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CHINA AIRCRAFT LEASING GROUP HOLDINGS LIMITED

中國飛機租賃集團控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock code: 1848)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The Board of Directors (the “**Board**”) of China Aircraft Leasing Group Holdings Limited (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2023 as follows:

FINANCIAL HIGHLIGHTS

| | For the six months ended | | Change |
|--|---------------------------------|---------------------|---------------|
| | 30 June | | |
| | 2023 | 2022 | |
| | HK\$’Million | HK\$’Million | |
| Total revenue | 2,326.3 | 1,890.8 | +23.0% |
| Profit/(Loss) for the period | 306.9 | (70.4) | N/A |
| Profit/(Loss) attributable to shareholders of the Company | 201.2 | (130.2) | N/A |
| EBITDA | 2,284.6 | 1,379.5 | +65.6% |
| Earnings per share (Basic) (HK\$) | 0.270 | (0.175) | N/A |
| Interim dividend per share (HK\$) | 0.15 | 0.15 | – |

INTERIM BUSINESS REVIEW

The global air passenger demand continued its strong recovery during the first half of 2023. According to the latest Air Passenger Market Analysis published by the International Air Transport Association (“IATA”), total traffic (measured in revenue passenger kilometers or RPKs) in the first half of 2023 rose by 47.2% year-on-year, reaching 90.3% of 2019 level. In China, changes in policies have unleashed travel demand, ushering a turning point in the recovery of China’s civil aviation market. The volume of domestic flights has exceeded the level of the same period in 2019 while that for international and regional flights has continued to rise. Meanwhile, increasing attention has been drawn to the sustainable development of the aviation industry, accelerating the pace of low-carbon transition.

In response to industry trend and dynamics, the Group had proactively grasped the opportunities brought by the robust rebound in aviation demand, and worked together with all stakeholders to deliver solid operational and financial performance in the first half of the year. For the six months ended 30 June 2023 (the “**Review Period**”), the Group’s total revenue was HK\$2,326.3 million, up 23.0% from the same period last year (1H2022: HK\$1,890.8 million). Profit attributable to shareholders of the Company for the Review Period reached HK\$201.2 million (loss attributable to shareholders of the Company for 1H2022: HK\$130.2 million). Earnings per share amounted to HK\$0.270 (losses per share for 1H2022: HK\$0.175).

The Board has resolved to declare payment of an interim dividend of HK\$0.15 per ordinary share (1H2022: HK\$0.15), totalling HK\$112 million.

ON-GOING OPTIMIZATION OF FLEET ASSETS

During the Review Period, the Group had delivered a total of 13 new aircraft to airline customers, and injected 1 aircraft into its aircraft asset management joint venture platform. The above new deliveries further optimized its fleet portfolio with majority new-generation fuel-efficient aircraft from its order book, including the Group’s first B737 MAX taken from Boeing. As at 30 June 2023, the Group’s total fleet has increased to 189 aircraft, including 162 owned aircraft and 27 managed aircraft.

In selecting aircraft asset, the Group has always maintained a modern fleet portfolio consisting of the most popular aircraft models. As at 30 June 2023, 90% of the Group's owned fleet, by number of aircraft, were narrow-body models, a highly liquid asset class that has led recent industry recovery and surpassed its 2019 level. With its quality fleet assets, the utilization rate of the Group's owned fleet (except for the two aircraft related to Russian airlines) reached 100% as at 30 June 2023. As at 30 June 2023, the average age of the Group's owned fleet was 8.3 years, while the average remaining lease term was 5.8 years.

In terms of aircraft procurement, the Group has actively participated in facilitating the commercial operation of China-made aircraft on top of its orders of new-generation fuel-efficient aircraft placed long ago. Following the successful delivery of a COMAC ARJ21 aircraft to Indonesia carrier TransNusa in December 2022, the first time for China-made regional passenger jet entering the overseas market, it was officially put into commercial operation in April 2023 and successfully completed its debut flight, and later flew its first international flight this July. The Group's second ARJ21 was delivered to TransNusa during the Review Period, steadily pacing up its effort to promote commercial operation of China-made aircraft in overseas market. As at 30 June 2023, the Group had a total of 213 aircraft in backlog, including 120 Airbus, 65 Boeing (the commitment to purchase 64 of them shall be novated to a third party, please refer to the announcement of the Company dated 14 August 2023 for details) and 28 COMAC aircraft.

GLOBAL EXPANSION WITH TOP-TIER CLIENTELE

During the first half of 2023, the Group continued to strengthen its leading position in the home market while actively expand its global footprint with top-tier clients to enhance geographical diversity of its customer base. Among all the new deliveries during the Review Period, seven aircraft were leased to overseas airlines and six were leased to Chinese airlines, including cooperation with three first-tier airlines in new aircraft leasing for the first time. As at 30 June 2023, by number of aircraft, 73.5% of the Group's owned fleet were leased to Chinese airline customers (including Hong Kong, Macau and Taiwan), most of which are state-owned airlines with financial strength. The Group's overall customer base (including both owned and managed aircraft) has been enlarged to 42 airlines widely spread over 20 countries and regions.

During the Review Period, the Group also signed letters of intent for leasing 26 aircraft, all of which were with overseas airline customers.

ACTIVE GREEN FINANCING AND IMPROVING CREDIT RATING

The Group has established and continued to expand and optimize its onshore and offshore financing channels, including actively exploring green financing opportunities. Diversified funding sources and financing instruments provide sufficient liquidity.

During the Review Period, total new facilities obtained and renewed facilities exceeded HK\$14.5 billion, including aircraft project loans, Pre-Delivery Payments (“**PDP**”) financing, working capital facilities, RMB bonds, etc., providing strong support for the Group’s business development. As at 30 June 2023, the Group had cash and bank balances of HK\$6,202.7 million and undrawn borrowing facilities of HK\$3,990.3 million. The total balance of cash and bank balances with undrawn borrowing facilities was HK\$10,193.0 million.

In terms of bond issuance, in view of the relatively stable interest rate environment and abundant liquidity supply in the PRC bond market, the Group successfully issued the first tranche of low-carbon transition corporate bonds in the PRC market during the Review Period, with a term of 3 years and the amount of RMB1.5 billion. It was oversubscribed by 1.83 times, fully demonstrating the wide recognition of the Group’s operating strength by bond investors from the PRC and their strong support for the Group’s investment in low-carbon transition fields in pursuit of sustainable development. In terms of repayment, the Group repaid the RMB1 billion super short-term debentures this July as they came due. It is worth mentioning that such super short-term debentures were the first low-carbon transition bonds in China’s aviation industry and aircraft leasing industry, and had been awarded the 2023 “Sustainability Debt Deal of the Year” by Airline Economics, an internationally renowned industry media during the Review Period.

During the Review Period, the Group was again recognized by both the PRC and international rating agencies. For international ratings, Moody’s Investors Service Co., Ltd. (“**Moody’s**”) and Fitch Ratings (“**Fitch**”) conducted their annual reviews for the Company, respectively. Fitch affirmed the Company’s Long-Term Issuer Default Rating at BB+ with a stable outlook in June 2023, while Moody’s affirmed the Company’s Corporate Family Rating at Ba1 with a stable outlook this July. Moreover, China Asset Leasing Company Limited (“**CALC TJ**”), a wholly-owned subsidiary of the Group mainly operated in China market, received in May an AAA issuer rating from Dagong Global Credit Rating Co., Ltd and an upgrade to AAA rating from China Cheng Xin International Credit Rating Co., Ltd, both with a stable outlook. In the future, the Group will strive to improve its international credit rating by various measures, so as to further enhance its financing capabilities with reduced costs.

FULL VALUE-CHAIN MODEL PURSUING SUSTAINABLE DEVELOPMENT

Adhering to its strategy of sustainable development, the Group actively invests in the field of low-carbon and circular economy and continues to enhance its full value-chain operations with improving professional assets management capabilities in mid- to end-of-life aircraft. During the Review Period, the Group made breakthroughs in areas such as maintenance, repair and overhaul (“**MRO**”), aircraft disassembly and recycling.

The Group’s MRO joint venture FL ARI Aircraft Maintenance & Engineering Company Ltd (“**FL ARI**”) obtained the base maintenance license from Civil Aviation Administration of China for 3C-check (36000FH/24000FC/108MO) of A320 series aircraft in June, improving its maintenance and overhaul capabilities further.

During the Review Period, China Aviation Aftermarket Holdings Limited (“**CAAM**”), the Group’s associate company, completed the comprehensive solutions to the 5 old aircraft acquired from Air China Limited to assist the airline’s fleet retirement plan. CAAM successfully maximized the residual value of the assets through a series of complex sustainability solutions including parts swap, “passenger-to-freighter” (“**P2F**”) conversions, portfolio trading, aircraft disassembly, component repair and sales.

PROSPECTS

In general, the recovery momentum of the global aviation industry remains strong. With diminishing impact of past adverse external factors, the medium and long-term industry prospects are promising. IATA had recently announced an expected strengthening of airline industry profitability in an upgrade of its outlook for 2023, by which the industry’s net profits were expected to reach US\$9.8 billion in 2023, more than double its previous forecast. In respect to the leasing market, the rapid growth of air travel amid ongoing supply chain issues, coupled with high inflation and interest rates, had been and is expected to continue pushing up lease rates. It is generally expected that the narrow-body shortage would likely persist for a couple of years, contributing to high market value and lease rates.

Meanwhile, the low-carbon transition of the aviation industry is accelerating. IATA released strategic roadmaps this June, aiming at providing step-by-step detailing of critical actions for aviation to achieve net zero carbon emissions by 2050. The concept of “green aviation” has become a consensus in the industry. Riding on its strengths of aircraft full-value-chain operation, in the second half of the year, the Group will grasp the business opportunities brought by the rapid recovery of China and overseas aviation markets as well as the opportunities emerging from airlines’ accelerated fleet replacement and optimization in response to the trend of green aviation. It would sharpen its edges in new aircraft leasing as well as mid- to end-of-life aircraft solutions to further enhance its one-stop fleet upgrade service capabilities, so as to promote aviation sustainability. In addition, the Group will also closely monitor the market to speed up portfolio trade when appropriate by strengthening cooperation with institutional investors and financiers to continuously enrich its aircraft asset portfolio and enhance asset management capabilities. The Group would thus further optimize its financial structure to enhance its operating strength and credit profile, creating better value for all stakeholders of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

1. RESULTS

Total revenue of the Group for the period ended 30 June 2023 was HK\$2,326.3 million, representing an increase of HK\$435.5 million or 23.0% from the corresponding period last year. Profit for the period ended 30 June 2023 amounted to HK\$306.9 million (For the six months ended 30 June 2022: Loss of HK\$70.4 million). Profit attributable to shareholders of the Company for the six months ended 30 June 2023 amounted to HK\$201.2 million. It was HK\$130.2 million loss attributable to shareholders of the Company in the corresponding period last year. Earnings before interest, tax, depreciation and amortisation (“**EBITDA**”) for the period ended 30 June 2023 amounted to HK\$2,284.6 million (For the six months ended 30 June 2022: HK\$1,379.5 million).

Total assets amounted to HK\$63,185.6 million as at 30 June 2023, compared with HK\$55,332.1 million as at 31 December 2022, representing an increase of HK\$7,853.5 million or 14.2%. The increase in assets was mainly due to the increase in the total fleet size of the Group from 150 aircraft as at 31 December 2022 to 162 aircraft as at 30 June 2023.

Total liabilities amounted to HK\$56,921.6 million as at 30 June 2023, representing an increase of HK\$7,845.7 million or 16.0% compared with HK\$49,075.9 million as at 31 December 2022. The increase in liabilities was mainly due to the increase in total interest-bearing debts by HK\$7,349.0 million, which mainly due to the increase in total fleet size of the Group. As at 30 June 2023, the interest-bearing debts of the Group amounted to HK\$52,453.1 million (31 December 2022: HK\$45,104.1 million).

2. INTERIM CONSOLIDATED STATEMENT OF INCOME

| | Unaudited | |
|--|---------------------------------|------------------------|
| | Six months ended 30 June | |
| | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Total revenue | | |
| Lease income | | |
| Finance lease income | 296,555 | 284,403 |
| Operating lease income | <u>1,759,898</u> | <u>1,369,364</u> |
| | 2,056,453 | 1,653,767 |
| Other operating income | | |
| Net income from aircraft transactions and aircraft components trading | 44,695 | 66,492 |
| Other income | <u>225,109</u> | <u>170,532</u> |
| | 2,326,257 | 1,890,791 |
| Expenses | | |
| Interest expenses | (1,075,871) | (757,857) |
| Depreciation | (748,034) | (590,692) |
| Expected credit losses | (51,782) | (51,834) |
| Other operating expenses | <u>(147,825)</u> | <u>(140,600)</u> |
| | (2,023,512) | (1,540,983) |
| Operating profit | 302,745 | 349,808 |
| Net write-off of two aircraft remained in Russia | – | (439,029) |
| Share of results from associates and joint ventures | (1,267) | 1,800 |
| Other gains, net | <u>159,257</u> | <u>118,363</u> |
| Profit before income tax | 460,735 | 30,942 |
| Income tax expenses | <u>(153,833)</u> | <u>(101,381)</u> |
| Profit/(Loss) for the period | <u>306,902</u> | <u>(70,439)</u> |
| Profit/(Loss) attributable to | | |
| Shareholders of the Company | 201,171 | (130,160) |
| Holders of perpetual capital securities and other non-controlling interests | <u>105,731</u> | <u>59,721</u> |
| | <u>306,902</u> | <u>(70,439)</u> |
| Earnings/(Losses) per share for profit/(loss) attributable to shareholders of the Company (expressed in HK\$ per share) | | |
| – Basic earnings/(losses) per share | <u>0.270</u> | <u>(0.175)</u> |
| – Diluted earnings/(losses) per share | <u>0.270</u> | <u>(0.175)</u> |

2.1 Total Revenue

For the six months ended 30 June 2023, the total revenue amounted to HK\$2,326.3 million, compared with HK\$1,890.8 million for the corresponding period last year, representing an increase of HK\$435.5 million or 23.0%.

Total lease income from finance leases and operating leases for the six months ended 30 June 2023 amounted to HK\$2,056.5 million, compared with HK\$1,653.8 million for the six months ended 30 June 2022, representing an increase of HK\$402.7 million or 24.3%. The increase in total lease income was mainly due to the increase in the fleet size of the Group from 150 aircraft as at 31 December 2022 to 162 aircraft as at 30 June 2023.

For the six months ended 30 June 2023, the Group's average lease rental yield of the finance leases and operating leases was 14.1% (For the six months ended 30 June 2022: 13.2%) and 11.1% (For the six months ended 30 June 2022: 12.6%), respectively. Average lease rental yield for finance leases and operating leases is calculated by expected annualised gross lease receipt divided by net book value of aircraft. Weighted average lease rental yield of the Group was 11.3% (For the six months ended 30 June 2022: 12.7%).

2.2 Other Operating Income

For the six months ended 30 June 2023, the Group recognised net gain from disposal of one aircraft and aircraft components trading amounted to HK\$44.7 million (For the six months ended 30 June 2022: net gain from disposal of two aircraft and aircraft components trading amounted to HK\$66.5 million) with aggregate net book value of aircraft of HK\$438.2 million (For the six months ended 30 June 2022: aggregate net book value of aircraft of HK\$907.8 million).

During the six months ended 30 June 2023, the Group had the following other income:

| | Unaudited | | Change |
|--|---------------------------------|---------------------|--------|
| | Six months ended 30 June | | |
| | 2023 | 2022 | |
| | <i>HK\$'Million</i> | <i>HK\$'Million</i> | |
| Government grants | 100.1 | 94.9 | 5.5% |
| Interest income from loans to associates and joint ventures | 56.8 | 52.7 | 7.8% |
| Bank interest income | 32.4 | 4.4 | 636.4% |
| Asset management service fees income from CAG Bermuda 1 Limited (“CAG”) and its subsidiaries (collectively, “CAG Group”) | 9.3 | 8.4 | 10.7% |
| Others | 26.5 | 10.1 | 162.4% |
| Total | <u>225.1</u> | <u>170.5</u> | 32.0% |

Government grants for the six months ended 30 June 2023 amounted to HK\$100.1 million, compared with HK\$94.9 million for the six months ended 30 June 2022, representing an increase of HK\$5.2 million or 5.5%.

Others mainly related to interest received on deferred operating lease receivables, compensation and amounts received from suppliers. The increase in the current period was mainly due to an one-off compensation received from a lessee upon the expiry of the lease agreement, while no such income in the corresponding period last year.

2.3 Expenses

2.3.1 Interest Expenses

For the six months ended 30 June 2023, interest expenses incurred by the Group amounted to HK\$1,075.9 million, compared with HK\$757.9 million for the corresponding period last year, representing an increase of HK\$318.0 million or 42.0%. The increase in interest expenses was mainly due to the increase in 3 month US\$ LIBOR rate from 2.29% as at 30 June 2022 to 5.55% as at 30 June 2023 and the increase in total interest-bearing debts from HK\$44,194.5 million as at 30 June 2022 to HK\$52,453.1 million as at 30 June 2023. The average effective interest rate of total interest-bearing debts for the period was 5.72% (For the six months ended 30 June 2022: 4.28%).

Most of the interest expenses from the floating interest rate borrowings had either been hedged or capitalised. The following table summarises the sensitivity test on change in US\$ interest rate on the unhedged portion of the floating interest rate borrowings for the six months ended 30 June 2023:

| US\$ Interest rate | Sensitivity test on | |
|--------------------|--|---|
| | Cash outflow <i>HK\$'Million</i> | Profit attributable to shareholders of the Company <i>HK\$'Million</i> |
| Increased by 1% | 240 | (103) |
| Decreased by 1% | (240) | 103 |

2.3.2 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 months ended 30 June 2023 was HK\$748.0 million compared with HK\$590.7 million for the corresponding period last year, representing an increase of HK\$157.3 million or 26.6%. This was mainly attributable to an increase in the number of aircraft under operating leases from 97 aircraft as at 31 December 2022 to 108 aircraft as at 30 June 2023.

2.3.3 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 other operating expenses remain stable compared with the corresponding last period.

2.4 Net Write-off of Two Aircraft Remained in Russia

Following the conflicts between Russia and Ukraine in February 2022 and subsequent sanctions in relation to commercial activities with businesses in Russia imposed by the European Union, the United States of America, the United Kingdom and other countries (the “**Sanctions**”), in March 2022, in compliance with the Sanctions, the Group terminated leasing arrangements with Russian lessees in respect of two owned aircraft, representing less than 2% of the number of the Group’s owned fleet of 138 as at 30 June 2022. The Group has been maintaining dialogue with the Russian lessees, actively seeking to repossess the aircraft. As at 30 June 2022, one of the engines located outside Russia (the “**Engine**”) is under control by the Group.

The Group believes that there is uncertainty to repossess the aircraft from Russia in the foreseeable future. Although the Group has filed insurance claims related to the aircraft and is vigorously pursuing all available means to recover its losses, given the unprecedented circumstances, the relevant process time may be longer and uncertain. As at 30 June 2023 and 31 December 2022, the Group has not recognised any claim receivables.

The Group has determined prudently that the net book value of the aircraft amounting to HK\$565.6 million (excluding the net book value of the Engine) should be fully written down, which is offset by the security deposit and maintenance reserves received amounting to HK\$126.6 million, resulting in a net write-off of HK\$439.0 million for the six months ended 30 June 2022, which was a non-cash transaction. No such write-off was made for the six months ended 30 June 2023.

The Group is actively seeking different ways to recover the losses, including applying approval from the US government in repossession of the aircraft and active negotiation with the Russian government with the assistance from the China government. The Group also maintains fruitful relationship with the Russian lessees in order to repossess the aircraft or dispose the aircraft to the lessees. One of the lessees had provided its intention in acquiring the aircraft leased to it. However, a lengthy disposal process is expected due to the restriction imposed by the Sanctions. The Group would also closely monitor the insurance claims process.

2.5 Other Gains, Net

| | Unaudited | | Change |
|---|---------------------------------|---------------------|--------|
| | Six months ended 30 June | | |
| | 2023 | 2022 | |
| | <i>HK\$'Million</i> | <i>HK\$'Million</i> | |
| Currency exchange gains in RMB | 242.2 | 192.8 | 25.6% |
| Fair value losses on currency forward contracts in RMB | (123.3) | (83.1) | 48.4% |
| Net exchange gains in RMB | 118.9 | 109.7 | 8.4% |
| Currency exchange losses in US\$ | (15.6) | (12.6) | 23.8% |
| Fair value gains on financial assets at fair value through profit or loss | 21.4 | 18.4 | 16.3% |
| Changes in fair value attributable to interest rate | 28.1 | 3.9 | 620.5% |
| Unrealised gains/(losses) on a currency swap | 6.5 | (1.0) | N/A |
| Total | 159.3 | 118.4 | 34.5% |

The net exchange gains arising from net financial liabilities denominated in RMB was mainly due to the appreciation of US\$ exchange rate against RMB from 6.90 as at 31 December 2022 to 7.25 as at 30 June 2023. The following table illustrates the foreign currency exposure in RMB as at 30 June 2023 and the related gains/(losses) in RMB for the six months ended 30 June 2023.

| Balance of RMB exposure | Related gains/(losses) arising from RMB exposure | |
|---|---|--|
| Unaudited As at 30 June 2023 HK\$'Million | | Unaudited Six months ended 30 June 2023 HK\$'Million |
| Net financial liabilities (excluding working capital) denominated in RMB exposed to currency exchange risk | (6,594.6) | Currency exchange gains in RMB 242.2 |
| <i>Less:</i> Hedged by notional amount of RMB currency forward contracts | <u>2,862.8</u> | Fair value losses on currency forward contracts in RMB <u>(123.3)</u> |
| Unhedged RMB currency exchange risk exposure | <u>(3,731.8)</u> | Net exchange gains in RMB <u>118.9</u> |
| <i>Equivalent to RMB' Million</i> | <u>(3,454.4)</u> | |

The following table summarises the sensitivity test on change in RMB against US\$ exchange rate for the six months ended 30 June 2023:

| RMB against US\$ | Impact on profit before income tax HK\$'Million |
|-------------------------|--|
| RMB appreciates by 10% | (373.2) |
| RMB depreciates by 10% | 373.2 |

2.6 Income Tax Expenses

Income tax for the six months ended 30 June 2023 was HK\$153.8 million, compared to HK\$101.4 million in the corresponding period last year. The Group would evaluate regularly to consider the recognition of the deferred tax credit in future.

3. INTERIM CONSOLIDATED BALANCE SHEET

3.1 Assets

As at 30 June 2023, the Group's total assets amounted to HK\$63,185.6 million, compared with HK\$55,332.1 million as at 31 December 2022, representing an increase of HK\$7,853.5 million or 14.2%.

| | Unaudited | Audited | |
|---|------------------------|-----------------|--------|
| | As at | As at | |
| | 30 June | 31 December | |
| | 2023 | 2022 | Change |
| | HK\$'Million | HK\$'Million | |
| Property, plant and equipment and right-of-use assets | 31,341.7 | 27,354.4 | 14.6% |
| Finance lease receivables – net | 8,474.9 | 8,172.1 | 3.7% |
| Assets classified as held for sale | 1,691.9 | 1,425.2 | 18.7% |
| Prepayments and other assets | 13,378.6 | 11,367.6 | 17.7% |
| Investments in and loans to associates and joint ventures | 1,113.4 | 1,354.4 | -17.8% |
| Financial assets at fair value through profit or loss | 866.0 | 769.5 | 12.5% |
| Derivative financial assets | 116.4 | 221.4 | -47.4% |
| Cash and bank balances | 6,202.7 | 4,667.5 | 32.9% |
| Total assets | <u>63,185.6</u> | <u>55,332.1</u> | 14.2% |

3.1.1 Property, Plant and Equipment and Right-of-use Assets, Finance Lease Receivables – Net and Assets Classified as Held for Sale

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 the increase in the fleet size of the Group under operating lease from 97 aircraft as at 31 December 2022 to 108 aircraft as at 30 June 2023, which is netted-off by the depreciation provided during the current period.

Net finance lease receivables represented the present value of minimum lease payments receivable from aircraft classified as finance leases and their residual values. The fleet size of the Group under finance lease remain unchanged at 49 aircraft in the current period. There was no delivery and disposal of aircraft under finance lease in the current period.

Assets classified as held for sale represented cost of assets expected to be disposed in the next 12 months. During the six months ended 30 June 2023, one aircraft was reclassified as held for sale. The number of aircraft classified as held for sale increased from four aircraft as at 31 December 2022 to five aircraft as at 30 June 2023.

The total fleet size of the Group under property, plant and equipment and right-of-use assets, finance lease receivables – net and assets classified as held for sale is summarised as follows:

| | As at 30 June 2023 Owned Aircraft | As at 31 December 2022 Owned Aircraft |
|--|--|---|
| Property, plant and equipment and right-of-use assets (Operating leases) | 108 | 97 |
| Finance lease receivables – net (Finance leases) | 49 | 49 |
| Assets classified as held for sale (Operating leases) | 5 | 4 |
| | <hr/> | <hr/> |
| Total <i>(note)</i> | 162 | 150 |
| | <hr/> | <hr/> |

Note: Including two aircraft remained in Russia as at 30 June 2023.

The total fleet size of the Group under property, plant and equipment and right-of-use assets, finance lease receivables – net and assets classified as held for sale increased from 150 aircraft as at 31 December 2022 to 162 aircraft as at 30 June 2023.

3.1.2 Aircraft Portfolio

Aircraft portfolio by number of aircraft is as follows:

| | As at 30 June 2023 Owned Aircraft | As at 31 December 2022 Owned Aircraft | As at 30 June 2022 Owned Aircraft |
|------------------------|--|---|---|
| Aircraft Type | | | |
| Airbus A320 CEO family | 85 | 85 | 80 |
| Airbus A320 NEO family | 37 | 27 | 21 |
| Airbus A330 CEO family | 13 | 13 | 13 |
| Boeing B737 NG family | 23 | 23 | 23 |
| Boeing B737 MAX family | 1 | – | – |
| Boeing B787 | 1 | 1 | 1 |
| COMAC ARJ21 series | 2 | 1 | – |
| | <hr/> | <hr/> | <hr/> |
| Total <i>(note)</i> | 162 | 150 | 138 |
| | <hr/> | <hr/> | <hr/> |

Note: Including two aircraft remained in Russia as at 30 June 2023.

3.1.3 Prepayments and other Assets

Prepayments and other assets mainly represented Pre-Delivery Payments (“PDP”) made to aircraft manufacturers for aircraft acquisition from order book and operating lease receivables. The balance in prepayments and other assets remains stable.

The aging analysis of the gross operating lease receivables based on due date was as follows:

| | Unaudited | | Audited | |
|---|---------------------|-------------|------------------------|----------|
| | As at 30 June 2023 | | As at 31 December 2022 | |
| | <i>HK\$'Million</i> | <i>%</i> | <i>HK\$'Million</i> | <i>%</i> |
| Current/deferral | 168.3 | 35% | 253.2 | 52% |
| Less than 30 days past due | 5.7 | 1% | 5.4 | 1% |
| 30 to 90 days past due | 24.1 | 5% | 16.7 | 3% |
| More than 90 days past due | 278.8 | 59% | 217.1 | 44% |
| | 476.9 | 100% | 492.4 | 100% |
| <i>Less: Accumulated expected credit losses allowance</i> | (224.6) | | (187.5) | |
| Total | 252.3 | | 304.9 | |

With the recovery of aviation industry, there is an improvement in the rent collection. The operating lease receivables as at 30 June 2023 amounted to HK\$476.9 million, representing a decrease of HK\$15.5 million or 3.1%, compared with HK\$492.4 million as at 31 December 2022. The rent collection ratio, represented by the cash received over the amount of invoice billing, for the six months ended 30 June 2023 was 100.6% (for the six months ended 30 June 2022: 93.6%). The decrease in operating lease receivables is mainly due to the improved rent collection ratio and the repayment from the lessees on the overdue rent. The Group would prudently and consistently assess the credit losses allowance on the operating lease receivables, leading to an increase in the expected credit losses allowance.

3.2 Liabilities

As at 30 June 2023, the Group's total liabilities amounted to HK\$56,921.6 million, compared with HK\$49,075.9 million as at 31 December 2022, representing an increase of HK\$7,845.7 million or 16.0%.

An analysis is given as follows:

| | Unaudited As at 30 June 2023 <i>HK\$'Million</i> | Audited As at 31 December 2022 <i>HK\$'Million</i> | Change |
|----------------------------------|--|--|--------|
| Borrowings | 43,916.3 | 38,001.1 | 15.6% |
| Bonds and debentures | 6,917.8 | 5,406.5 | 28.0% |
| Medium-term notes | 1,619.0 | 1,696.5 | -4.6% |
| Total interest-bearing debts | 52,453.1 | 45,104.1 | 16.3% |
| Deferred income tax liabilities | 1,111.5 | 1,057.1 | 5.1% |
| Interest payables | 282.8 | 297.7 | -5.0% |
| Income tax payables | 66.5 | 45.9 | 44.9% |
| Derivative financial liabilities | 175.8 | 52.5 | 234.9% |
| Other liabilities and accruals | 2,831.9 | 2,518.6 | 12.4% |
| Total liabilities | 56,921.6 | 49,075.9 | 16.0% |

3.2.1 Borrowings

The analysis of borrowings is as follows:

| | Unaudited As at 30 June 2023 <i>HK\$'Million</i> | Audited As at 31 December 2022 <i>HK\$'Million</i> | Change |
|--|--|--|--------|
| Bank and other borrowings | | | |
| Bank and other borrowings for aircraft acquisition financing | 22,937.2 | 19,083.2 | 20.2% |
| PDP financing | 9,991.4 | 7,180.3 | 39.2% |
| Other bank borrowings | 6,099.3 | 6,821.2 | -10.6% |
| | 39,027.9 | 33,084.7 | 18.0% |
| Long-term borrowings | | | |
| Borrowings from trust plans | 4,488.6 | 4,527.5 | -0.9% |
| Other borrowings | 399.8 | 388.9 | 2.8% |
| | 4,888.4 | 4,916.4 | -0.6% |
| Total borrowings | 43,916.3 | 38,001.1 | 15.6% |

The increase in total borrowings from HK\$38,001.1 million as at 31 December 2022 to HK\$43,916.3 million as at 30 June 2023 was mainly due to (i) the increase in bank and other borrowings for aircraft acquisition financing by HK\$3,854.0 million as the fleet size increased from 150 aircraft as at 31 December 2022 to 162 aircraft as at 30 June 2023 and (ii) the increase in PDP financing by HK\$2,811.1 million for the payment of PDP made to aircraft manufacturers for aircraft acquisition from order book.

3.2.2 Bonds and Debentures

The following table summarises the senior unsecured US\$ bonds 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 |
|---|-------------|---------------|---------------------------|-------------------------------|-----------------------------------|---------|
| March 2017 | Seven years | March 2024 | 5.50% | US\$200.0 | 1,562.9 | (a) |
| November 2020 | Five years | November 2025 | 5.90% | US\$35.0 | 273.1 | (c) |
| January 2021 | Five years | January 2026 | 5.90% | US\$35.0 | 273.5 | (c) |
| December 2021 | Three years | December 2024 | 4.85% | US\$100.0 | 712.1 | (a)&(b) |
| | | | | <u>US\$370.0</u> | <u>2,821.6</u> | |
| August 2021 | Three years | August 2024 | 4.20% | RMB100.0 | 107.9 | (d) |
| February 2022 | Three years | February 2025 | 4.40% | RMB1,200.0 | 1,292.8 | (c) |
| October 2022 | 270 days | July 2023 | 3.56% | RMB1,000.0 | 1,079.6 | (c) |
| June 2023 | Three years | June 2026 | 3.85% | RMB1,500.0 | 1,615.9 | (d) |
| | | | | <u>RMB3,800.0</u> | <u>4,096.2</u> | |
| Total bonds and debentures as at 30 June 2023 | | | | | <u>6,917.8</u> | |
| Total bonds and debentures as at 31 December 2022 | | | | | <u>5,406.5</u> | |

Notes:

- (a) These bonds are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).
- (b) During the year ended 31 December 2022, the Group completed bonds repurchase on the Stock Exchange for an aggregate and principal amount of US\$8.2 million.
- (c) The bonds and debentures are unlisted and subscribed by independent third parties.
- (d) These bonds are listed on the Shanghai Stock Exchange.

3.2.3 Medium-term Notes

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

| Issue date | Terms | Maturity date | Coupon interest per annum | Principal amount (RMB'Million) | Carrying amount (HK\$'Million) |
|--|-------------|---------------|---------------------------------|--------------------------------------|--------------------------------------|
| April 2022 | Three years | April 2025 | 4.50% | <u>1,500.0</u> | <u>1,619.0</u> |
| Total medium-term notes as at 30 June 2023 | | | | <u>1,500.0</u> | <u>1,619.0</u> |
| Total medium-term notes as at 31 December 2022 | | | | | <u>1,696.5</u> |

The senior unsecured medium-term notes issued by the Group remain unchanged at RMB1,500.0 million in the current period.

4. CAPITAL MANAGEMENT

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

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

For the six months ended 30 June 2023, the objectives, policies and processes for managing capital remained largely unchanged. The Group made full use of capital leverage to keep pace with aircraft delivery.

The Group monitors capital through gearing ratio and debt to equity ratio:

| | Unaudited | Audited | |
|--|---------------------|--------------|---------|
| | As at | As at | |
| | 30 June | 31 December | |
| | 2023 | 2022 | Change |
| | HK\$'Million | HK\$'Million | |
| Interest-bearing debts included in | | | |
| total liabilities | 52,453.1 | 45,104.1 | 16.3% |
| Total liabilities | 56,921.6 | 49,075.9 | 16.0% |
| Total assets | 63,185.6 | 55,332.1 | 14.2% |
| Total equity | 6,264.0 | 6,256.2 | 0.1% |
| Gearing ratio | 83.0% | 81.5% | 1.5p.p. |
| Asset-liability ratio | 90.1% | 88.7% | 1.4p.p. |
| Interest-bearing debts to equity ratio | 8.4:1 | 7.2:1 | 16.7% |

5. HUMAN RESOURCES

As at 30 June 2023, the number of the Group's staff is 183 (30 June 2022: 165). Total remuneration of employees for the six months ended 30 June 2023 amounted to HK\$77.8 million (For the six months ended 30 June 2022: HK\$70.2 million).

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

6. CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

6.1 Contingent Liabilities

As at 30 June 2023, the Group was a guarantor of certain bank borrowings of associates and joint ventures amounting to HK\$588.9 million (31 December 2022: HK\$604.0 million), of which HK\$227.7 million (31 December 2022: HK\$274.4 million) was counter-guaranteed by an investor of the joint ventures. After excluding the portion of counter-guarantee as mentioned above, the Group guaranteed HK\$361.2 million (31 December 2022: HK\$329.6 million) of these bank borrowings.

6.2 Capital Commitments and Qualified Aircraft Leasing Activity

The Board confirms that the Company is a listed company 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 Stock Exchange (the “**Listing Rules**”). Acquisition or disposal of aircraft is a Qualified Aircraft Leasing Activity pursuant to the Listing Rules.

The majority of the Group’s capital commitments is aircraft purchase commitment, amounted to HK\$78.8 billion as at 30 June 2023 (31 December 2022: HK\$85.4 billion), representing the estimated total purchase costs of the aircraft contracted to be purchased and delivered, net of PDP paid.

As at 30 June 2023, the Group had 213 aircraft in its order book, comprising 120 Airbus A320 aircraft family, 65 Boeing B737 aircraft family and 28 ARJ21 series aircraft.

During the Review Period, the Group completed the delivery of 13 aircraft.

During the Review Period, the Group completed the disposal of one aircraft to a joint venture.

INTERIM CONSOLIDATED BALANCE SHEET

| | | Unaudited As at 30 June 2023 HK\$'000 | Audited As at 31 December 2022 HK\$'000 |
|---|---|---|---|
| ASSETS | | | |
| Property, plant and equipment and right-of-use assets | | 31,341,659 | 27,354,373 |
| Investments in and loans to associates and joint ventures | | 1,113,427 | 1,354,410 |
| Finance lease receivables – net | 3 | 8,474,952 | 8,172,086 |
| Financial assets at fair value through profit or loss | 4 | 866,025 | 769,462 |
| Derivative financial assets | | 116,411 | 221,399 |
| Prepayments and other assets | 5 | 13,376,592 | 11,362,415 |
| Assets classified as held for sale | | 1,691,878 | 1,425,199 |
| Aircraft components trading assets | | 1,965 | 5,245 |
| Restricted cash | | 784,709 | 1,114,958 |
| Cash and cash equivalents | | 5,417,966 | 3,552,533 |
| Total assets | | 63,185,584 | 55,332,080 |
| EQUITY | | | |
| Share capital | | 74,436 | 74,436 |
| Reserves | | 2,293,296 | 2,314,613 |
| Retained earnings | | 2,365,765 | 2,276,247 |
| Equity attributable to shareholders of the Company | | 4,733,497 | 4,665,296 |
| Perpetual capital securities and other non-controlling interests | | 1,530,503 | 1,590,921 |
| Total equity | | 6,264,000 | 6,256,217 |
| LIABILITIES | | | |
| Deferred income tax liabilities | | 1,111,540 | 1,057,059 |
| Borrowings | 6 | 43,916,287 | 38,001,150 |
| Medium-term notes | 7 | 1,618,998 | 1,696,509 |
| Bonds and debentures | 8 | 6,917,832 | 5,406,490 |
| Derivative financial liabilities | | 175,791 | 52,543 |
| Income tax payables | | 66,468 | 45,850 |
| Interest payables | | 282,763 | 297,689 |
| Other liabilities and accruals | | 2,831,905 | 2,518,573 |
| Total liabilities | | 56,921,584 | 49,075,863 |
| Total equity and liabilities | | 63,185,584 | 55,332,080 |

INTERIM CONSOLIDATED STATEMENT OF INCOME

| | | Unaudited | |
|--|-------------|---------------------------------|-----------------|
| | | Six months ended 30 June | |
| | <i>Note</i> | 2023 | 2022 |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Total revenue | | | |
| Lease income | | | |
| Finance lease income | | 296,555 | 284,403 |
| Operating lease income | | 1,759,898 | 1,369,364 |
| | | <hr/> | <hr/> |
| | 9 | 2,056,453 | 1,653,767 |
| Other operating income | | | |
| Net income from aircraft transactions and aircraft components trading | 10 | 44,695 | 66,492 |
| Other income | 11 | 225,109 | 170,532 |
| | | <hr/> | <hr/> |
| | | 2,326,257 | 1,890,791 |
| Expenses | | | |
| Interest expenses | | (1,075,871) | (757,857) |
| Depreciation | | (748,034) | (590,692) |
| Expected credit losses | | (51,782) | (51,834) |
| Other operating expenses | | (147,825) | (140,600) |
| | | <hr/> | <hr/> |
| | | (2,023,512) | (1,540,983) |
| Net write-off of two aircraft remained in Russia | | – | (439,029) |
| Share of results from associates and joint ventures | | (1,267) | 1,800 |
| Other gains, net | 12 | 159,257 | 118,363 |
| | | <hr/> | <hr/> |
| Profit before income tax | | 460,735 | 30,942 |
| Income tax expenses | 13 | (153,833) | (101,381) |
| | | <hr/> | <hr/> |
| Profit/(Loss) for the period | | 306,902 | (70,439) |
| | | <hr/> | <hr/> |
| Profit/(Loss) attributable to | | | |
| Shareholders of the Company | | 201,171 | (130,160) |
| Holders of perpetual capital securities and other non-controlling interests | | 105,731 | 59,721 |
| | | <hr/> | <hr/> |
| | | 306,902 | (70,439) |
| | | <hr/> | <hr/> |
| Earnings/(Losses) per share for profit/(loss) attributable to shareholders of the Company (expressed in HK\$ per share) | | | |
| – Basic earnings/(losses) per share | 14(a) | 0.270 | (0.175) |
| | | <hr/> | <hr/> |
| – Diluted earnings/(losses) per share | 14(b) | 0.270 | (0.175) |
| | | <hr/> | <hr/> |

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Unaudited | |
|--|---------------------------------|------------------------|
| | Six months ended 30 June | |
| | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit/(Loss) for the period | <u>306,902</u> | <u>(70,439)</u> |
| Other comprehensive (loss)/income for the period: | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | |
| Cash flow hedges | (78,659) | 249,339 |
| Currency translation differences | <u>56,672</u> | <u>53,042</u> |
| | (21,987) | 302,381 |
| <i>Item that will not be reclassified subsequently to profit or loss</i> | | |
| Currency translation differences attributable to non-controlling interests | <u>729</u> | <u>(279)</u> |
| Total other comprehensive (loss)/income for the period, net of tax | <u>(21,258)</u> | <u>302,102</u> |
| Total comprehensive income for the period | <u>285,644</u> | <u>231,663</u> |
| Total comprehensive income for the period attributable to | | |
| Shareholders of the Company | 179,184 | 172,221 |
| Holder of perpetual capital securities and other non-controlling interests | <u>106,460</u> | <u>59,442</u> |
| | <u>285,644</u> | <u>231,663</u> |

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Unaudited | | | | | |
|---|---|-----------------------------|---|--------------------------|--|------------------------------------|
| | Attributable to shareholders of the Company | | | | | |
| | Share capital <i>HK\$'000</i> | Reserves <i>HK\$'000</i> | Retained earnings <i>HK\$'000</i> | Total <i>HK\$'000</i> | Perpetual capital securities and other non- controlling interests <i>HK\$'000</i> | Total equity <i>HK\$'000</i> |
| Balance as at 1 January 2023 | 74,436 | 2,314,613 | 2,276,247 | 4,665,296 | 1,590,921 | 6,256,217 |
| Comprehensive income | | | | | | |
| Profit for the period | - | - | 201,171 | 201,171 | 105,731 | 306,902 |
| Other comprehensive (loss)/income | | | | | | |
| Cash flow hedges | - | (78,659) | - | (78,659) | - | (78,659) |
| Currency translation differences | - | 56,672 | - | 56,672 | 729 | 57,401 |
| Total comprehensive (loss)/income | - | (21,987) | 201,171 | 179,184 | 106,460 | 285,644 |
| Transaction with shareholders and non-controlling interests | | | | | | |
| Dividends (<i>Note 15</i>) | - | - | (111,653) | (111,653) | - | (111,653) |
| Dividends distributed to perpetual capital securities | - | - | - | - | (166,878) | (166,878) |
| Share option scheme | | | | | | |
| – Value of services | - | 1,126 | - | 1,126 | - | 1,126 |
| – Share options lapsed | - | (456) | - | (456) | - | (456) |
| Total transactions with shareholders and non-controlling interests | - | 670 | (111,653) | (110,983) | (166,878) | (277,861) |
| Balance as at 30 June 2023 | 74,436 | 2,293,296 | 2,365,765 | 4,733,497 | 1,530,503 | 6,264,000 |
| Balance as at 1 January 2022 | 74,762 | 1,987,850 | 2,507,621 | 4,570,233 | 1,447,022 | 6,017,255 |
| Comprehensive income | | | | | | |
| (Loss)/Profit for the period | - | - | (130,160) | (130,160) | 59,721 | (70,439) |
| Other comprehensive income | | | | | | |
| Cash flow hedges | - | 249,339 | - | 249,339 | - | 249,339 |
| Currency translation differences | - | 53,042 | - | 53,042 | (279) | 52,763 |
| Total comprehensive income/(loss) | - | 302,381 | (130,160) | 172,221 | 59,442 | 231,663 |
| Transaction with shareholders and non-controlling interests | | | | | | |
| Dividends | - | - | (193,319) | (193,319) | - | (193,319) |
| Dividends distributed to perpetual capital securities | - | - | - | - | (15,727) | (15,727) |
| Cancellation of shares | (408) | 495 | - | 87 | - | 87 |
| Share option scheme: | | | | | | |
| – Value of services | - | 1,500 | - | 1,500 | - | 1,500 |
| Total transactions with shareholders and non-controlling interests | (408) | 1,995 | (193,319) | (191,732) | (15,727) | (207,459) |
| Balance as at 30 June 2022 | 74,354 | 2,292,226 | 2,184,142 | 4,550,722 | 1,490,737 | 6,041,459 |

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

| | Unaudited | |
|---|---------------------------------|-----------------|
| | Six months ended 30 June | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Cash flows from operating activities | | |
| Profit before income tax | 460,735 | 30,942 |
| Adjustments for: | | |
| – Depreciation | 748,034 | 590,692 |
| – Net income from aircraft transactions | (38,615) | (64,756) |
| – Expected credit losses | 51,782 | 51,834 |
| – Net write-off of two aircraft remained in Russia | – | 439,029 |
| – Interest expenses | 1,075,871 | 757,857 |
| – Share-based payments | 670 | 1,500 |
| – Unrealised currency exchange gains | (184,295) | (193,958) |
| – Fair value changes attributable to interest rate and fair value changes on currency swap and currency forward contracts | 88,768 | 80,189 |
| – Share of results from associates and joint ventures | 1,267 | (1,800) |
| – Interest income | (89,159) | (57,121) |
| – Fair value gains on financial assets at fair value through profit or loss | (21,393) | (18,364) |
| | 2,093,665 | 1,616,044 |
| Changes in working capital: | | |
| – Finance lease receivables – net | (273,901) | (221,569) |
| – Prepayments and other assets | (50,775) | (100,899) |
| – Aircraft components trading assets | 3,280 | 4,049 |
| – Other liabilities and accruals | (1,586) | 224,623 |
| Cash generated from operations | 1,770,683 | 1,522,248 |
| Income taxes paid | (77,937) | (62,689) |
| Net cash flows generated from operating activities | 1,692,746 | 1,459,559 |

Unaudited
Six months ended 30 June

| | 2023 | 2022 |
|--|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |

Cash flows from investing activities

| | | |
|---|-------------|-------------|
| Purchase of property, plant and equipment | (3,493,510) | (1,468,604) |
| Proceeds from disposal of aircraft | 486,485 | 1,111,281 |
| Pre-Delivery Payments (“PDP”) and prepayments paid for acquisition of aircraft | (4,556,868) | (5,128,287) |
| PDP refunded for acquisition of aircraft | 902,152 | 947,304 |
| Interest received | 97,305 | 61,192 |
| Investment in financial assets at fair value through profit or loss | (55,144) | (3,136) |
| Proceeds from distribution of financial assets at fair value through profit or loss | – | 28,698 |
| Investment in associates and joint ventures | – | (5,057) |
| Payments relating to loans to associates and joint ventures | (63,213) | (141,044) |
| Repayments of the loans to associates and joint ventures | 259,790 | 22,473 |
| | (6,423,003) | (4,575,180) |

Cash flows from financing activities

| | | |
|---|-------------|-------------|
| Proceeds from borrowings | 12,917,456 | 10,847,022 |
| Issue of notes, bonds and debentures, net of transaction costs | 1,693,328 | 3,308,567 |
| Repayments of borrowings | (6,875,404) | (6,238,678) |
| Repurchase and repayment of bonds and debentures, including transaction costs | – | (4,041,501) |
| Repayment of lease liabilities | (7,643) | (7,499) |
| Proceeds from disposal of derivative financial instruments | 60,481 | – |
| Interest received/(paid) in respect of derivative financial instruments | 47,715 | (54,458) |
| Interest paid in respect of borrowings, notes and bonds and debentures | (1,410,193) | (777,307) |
| Pledge of deposits placed in respect of borrowings | (598,414) | (263,977) |
| Pledge of deposits withdrawn in respect of borrowings | 1,022,116 | 18,748 |
| Pledge of deposits placed in respect of derivative financial instruments | (131,417) | (11,307) |
| Pledge of deposits withdrawn in respect of derivative financial instruments | 17,003 | 149,787 |
| | 6,735,028 | 2,929,397 |

| | | |
|---|-----------|-----------|
| Net cash flows generated from financing activities | 6,735,028 | 2,929,397 |
| Net increase/(decrease) in cash and cash equivalents | 2,004,771 | (186,224) |
| Cash and cash equivalents at beginning of the period | 3,552,533 | 4,776,389 |
| Currency exchange difference on cash and cash equivalents | (139,338) | (54,256) |

| | | |
|---|------------------|------------------|
| Cash and cash equivalents at end of the period | 5,417,966 | 4,535,909 |
|---|------------------|------------------|

NOTES

1 GENERAL INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands on 21 December 2012 as an exempted company with limited liability under the Companies Law (2012 Revision) of the Cayman Islands. The address of the Company's registered office is Maples Corporate Services Limited, P.O. Box 309, Umland 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 2023 ("**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 ("**HKAS**") 34 "Interim financial reporting". The Interim Financial Information should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and included in the 2022 annual report of the Company.

(a) Going concern

As at 30 June 2023, the Group's current liabilities exceeded its current assets by HK\$16,188.8 million. The Group had total capital commitments of HK\$78,826.1 million as at 30 June 2023, which mainly related to acquisition of aircraft that will be delivered in stages in the coming years until the end of 2027. Out of the total capital commitments, HK\$15,884.1 million is forecasted to be incurred and payable within one year based on the current delivery schedules and forecasted delivery schedules with the Original Equipment Manufacturers ("**OEMs**"). The Group will satisfy these capital commitments through the Group's internal resources, available and additional banking facilities and aircraft project loans which usually can only be confirmed by the relevant banks shortly before the delivery of the aircraft. As at 30 June 2023, the Group had cash and bank balances of HK\$6,202.7 million and undrawn borrowing facilities of HK\$3,990.3 million. The total balance of cash and bank balances with undrawn borrowing facilities was HK\$10,193.0 million.

The Group will need to secure a substantial amount of funds in the foreseeable future to finance the financial obligations and capital expenditures under contractual and other arrangements. The directors have given due and careful consideration to the liquidity of the Group and its available sources of financing in assessing whether the Group has sufficient working capital for its present requirements, covering a period of not less than twelve months from 30 June 2023. The directors have taken into account the following plans and measures for the purposes of their assessment:

- According to the relevant aircraft purchase agreements, the scheduled payment of Pre-Delivery Payments (“**PDP**”) for the next twelve months from 30 June 2023 amounts to HK\$7,591.2 million.

The payment schedule of the PDP is subject to a number of factors including delivery schedule which in turn, in some cases, is subject to the approvals from the relevant aviation authorities. The Group forecasted the PDP payment schedule based on their experience, latest delivery schedule and industry knowledge.

On 14 August 2023, the Company (through a wholly-owned subsidiary of the Company, i.e. the Novator) entered into the Novation Agreement with the Novatee pursuant to which the Novator’s commitment to purchase the remaining 64 aircraft from Boeing shall be novated to the Novatee (the “**Novation Arrangement**”). To facilitate and as part of the Novation Arrangement, another subsidiary of the Company (i.e. the Seller) entered into a sale and purchase agreement with the Novatee to transfer the interest in 12 special purpose vehicles with no assets at nominal value. It is estimated that completion of the Novation Arrangement will take place on or about 30 August 2023. Please refer to the announcement of the Company dated 14 August 2023 for details. With the completion of the Novation Arrangement, the scheduled payment of PDP and aircraft delivery will be significantly reduced. The proceeds from the Novation Arrangement will be used to repay various financing maturing in the next twelve months from 30 June 2023.

In addition, three PDP facilities are set to expire and the utilised facility drawdowns of HK\$6,222.8 million will need to be repaid in the next twelve months from 30 June 2023.

For the scheduled payment of PDP and repayment of utilised facility drawdowns under the facilities expiring in the next twelve months from 30 June 2023, significant portion will be repaid by the proceeds from the Novation Arrangement and the PDP facilities to be released when PDP financing is repaid. The Group has initiated the process to obtain new PDP loan facilities with various onshore and offshore banks and financial institutions. In particular, up to August 2023, approval is already obtained from a mandated lead arranging bank for a new syndicated facility. With the recovery of aviation industry, the directors believe that certain lenders of our existing PDP syndication are interested in participating in a new PDP syndication and given the Group’s past experience in renewing PDP facilities, the directors are confident that the Group will be able to obtain new PDP facilities in the next twelve months from 30 June 2023. With such new facilities, internal resources and/or facilities obtained from other financing channels of the Group, the Group will be able to satisfy payments of the committed PDP and repayment of PDP facilities at maturity in the next twelve months from 30 June 2023.

- The Group had continuous communication of anticipated changes in the delivery schedule with the OEMs and had been successful in adjusting the delivery schedules in the past. Apart from the ordinary reschedule flexibility under the purchase agreements, the OEMs may accommodate slot rearrangement and deferral of corresponding payment requests with specific circumstances. Based on its experience, the directors are confident that it would be able to negotiate with the OEMs from time to time to manage the payment schedule of PDP under specific circumstances, and obtain the consent from the OEMs on rescheduling and slot rearrangement requests in the next twelve months from 30 June 2023 as and when needed.
- New aircraft project loans are primarily used for the payment of the balances of the aircraft acquisition costs and, the repayments of the PDP financing which is usually due upon delivery of aircraft. New aircraft project loans will only be confirmed by the banks before the delivery of the relevant aircraft. Besides, the Group sometimes finances the new aircraft with internal resources or short-term bridging financing and the Group may obtain refinancing for these aircraft through new aircraft project loans. During the six months ended 30 June 2023, the Group has obtained 30 aircraft project loan facilities of HK\$7,578.1 million from certain onshore and offshore banks and financial institutions. The Group will continue to arrange aircraft project loan facilities from time to time subsequent to 30 June 2023. Based on these aircraft project loan arrangements, the directors are of the view that the Group will be able to obtain the necessary aircraft project loans as and when required in the next twelve months from 30 June 2023. With the completion of the Novation Arrangement, the aircraft delivery and the relevant aircraft project loans will be significantly reduced.
- As at 30 June 2023, the Group had working capital loan and revolving loan facilities of HK\$7,502.6 million out of which HK\$6,229.3 million has been utilised. Based on the previous experience, the directors are confident that the Group can drawdown the remaining unutilised loan facilities of HK\$1,273.3 million as and when required and will be able to renew substantially all the existing revolving facilities.
- The Group is also pursuing other sources of financing, including issuance of bonds and medium-term notes and so on. In particular, the Group has obtained approval from the China Securities Regulatory Commission for issuance of unsecured bonds with a principal amount of RMB2.0 billion or less in the PRC within a two-year period from October 2022. In June 2023, the Group completed the issuance of three-year corporate bonds of RMB1.5 billion in the PRC. The Group will continue to review the market conditions and may issue RMB super short-term debentures, RMB medium-term notes and RMB bonds when needed. Based on the credit profile of the Group, the successful history of issuance of similar debt instruments, the directors are confident that the Group will be able to issue the relevant debt instruments and obtain the required financing as and when required.

- The Group has been preserving the multi-faceted development of its asset-light business model through establishment and management of aviation-related funds and joint venture companies, while at the same time, building up network buyers that will acquire aircraft from its aircraft portfolio. As part of its normal course of business, the Group continues to expand its portfolio trading business and it has scheduled to dispose certain aircraft in the next twelve months from 30 June 2023. As of 22 August 2023, the Group has signed sale and purchase agreements or letters of intent for the disposals of 12 aircraft. Based on the Group’s past experience in aircraft portfolio trading, the directors are confident that the scheduled disposals of aircraft will be completed, and the proceeds will be collected according to the expected schedule in the next twelve months from 30 June 2023.

The directors are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the Group’s internal resources, the cash flows generated from its business operations, continued availability of existing and new banking facilities, the successful execution of its plans in obtaining the aircraft project loans from the banks and financial institutions, the successful issuance of debt instruments, the successful disposals of aircraft as planned and the completion of the Novation Arrangement, the Group has sufficient working capital for its present requirements in the next twelve months from 30 June 2023. Accordingly, the directors consider that the Group will be in a position to continue as a going concern and hence prepared the consolidated financial statements on a going concern basis.

(b) 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 2022.

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 2023:

Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2
Definition of Accounting Estimates – Amendments to HKAS 8
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12

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

3 FINANCE LEASE RECEIVABLES – NET

| | Unaudited | Audited |
|--|--------------------|-----------------|
| | As at | As at |
| | 30 June | 31 December |
| | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Lease payments receivables | | |
| – Not later than 1 year | 190,176 | 108,711 |
| – Later than 1 year but not later than 2 years | 229,918 | 188,519 |
| – Later than 2 years but not later than 3 years | 1,673,788 | 1,072,186 |
| – Later than 3 years but not later than 4 years | 1,692,625 | 1,836,468 |
| – Later than 4 years but not later than 5 years | 1,135,156 | 1,511,864 |
| – Later than 5 years | 571,172 | 806,670 |
| | <hr/> | <hr/> |
| Total | 5,492,835 | 5,524,418 |
| <i>Less: Unearned finance lease income relating to lease payment receivables</i> | (1,135,633) | (1,319,554) |
| | <hr/> | <hr/> |
| Present value of lease payment receivables | 4,357,202 | 4,204,864 |
| <i>Add: Present value of unguaranteed residual value</i> | 4,130,035 | 3,979,063 |
| | <hr/> | <hr/> |
| Net investment in leases | 8,487,237 | 8,183,927 |
| <i>Less: Accumulated expected credit losses allowance</i> | (12,285) | (11,841) |
| | <hr/> | <hr/> |
| Finance lease receivables – net | 8,474,952 | 8,172,086 |
| | <hr/> | <hr/> |

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

| | Unaudited | | Audited | |
|---|---------------------------|-------------|------------------------|-------|
| | As at 30 June 2023 | | As at 31 December 2022 | |
| | <i>HK\$'000</i> | % | <i>HK\$'000</i> | % |
| Categorised by customer in terms of lease receivables: | | | | |
| Five largest airline companies | 6,009,174 | 71% | 5,811,896 | 71% |
| Others | 2,465,778 | 29% | 2,360,190 | 29% |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Finance lease receivables – net | 8,474,952 | 100% | 8,172,086 | 100% |
| | <hr/> | <hr/> | <hr/> | <hr/> |

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Unaudited | Audited |
|--|------------------|-------------|
| | As at | As at |
| | 30 June | 31 December |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Long-term investments – CAG (a) | 738,076 | 735,429 |
| Long-term investments – Feitian No.2 (Tianjin) (b) | 37,141 | – |
| Investment – aircraft modification (c) | 86,575 | 27,479 |
| Others | 4,233 | 6,554 |
| | 866,025 | 769,462 |

- (a) 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.
- (b) The Group entered into shareholder’s loan agreements and subordinated fee agreements with Feitian No.2 Leasing (Tianjin) Company Limited (“**Feitian No.2 (Tianjin)**”). Pursuant to the shareholder’s loan agreements and subordinated fee agreements, the Group injected RMB34,065,000 (equivalent to approximately HK\$36,800,000) into Feitian No.2 (Tianjin) as at June 2023.
- (c) The Group entered into several cooperation agreements with Aircraft Recycling International Limited and its subsidiaries (collectively “**ARI Group**”) for investment projects to modify airliner into cargo. As stipulated in the cooperation agreements, the Group’s committed investment is approximately US\$10.0 million (equivalent to approximately HK\$78.4 million). As the owner of the aircraft, ARI Group is responsible for the sale of the aircraft following the modification into cargo. After the Group and ARI Group have recovered their investment in the project, the remaining sale proceeds will be distributed between the Group and ARI Group, with the Group’s sharing ranging from 10%-60%.

5 PREPAYMENTS AND OTHER ASSETS

| | Unaudited | Audited |
|--|-------------------|-------------|
| | As at | As at |
| | 30 June | 31 December |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| PDP and prepayments and receivables relating to aircraft acquisition | 11,521,239 | 9,559,283 |
| Operating lease receivables <i>(note)</i> | 476,884 | 492,425 |
| Interest capitalised | 999,577 | 886,147 |
| Deposits paid | 36,677 | 28,380 |
| Prepayments and amounts due from related parties | 320,524 | 319,386 |
| Deductible in-put value-added taxes | 60,068 | 68,745 |
| Others | 186,183 | 195,565 |
| | 13,601,152 | 11,549,931 |
| <i>Less: Accumulated expected credit losses allowance (note)</i> | (224,560) | (187,516) |
| | 13,376,592 | 11,362,415 |

Note:

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

The aging analysis of the gross operating lease receivables based on due date was as follows:

| | Unaudited | | Audited | |
|----------------------------|---------------------------|-------------|------------------------|------|
| | As at 30 June 2023 | | As at 31 December 2022 | |
| | HK\$'000 | % | HK\$'000 | % |
| Current/deferral | 168,241 | 35% | 253,239 | 52% |
| Less than 30 days past due | 5,682 | 1% | 5,403 | 1% |
| 30 to 90 days past due | 24,140 | 5% | 16,672 | 3% |
| More than 90 days past due | 278,821 | 59% | 217,111 | 44% |
| Total | 476,884 | 100% | 492,425 | 100% |

As at 30 June 2023, the expected credit losses allowance amounted to HK\$224,560,000 (31 December 2022: HK\$187,516,000) and the net operating lease receivables (after expected credit losses allowance) amounted to HK\$252,324,000 (31 December 2022: HK\$304,909,000).

6 BORROWINGS

| | Unaudited | Audited |
|--|-------------------|-------------------|
| | As at | As at |
| | 30 June | 31 December |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Bank and other borrowings | | |
| Bank and other borrowings for aircraft acquisition financing (a) | 22,937,255 | 19,083,257 |
| PDP financing (b) | 9,991,360 | 7,180,254 |
| Other bank borrowings (c) | 6,099,322 | 6,821,180 |
| | <hr/> | <hr/> |
| Total bank and other borrowings | 39,027,937 | 33,084,691 |
| Long-term borrowings | | |
| Borrowings from trust plans (d) | 4,488,578 | 4,527,538 |
| Other borrowings (e) | 399,772 | 388,921 |
| | <hr/> | <hr/> |
| Total long-term borrowings | 4,888,350 | 4,916,459 |
| | <hr/> | <hr/> |
| Total borrowings | 43,916,287 | 38,001,150 |

Bank and other borrowings

- (a) Bank and other borrowings for aircraft acquisition financing are principally based on fixed or floating rates (including US\$ London Interbank Offered Rate (“LIBOR”), US\$ Secured Overnight Financing Rate and RMB Loan Prime Rate). As at 30 June 2023, 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\$600,416,000 (31 December 2022: HK\$288,439,000). As at 30 June 2023, bank and other borrowings of HK\$733,439,000 (31 December 2022: HK\$1,938,212,000) were unsecured.
- (b) As at 30 June 2023, PDP financing of HK\$9,991,360,000 (31 December 2022: HK\$7,180,254,000) was unsecured, of which HK\$9,341,205,000 (31 December 2022: HK\$6,532,430,000) was guaranteed by the Company.
- (c) As at 30 June 2023, unsecured other bank borrowings amounted to HK\$6,099,322,000 (31 December 2022: HK\$6,067,502,000), of which HK\$3,427,257,000 (31 December 2022: HK\$4,073,926,000) were guaranteed by the Company and certain companies of the Group.

As at 31 December 2022, other bank borrowings of HK\$753,678,000 were secured by pledged of deposits amounting to HK\$757,357,000.

Long-term borrowings

- (d) As at 30 June 2023, 46 borrowings (31 December 2022: 46 borrowings) were provided to the Group by investors under trust plans or an asset-backed securities programme (both are in relation to the disposals of finance lease receivable transactions). The effective average interest rates of the long-term borrowings range from 3.5% to 7.8% (31 December 2022: 3.5% to 7.8%) per annum for remaining terms of one to seven years (31 December 2022: one to seven years). These long-term borrowings are secured by the shares of, and the aircraft held by the relevant subsidiaries, guaranteed by certain companies of the Group, and pledge of deposits amounting to HK\$44,339,000 (31 December 2022: HK\$44,199,000).
- (e) As at 30 June 2023, four borrowings (31 December 2022: four borrowings) were obtained through a structured financing arrangement for four aircraft (31 December 2022: four aircraft) delivered to airlines. These borrowings bear an effective interest rate ranging from 3.9% to 5.7% (31 December 2022: 3.9% to 5.7%) per annum for their remaining terms of two to three years (31 December 2022: two to three years) and are guaranteed by the Company.

7 MEDIUM-TERM NOTES

In April 2022, the Group issued three-year medium-term notes, with coupon rate adjustment option for the Group and sell-back option for investors exercisable at the end of the second year, in a principal amount of RMB1.5 billion due in 2025, bearing coupon interest at 4.5% per annum.

As at 30 June 2023, after deducting the issuing cost, the total carrying amount of these notes was HK\$1,618,998,000 (31 December 2022: HK\$1,696,509,000).

8 BONDS AND DEBENTURES

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

In November 2020, the Group entered into a subscription agreement with an independent third party in relation to the issuance of five-year US\$70 million senior unsecured bonds, of which US\$35 million were issued in November 2020 and due in 2025 and US\$35 million were issued in January 2021 and due in 2026. The bonds bear coupon interest at 5.9% per annum, payable semi-annually.

In August 2021, the Group issued three-year unsecured bonds, with coupon rate adjustment option for the Group and sell-back option for investors exercisable at the end of the second year, in a principal amount of RMB100 million due in 2024, bearing coupon rate of 4.2% per annum. These bonds were listed on the Shanghai Stock Exchange.

In December 2021, the Group issued three-year US\$100 million unsecured guaranteed notes due in 2024, bearing coupon interest at 4.85% per annum. These notes were guaranteed by the Company and were listed on the Stock Exchange.

In February 2022, the Group issued three-year RMB1.2 billion private bonds due in 2025, bearing coupon rate of 4.4% per annum.

In October 2022, the Group issued RMB1.0 billion super short-term debentures with a term of 270 days at the coupon rate of 3.56%.

In June 2023, the Group issued three-year RMB1.5 billion corporate bonds due in 2026, bearing coupon rate of 3.85% per annum. These bonds were listed on the Shanghai Stock Exchange.

During the six months ended 30 June 2023, the Group did not repurchase any bond on the Stock Exchange (six months ended 30 June 2022: repurchased certain amount of bonds on the Stock Exchange for an aggregate amount of US\$8,200,000).

As at 30 June 2023, after deducting the issuing cost, the total carrying amount of bonds and debentures was HK\$6,917,832,000 (31 December 2022: HK\$5,406,490,000).

9 LEASE INCOME AND SEGMENT INFORMATION

During the six months ended 30 June 2023, the Group was engaged in 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 | | | |
| | 2023 | | 2022 | |
| | <i>HK\$'000</i> | % | <i>HK\$'000</i> | % |
| Categorised by customer in terms of lease income: | | | | |
| Airline company – A | 520,450 | 25% | 379,186 | 23% |
| Airline company – B | 340,344 | 17% | 166,038 | 10% |
| Airline company – C | 126,224 | 6% | 88,210 | 5% |
| Airline company – D | 114,863 | 6% | 114,916 | 7% |
| Airline company – E | 90,949 | 4% | 90,799 | 6% |
| Others | 863,623 | 42% | 814,618 | 49% |
| Total finance and operating lease income | <u>2,056,453</u> | <u>100%</u> | <u>1,653,767</u> | <u>100%</u> |

10 NET INCOME FROM AIRCRAFT TRANSACTIONS AND AIRCRAFT COMPONENTS TRADING

| | Unaudited | |
|---------------------------------|--------------------------|----------------------|
| | Six months ended 30 June | |
| | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Aircraft transactions (a) | 38,615 | 64,756 |
| Aircraft components trading (b) | <u>6,080</u> | <u>1,736</u> |
| | <u>44,695</u> | <u>66,492</u> |

(a) Aircraft transactions

The net gain from aircraft transactions amounted to HK\$38,615,000 for the six months ended 30 June 2023 included disposal of aircraft to a related party (six months ended 30 June 2022: HK\$64,756,000 included disposals of aircraft to third parties).

(b) Aircraft components trading

| | Unaudited | |
|---|--------------------------|---------------------|
| | Six months ended 30 June | |
| | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Sales from aircraft components trading assets | 9,663 | 6,651 |
| <i>Less: Cost of aircraft components trading assets</i> | <u>(3,583)</u> | <u>(4,915)</u> |
| Profit from aircraft components trading assets | <u>6,080</u> | <u>1,736</u> |

11 OTHER INCOME

| | Unaudited | |
|---|--------------------------|-----------------------|
| | Six months ended 30 June | |
| | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Government grants (a) | 100,144 | 94,880 |
| Interest income from loans to associates and joint ventures | 56,752 | 52,730 |
| Bank interest income | 32,407 | 4,391 |
| Asset management service fees income from CAG Group | 9,302 | 8,393 |
| Others (b) | <u>26,504</u> | <u>10,138</u> |
| | <u>225,109</u> | <u>170,532</u> |

- (a) Government grants represent the grants and subsidies received from the Mainland China government to support the development of aircraft leasing industry.
- (b) Others mainly related to interest received on deferred operating lease receivables, compensation and amounts received from suppliers.

12 OTHER GAINS, NET

| | Unaudited | |
|---|---------------------------------|-----------------|
| | Six months ended 30 June | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Currency exchange gains in RMB | 242,210 | 192,757 |
| Fair value losses on currency forward contracts in RMB | (123,330) | (83,082) |
| Currency exchange losses in US\$ | (15,578) | (12,569) |
| Fair value gains on financial assets at fair value through profit or loss | 21,393 | 18,364 |
| Changes in fair value attributable to interest rate | 28,043 | 3,933 |
| Unrealised gains/(losses) on a currency swap | 6,519 | (1,040) |
| | <u>159,257</u> | <u>118,363</u> |

13 INCOME TAX EXPENSES

| | Unaudited | |
|--------------------------------------|---------------------------------|-----------------|
| | Six months ended 30 June | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Current income tax: | | |
| Mainland China, Hong Kong and others | 98,555 | 59,422 |
| Deferred income tax | 55,278 | 41,959 |
| | <u>153,833</u> | <u>101,381</u> |

14 EARNINGS/(LOSSES) PER SHARE

(a) Basic

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2023 and 30 June 2022.

| | Unaudited | |
|--|---------------------------------|----------------|
| | Six months ended 30 June | |
| | 2023 | 2022 |
| Profit/(Loss) attributable to shareholders of the Company (HK\$'000) | 201,171 | (130,160) |
| Weighted average number of ordinary shares in issue (number of shares in thousands) | 744,355 | 743,535 |
| | <u>0.270</u> | <u>(0.175)</u> |

(b) Diluted

Diluted earnings/(losses) 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 financial period. For share options outstanding as at 30 June 2023 and as at 30 June 2022, as the exercise price per share is higher than average market price of ordinary shares, it is not assumed that the outstanding share options have been exercised in the calculation of the diluted earnings/(losses) per share for the six months ended 30 June 2023 and 30 June 2022.

15 DIVIDENDS

| | Unaudited | |
|--|---------------------------------|-----------------|
| | Six months ended 30 June | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Interim dividend declared of HK\$0.15 (2022: HK\$0.15) per ordinary share | 111,653 | 111,653 |

On 24 August 2022, the Group declared an interim dividend of HK\$0.15 per ordinary share totalling HK\$111.7 million which was paid by cash in November 2022.

A final dividend of HK\$0.15 per ordinary share totalling HK\$111.7 million for the year ended 31 December 2022 was declared and was reflected as dividend payable as at 30 June 2023.

On 22 August 2023, the Board declared an interim dividend of HK\$0.15 per ordinary share totalling HK\$111.7 million, which is calculated based on 744,355,352 issued shares as at 22 August 2023. The declared dividend is not reflected as a dividend payable in the consolidated financial statements as at 30 June 2023, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2023.

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK\$0.15 per share for the six months ended 30 June 2023 (2022 interim dividend: HK\$0.15 per share) to shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company (the “**Register of Members**”) on Wednesday, 13 September 2023. The 2023 interim dividend will be paid in cash on or about Friday, 6 October 2023.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders’ entitlement to the interim dividend, the Register of Members will be closed from Monday, 11 September 2023 to Wednesday, 13 September 2023, both days inclusive, during which, no transfer of shares will be registered. The record date on which the Shareholders are qualified to receive the interim dividend is Wednesday, 13 September 2023. In order to be eligible 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 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Friday, 8 September 2023 for registration.

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

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2023.

EVENTS AFTER THE REVIEW PERIOD

On 14 August 2023, the Company (through a wholly-owned subsidiary of the Company, i.e. the Novator) entered into the Novation Agreement with the Novatee pursuant to which the Novator’s commitment to purchase the remaining 64 aircraft from Boeing shall be novated to the Novatee (the “**Novation Arrangement**”). To facilitate and as part of the Novation Arrangement, another subsidiary of the Company (i.e. the Seller) entered into a sale and purchase agreement with the Novatee to transfer the interest in 12 special purpose vehicles with no assets at nominal value. It is estimated that completion of the Novation Arrangement will take place on or about 30 August 2023. Please refer to the announcement of the Company dated 14 August 2023 for details.

Saved as the above disclosure, there were no material subsequent events since 30 June 2023, being the end of the Review Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to attaining and maintaining high standards of corporate governance and it applies corporate governance practices appropriate to the conduct and growth of business of the Group that emphasise a quality board, accountability to all stakeholders, open communication and fair disclosure. It is the firm belief of the Company that a good and solid corporate governance framework is essential to the successful growth of the Company and the enhancement of shareholder value.

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 Part 2 of the CG Code during the six months ended 30 June 2023.

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

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its Directors. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2023.

AUDIT COMMITTEE AND REVIEW OF THE FINANCIAL STATEMENTS

As at the date of this announcement, the Board's Audit Committee consisted of Mr. FAN Chun Wah, Andrew, *J.P.* (chairman of the Audit Committee), Mr. CHEOK Albert Saychuan and Dr. TSE Hiu Tung, Sheldon, all of whom are independent non-executive Directors. During the Review Period, the Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed matters regarding auditing, internal control, risk management and financial reporting, including the review of the unaudited consolidated financial statements of the Group for the six months ended 30 June 2023 with the management team and PricewaterhouseCoopers ("**PwC**"), the external auditor of the Company.

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2023 have been reviewed by PwC in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information performed by the Independent Auditor of the Entity*" issued by the Hong Kong Institute of Certified Public Accountants. The PwC's review report will be included in the 2023 interim report to be sent to the Shareholders.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.calc.com.hk) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2023 interim report of the Company will be despatched to the Shareholders and available on the same websites in due course.

By order of the Board
China Aircraft Leasing Group Holdings Limited
POON HO MAN
Executive Director and Chief Executive Officer

Hong Kong, 22 August 2023

As at the date of this announcement, (i) the Executive Directors are Mr. ZHANG Mingao (Chairman), Mr. POON Ho Man (Chief Executive Officer) and Ms. LIU Wanting (Chief Commercial Officer); (ii) the Non-executive Director is Ms. WANG Yun; and (iii) the Independent Non-executive Directors are Mr. CHEOK Albert Saychuan, Dr. TSE Hiu Tung, Sheldon and Mr. FAN Chun Wah, Andrew, J.P.