	34.52%	Equity
PT Transnusa Aviation Mandiri ("TAM") (c)	Indonesia	Commercial air transportation services	49%	Equity

- (a) ARI is an investment holding company and its subsidiaries ("ARI Group") have operations mainly in the Mainland China, United States and other countries and are principally engaged in providing asset management services and comprehensive solutions for dealing with second lease and mid-life to mature aircraft and engine. As at 30 June 2020, the Group's outstanding loans balance receivable from ARI amounted to HK\$1,186,586,000 (31 December 2019: HK\$1,114,409,000). For details, please refer to Note 28(b)(ii).
- (b) FLARI has operations mainly in the Mainland China and is principally engaged in line maintenance, base maintenance, technical training, cargo conversion, engineering service and component maintenance. As at 30 June 2020, the Group's outstanding loans balance receivable from FLARI amounted to HK\$3,033,000 (31 December 2019: HK\$3,010,000). For details, please refer to Note 28(b)(iii).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

7 INTERESTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES *(continued)*

- (c) On 4 March 2020, CALC IDN Limited (“CALC IDN”), a wholly-owned subsidiary of the Company, entered into a subscription agreement with Aviation Synergy Limited (“Aviation Synergy”), which was owned as to 52% by Equal Honour Holding Limited (wholly-owned by Mr. Poon, a substantial shareholder, an executive Director and chief executive officer of the Company) and 48% by Smart Aviation Investment Limited (wholly-owned by Ms. Liu, an executive Director and deputy chief executive officer of the Company).

Pursuant to the subscription agreement, Aviation Synergy agreed to allot and issue, and CALC IDN agreed to subscribe for, 28,000,000 Aviation Synergy’s shares at a total consideration of US\$28 million (equivalent to approximately HK\$218.4 million), representing approximately 72.82% of the enlarged share capital in Aviation Synergy. Aviation Synergy indirectly (i) holds 49% equity interest in TAM and (ii) is beneficially interested in 50% of the voting rights and 75% of the economic interest in TAM. The principal activity of TAM is the operation of an airline based in Indonesia. It also engages in the provision of commercial air transportation services.

Under Law No.1 of 2009 on Aviation and the Indonesian Negative List, air transportation activities are limited to up to 49% foreign shareholding. In addition, a single majority rule applies where it is required that one of the Indonesian shareholders’ shareholding must be larger than the shareholding of the foreign investors combined.

As at 30 June 2020, the Group’s outstanding loans balance receivable from TAM amounted to HK\$104,507,000 (31 December 2019: Nil). For details, please refer to Note 28(e).

Save as those disclosed elsewhere in other notes, the above transactions were carried out with related parties at terms negotiated between the Group and the respective parties.

There are no contingent liabilities relating to the Group’s interests in the associates and joint ventures. As the results of the associates and joint ventures are not material to the Group, no summarised financial information of the associates and joint ventures is disclosed.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION

8 FINANCE LEASE RECEIVABLES – NET

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**8 FINANCE LEASE RECEIVABLES – NET** (continued)

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

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

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

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

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

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9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

- (a) CAG Bermuda 1 Limited (“CAG”) and its subsidiaries (collectively as “CAG Group”) are principally engaged in aircraft portfolio investment. CAG uses the fund injected through a performance-linked shareholder’s loan from the Group and the mezzanine financing from other investors at a ratio of 20% to 80%, together with a shareholding between the Group and other investors at the same ratio. Pursuant to shareholders’ agreement and shareholders’ loan agreement, all investors of CAG committed to invest in CAG through shareholders’ loan according to the mezzanine financing proportion. The Group’s committed shareholder’s loan is approximately US\$94,700,000 (equivalent to approximately HK\$733,944,000) (31 December 2019: US\$94,700,000 (equivalent to approximately HK\$737,448,000)).
- (b) ARG Cayman 1 Limited (“ARG”) and its subsidiaries (collectively as “ARG Group”) uses the fund injected through a performance-linked shareholder’s loan from the Group and the mezzanine financing from other investors at a ratio of 25% to 75%, with a shareholding between the Group and other investors at a ratio of 8% to 92%. Pursuant to shareholders’ agreement and shareholders’ loan agreement, all investors of ARG committed to invest in ARG through shareholders’ loan according to the mezzanine financing proportion. The Group’s committed shareholder’s loan is approximately US\$30,000,000 (equivalent to approximately HK\$232,506,000) (31 December 2019: US\$30,000,000 (equivalent to approximately HK\$233,616,000)).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION

10 PREPAYMENTS AND OTHER ASSETS

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
PDP (a)	9,222,723	8,405,090
Assets classified as held for sale	–	299,119
Interest capitalised	662,775	563,964
Operating lease receivables (b)	302,155	25,908
Prepayments and receivables relating to aircraft acquisition	238,965	372,492
Deposits paid	51,187	51,610
Amounts due from related parties (Note 28(f))	2,002	706
Others (c)	102,665	46,158
	10,582,472	9,765,047
Less: Accumulated allowance of impairment	(35,694)	–
	10,546,778	9,765,047

- (a) In December 2014, the Group entered into aircraft purchase agreements with Airbus S.A.S (“Airbus”) for the purchase of 100 aircraft. In December 2017 and January 2018, the Group entered into supplementary agreement with Airbus for the purchase of additional 65 aircraft. In January 2020, the Group entered into supplemental agreement to the aircraft purchase agreements in December 2014 to purchase additional 40 aircraft from Airbus.

In June 2017, the Group entered into aircraft purchase agreement (the “2017 Aircraft Purchase Agreement”) with The Boeing Company (“Boeing”) for the purchase of 50 aircraft. In December 2018, the Group entered into supplemental agreements to the 2017 Aircraft Purchase Agreement to purchase additional 50 aircraft from Boeing.

PDP were made according to the payment schedules set out in the aircraft purchase agreements. The aircraft will be delivered in stages by 2027.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION****10 PREPAYMENTS AND OTHER ASSETS** *(continued)*

- (b) The Group recognise an allowance for impairment losses by providing for expected credit losses when the lessee does not pay the amounts due under its lease agreements.

As at 30 June 2020, the aging of the operating lease receivables based on due date was as follows:

	Current HK\$'000	Less than 30 days past due HK\$'000	30 to 90 days past due HK\$'000	More than 90 days HK\$'000	Total HK\$'000
Gross carrying amount	44,400	29,325	94,776	133,654	302,155
Allowance of impairment	–	(3,017)	(11,219)	(21,458)	(35,694)

As at 31 December 2019, none of the Group's operating lease receivables was past due or impaired.

- (c) The "Others" above were unsecured, interest-free and repayable on demand.

11 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Par value of each share	Number of issued shares	Share capital in HK\$
Issued:			
As at 1 January 2019, 31 December 2019 and 1 January 2020	HK\$0.1	677,269,380	67,726,938
Buy-back of shares (a)	HK\$0.1	(3,000,000)	(300,000)
Dividend paid (Note 26)	HK\$0.1	31,701,267	3,170,127
As at 30 June 2020	HK\$0.1	705,970,647	70,597,065

- (a) The Company acquired 3,000,000 of its own shares through purchases on the Stock Exchange and those purchased shares were subsequently cancelled during the period ended 30 June 2020. The total amount paid to acquire the shares was HK\$19,172,000, including transaction costs.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
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11 SHARE CAPITAL (continued)

- (b) On 22 July 2016 and 2 January 2020, the Company adopted a share option scheme (2016 Post-IPO Share Option Scheme) and (2020 Post-IPO Share Option Scheme), respectively for the purpose of recognizing the contribution participants including certain directors of the Company and selected employees of the Group in relation to the growth of the Group.

Movement of outstanding share options granted by the Group on 22 July 2016 (2016 Post-IPO Share Option Scheme) and 2 January 2020 (2020 Post-IPO Share Option Scheme) is as follows:

	Number of share options
As at 1 January 2019	25,474,000
Lapsed	(500,000)
As at 30 June 2019	24,974,000
As at 1 January 2020	14,974,000
Granted	10,000,000
Lapsed	(120,000)
As at 30 June 2020	24,854,000

For share options outstanding as at 30 June 2020, the exercise price per share of 2016 Post-IPO Share Option Scheme and 2020 Post-IPO Share Option Scheme was HK\$8.80 and HK\$9.00, respectively.

The amounts of share-based compensation recognised as expenses with a corresponding credit to reserves of the Group during the six months ended 30 June 2020 and 2019 are as follows:

	Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Directors and employees	330	339

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
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12 RESERVES AND OTHERS

	Unaudited						
	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Share-based payments HK\$'000	Hedging reserves HK\$'000	Currency translation difference HK\$'000	Total HK\$'000
Balance as at							
1 January 2019	1,092,091	623,720	(39)	42,163	80,414	(7,740)	1,830,609
Share option scheme:							
– Value of services	–	–	–	339	–	–	339
Cash flow hedges (Note 17)	–	–	–	–	(203,673)	–	(203,673)
Currency translation differences	–	–	–	–	–	(22,438)	(22,438)
Balance as at							
30 June 2019	1,092,091	623,720	(39)	42,502	(123,259)	(30,178)	1,604,837
Balance as at							
1 January 2020	1,092,091	623,720	(39)	23,746	(120,641)	(59,405)	1,559,472
Share option scheme:							
– Value of services	–	–	–	330	–	–	330
– Share options lapsed	–	–	–	(182)	–	–	(182)
Buy-back of shares	(18,803)	–	–	–	–	–	(18,803)
Cash flow hedges (Note 17)	–	–	–	–	(279,733)	–	(279,733)
Dividends (Note 26)	214,871	–	–	–	–	–	214,871
Currency translation differences	–	–	–	–	–	(44,925)	(44,925)
Balance as at							
30 June 2020	1,288,159	623,720	(39)	23,894	(400,374)	(104,330)	1,431,030

13 DEFERRED INCOME TAX LIABILITIES

The analysis of deferred tax liabilities is as follows:

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Deferred income tax liabilities:		
– To be settled within 12 months	117,121	116,559
– To be settled after 12 months	666,947	629,815
	784,068	746,374

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**13 DEFERRED INCOME TAX LIABILITIES** *(continued)*

The movement of the deferred income tax liabilities during the six months ended 30 June 2020 is as follows:

	Accelerated depreciation of leased assets HK\$'000
Deferred income tax liabilities:	
As at 1 January 2019	670,401
Charged to profit or loss (Note 25)	64,725
Currency translation difference	(680)
As at 30 June 2019	734,446
As at 1 January 2020	746,374
Charged to profit or loss (Note 25)	37,461
Currency translation difference	233
As at 30 June 2020	784,068

14 BORROWINGS

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
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14 BORROWINGS (continued)

Bank borrowings

- (a) Bank borrowings for aircraft acquisition financing are principally based on fixed or floating US\$ LIBOR rates. As at 30 June 2020, certain bank borrowings were secured by, in addition to other legal charges, the related aircraft leased to airline companies under either finance leases or operating leases, pledge of the shares in the subsidiaries owning the related aircraft, guarantees from certain companies of the Group, and pledge of deposits amounting to HK\$55,416,000 (31 December 2019: HK\$56,123,000).
- (b) As at 30 June 2020, PDP financing of HK\$6,793,442,000 (31 December 2019: HK\$5,137,170,000) was unsecured and guaranteed by the Company. Other PDP financing was secured by certain rights and benefits in respect of the acquisition of the aircraft, and guarantees from certain companies of the Group.
- (c) As at 30 June 2020, the Group had other unsecured bank borrowings of HK\$1,981,789,000 (31 December 2019: HK\$1,427,624,000) which were guaranteed by certain companies of the Group.

The Group has the following undrawn borrowing facilities:

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Floating rates:		
– Expiring within one year	654,892	77,872
– Expiring beyond one year	2,987,436	4,359,323
	3,642,328	4,437,195

Long-term borrowings

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15 MEDIUM-TERM NOTES

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

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

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

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

16 BONDS AND DEBENTURES

In August 2016, the Group issued five-year US\$300 million senior unsecured bonds due in 2021, bearing coupon interest at 4.9% per annum, payable semi-annually. These bonds were listed on the Stock Exchange and are guaranteed by the Company.

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

In June 2019, one of the wholly owned subsidiaries in the PRC issued three-year RMB1.0 billion unsecured bonds due in 2022, bearing coupon rate of 5.2% per annum and were listed on the Shanghai Stock Exchange. Both the issuer and the corporate bonds were rated AA+ by China Cheng Xin International Credit Rating Company Limited.

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

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

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

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

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17 DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Derivative financial assets		
– Currency swap (a)	22,984	19,045
– Interest rate swaps (b)	–	7,292
	22,984	26,337
Derivative financial liabilities		
– Interest rate swaps (b)	423,101	129,610

- (a) CALC Baoli Limited (“CALC Baoli”), a wholly-owned subsidiary of the Group, signed a contract with an independent third party on 30 December 2013, pursuant to which CALC Baoli transferred its future aircraft finance lease receivables under an aircraft leasing agreement with an airline to a trust plan. CALC Baoli will convert the US\$ lease rentals received on behalf of the third party during the period from 27 February 2024 to 27 May 2025 to RMB at a pre-determined exchange rate at its own risk. This arrangement constituted a derivative – a currency swap contract. The notional principal of this currency swap contract amounted to US\$15,684,000. As at 30 June 2020, the fair value of this currency swap contract amounted to HK\$22,984,000 (31 December 2019: HK\$19,045,000) and the fair value gain of HK\$4,034,000 was recognised in “Other gains (Note 24)” for the six months ended 30 June 2020 (six months ended 30 June 2019: gain of HK\$1,282,000). As at 30 June 2020, this arrangement was secured by a pledge deposit of HK\$3,337,000 (31 December 2019: HK\$3,403,000).
- (b) As at 30 June 2020, the Group had 34 outstanding interest rate swap contracts (31 December 2019: 29 contracts) which will expire at various dates from 3 August 2020 to 3 April 2025 (31 December 2019: 3 August 2020 to 21 December 2024), to exchange floating interest rates from LIBOR into fixed interest rates in a range of 0.9% to 2.6% (31 December 2019: 1.3% to 2.6%). As at 30 June 2020, this arrangement was secured by margin deposits of HK\$356,504,000 (31 December 2019: HK\$131,507,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**17 DERIVATIVE FINANCIAL INSTRUMENTS** (continued)

The fair value changes of derivative financial instruments recognised in other comprehensive loss and profit or loss are as follows:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Recognised in other comprehensive loss		
– Change in fair values of interest rate swaps	279,733	203,673
Recognised in profit or loss		
– Fair value losses on interest rate swaps	21,086	10,113
– Unrealised gains on a currency swap	(4,034)	(1,282)
– Realised losses on interest rate swaps	–	10,055
	17,052	18,886

18 OTHER LIABILITIES AND ACCRUALS

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
Deposits and fund received for lease and aircraft projects	1,933,839	1,722,574
Consultant and insurance premium payable	64,285	85,593
Value-added tax and withholding tax payables	406,033	526,641
Operating lease rentals received in advance	108,280	144,195
Amounts due to related parties (Note 28(f))	7,678	101
Lease liabilities	53,877	36,862
Others (including salary and bonus payable)	230,875	249,935
	2,804,867	2,765,901

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19 LEASE INCOME AND SEGMENT INFORMATION

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

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

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

20 NET INCOME FROM AIRCRAFT TRANSACTIONS AND AIRCRAFT TRADING

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION

20 NET INCOME FROM AIRCRAFT TRANSACTIONS AND AIRCRAFT TRADING

*(continued)***(b) Aircraft trading**

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

21 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Government grants (a)	127,101	121,663
Bank interest income	6,686	10,723
Interest income from loans to associates and joint ventures (Note 7)	45,273	35,296
Servicer fees income from CAG Group (Note 28(c))	5,738	10,368
Operating lease income on other assets from a related party (Note 28(a))	1,320	1,320
Others	14,015	48,424
	200,133	227,794

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

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22 INTEREST EXPENSES

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Interest expenses on borrowings	588,129	690,735
Fair value loss/(gain) on interest rate swaps designated as cash flow hedges – transfer from other comprehensive loss/(income)	16,053	(22,550)
Interest expenses on medium-term notes	43,778	21,646
Interest expenses on bonds and debentures	200,028	215,801
Less: interest capitalised on qualifying assets (a)	(160,894)	(190,079)
	687,094	715,553

- (a) Interest expenses capitalised on qualifying assets represents the amount of interest on interest-bearing debts which is directly attributable to the acquisition of aircraft and was capitalised as the cost of aircraft upon delivery of aircraft.

23 OTHER OPERATING EXPENSES

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Employee benefit expenses	55,402	74,944
Professional service expenses	23,354	28,713
Value-added tax and other taxes	14,904	40,297
Rental and utilities expenses	1,724	6,638
Office and meeting expenses	4,237	6,732
Travelling and training expenses	2,805	5,280
Auditor's remuneration		
– Audit service	927	927
– Non-audit service	102	1,465
Impairment allowance/(reversal of impairment allowance) of finance lease receivables and other receivables	31,504	(956)
Others	14,661	27,650
	149,620	191,690

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Fair value losses on interest rate swaps and loss on disposal of future contracts	(66,605)	(10,113)
Unrealised gains on a currency swap (Note 17)	4,034	1,282
Realised losses on interest rate swaps (Note 17)	–	(10,055)
Currency exchange gains	76,066	10,792
Interest income from CAG Group and ARG Group (Note 28(c) and 28(d))	19,032	12,619
Share of results from associates and joint ventures (Note 7)	(2,347)	(488)
	30,180	4,037

25 INCOME TAX EXPENSES

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

Mainland China

The subsidiaries incorporated in Mainland China are subject to the PRC corporate income tax ("CIT") at a rate of 25% (six months ended 30 June 2019: 25%). The leasing income of the subsidiaries in Mainland China is subject to VAT at 13%.

Hong Kong

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at 16.5% on the estimated assessable profits.

The taxable amount of rentals derived from leasing of an aircraft to Non-Hong Kong aircraft operator by a qualifying aircraft lessor is equal to 20% of the tax base. The qualifying profits of qualifying aircraft lessors and qualifying aircraft leasing managers are subject to the half of the normal rate at 8.25%.

Others

The Company and its subsidiaries incorporated in the Cayman Islands are exempted from income tax in the Cayman Islands.

The subsidiaries incorporated in the British Virgin Islands are exempted from income tax in the British Virgin Islands.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION****25 INCOME TAX EXPENSES** *(continued)***Others** *(continued)*

The subsidiaries incorporated in Ireland, being section 110 companies under the Irish tax regime are subject to corporate tax at 25%. Other Irish companies are subject to corporate tax at 12.5%.

The subsidiary incorporated in the Netherlands is subject to income tax at 20% over the first EUR200,000 of its taxable income and a rate of 25% over its taxable income in excess of EUR200,000.

The subsidiary incorporated in France is subject to income tax at 33.33%.

The subsidiary incorporated in Singapore is subject to income tax at 17%.

The subsidiaries incorporated in Labuan are subject to income tax at 3% on the net profits annually.

26 DIVIDENDS

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

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

An interim dividend of HK\$0.23 per ordinary share totalling HK\$155.8 million was paid in September 2019.

A final dividend of HK\$0.48 per ordinary share totalling HK\$323.6 million for the year ended 31 December 2019, which was paid by cash of HK\$105.6 million and by share issuance of HK\$218.0 million in June 2020.

On 14 August 2020, the Board declared an interim dividend of HK\$0.20 per ordinary share totalling HK\$141.2 million with a scrip dividend option to be offered to shareholders, which is calculated based on 705,971,000 issued shares as at 14 August 2020. The declared dividend is not reflected as a dividend payable in the consolidated financial statements as at 30 June 2020, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
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27 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2019 and 2020.

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

(b) Diluted

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION

28 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties at terms negotiated between the Group and the respective parties:

(a) Transactions with China Everbright Group Ltd. ("CE Group")

CE Group is the sole shareholder of China Everbright Holdings Company Limited ("CE Hong Kong"). CE Hong Kong is the indirect controlling shareholder of China Everbright Limited ("CEL") and CEL indirectly holds approximately 36.61% equity interest in the Company as at 30 June 2020. Accordingly, CE Group is deemed as a controlling shareholder of the Company, and thus CE Group and its subsidiaries are related parties of the Company.

(i) Deposit, loan and facilities services provided by CE Group

On 14 May 2015, the Company entered into a deposit services framework agreement, a loan services framework agreement and an assignment of finance lease receivables framework agreement with CE Group. Pursuant to the deposit services framework agreement, CE Group will provide deposit services to the Group through its associate, China Everbright Bank Company Limited ("CE Bank"). Pursuant to the loan services framework agreement, CE Group will provide secured loan services and guarantees to the Group through CE Bank and through the trustee of a trust plan of which CE Group is a beneficiary. Pursuant to the assignment of finance lease receivables framework agreement, the Group will assign the finance lease receivables to the trustee.

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Interest income from CE Group	2,705	3,318
Interest expenses to CE Group	116,836	149,760
Loans upfront and arrangement fee to CE Group	969	1,385
Transactions handling charges to CE Group	4,527	2,660
	Unaudited	Audited
	As at	As at
	30 June	31 December
	2020	2019
	HK\$'million	HK\$'million
Bank deposits placed in CE Group	971.7	1,730.4
Borrowings due to CE Group	5,004.7	4,243.5
Undrawn facilities provided by CE Group	249.6	370.7

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION28 RELATED PARTY TRANSACTIONS *(continued)*(a) Transactions with China Everbright Group Ltd. ("CE Group") *(continued)**(ii) Lease of other assets to CEL Management Services Limited ("CEL Management")*

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Operating lease income on other assets earned from: CEL Management	1,320	1,320

(b) Transactions with ARI Group and FLARI

(i) Service provided by ARI Group

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Service fee charged by: ARI Group (Note)	15,065	1,961
FLARI	–	4,021

Note: Balance included aircraft inspection, consultancy, aircraft technical related services charged by ARI Group amounted to RMB7,000,000 (equivalent to approximately HK\$7,726,000) (six months ended 30 June 2019: Nil), which related to the two lease – encumbered aircraft sold to a third party by the Group in the current period.

(ii) Transactions with ARI Group

Pursuant to the shareholders' loan agreement dated 6 April 2016, the Group granted loans to ARI which are secured by pledge of shares in a subsidiary of ARI, bearing interest at 4% per annum above the prime lending rate quoted by the Bank of China (Hong Kong) Limited which is accrued daily and payable in arrears of six monthly intervals from the date of issue of the loan note. On 15 October 2018, a supplemental agreement was entered into to revise the interest rate to 3% per annum above the prime lending rate quoted by the Bank of China (Hong Kong) Limited with effect from 28 November 2018. As at 30 June 2020, the outstanding balance receivable from ARI was amounted to HK\$1,186,586,000 (31 December 2019: HK\$1,114,409,000) (Note 7) and the interest income for the six months ended 30 June 2020 was HK\$45,174,000 (six months ended 30 June 2019: HK\$35,296,000).

During the current period, the Group acquired three aircraft (with lease arrangements) from ARI Group with total consideration of US\$97,800,000 (equivalent to approximately HK\$758,996,000) (six months ended 30 June 2019: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION28 RELATED PARTY TRANSACTIONS *(continued)***(b) Transactions with ARI Group and FLARI** *(continued)***(iii) Transaction with FLARI**

Pursuant to the shareholders' credit line agreement dated 30 October 2019, the Group granted loans to FLARI, interest bearing at 6.6% per annum which is calculated on quarterly basis on the actual amount of the shareholders' loan drawn down.

As at 30 June 2020, the outstanding balance receivable from FLARI was amounted to HK\$3,033,000 (31 December 2019: HK\$3,010,000) (Note 7) and the interest income for the six months ended 30 June 2020 was HK\$99,000 (six months ended 30 June 2019: Nil).

(c) Transactions with CAG Group

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Interest income from CAG Group	16,093	12,619
Servicer fees income from CAG Group	5,738	10,368

(d) Transaction with ARG Group

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Interest income from ARG Group	2,939	–

(e) Transaction with TAM

Pursuant to the shareholder's loan agreement dated 31 October 2019, the Group granted loans to TAM and the loans are unsecured, interest-free and repayable on demand.

As at 30 June 2020, the outstanding balance receivable from TAM amounted to US\$13,492,000 (equivalent to approximately HK\$104,507,000) (31 December 2019: Nil) (Note 7).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION

28 RELATED PARTY TRANSACTIONS (continued)

(f) Amounts due to/(from) related parties

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
ARI Group	5,802	(522)
FPAM Group	(126)	(83)
	5,676	(605)

The above amounts due to/(from) related parties were unsecured, interest-free and repayable on demand.

29 CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingencies

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

(b) Capital commitments

Capital expenditures contracted but not provided for at the end of the reporting period are as follows:

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Contracted but not provided for:		
Purchase of aircraft (i)	100,283,151	86,133,642
Shareholder loan commitment to CAG	–	35,580
Shareholder loan commitment to ARG	129,165	129,781
	100,412,316	86,299,003

- (i) The capital commitments were mainly related to acquisition of 254 aircraft in its order book, comprising 162 Airbus aircraft and 92 Boeing aircraft, which will be delivered in stages by the end of 2027.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION29 CONTINGENT LIABILITIES AND COMMITMENTS *(continued)*

(c) Operating lease arrangement – where the Group is the lessor

The Group had future minimum lease receipts under non-cancellable operating leases in respect of office premises and other assets as follows:

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Not later than one year	174	1,495
Later than one year and not later than five years	131	219
	305	1,714

The Group had future minimum lease receipts under non-cancellable operating leases in respect of aircraft as follows:

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Not later than one year	1,866,342	1,782,259
Later than one year and not later than five years	7,306,043	6,935,639
Later than five years	6,479,813	6,471,011
	15,652,198	15,188,909

30 EVENT AFTER THE END OF THE REPORTING PERIOD

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