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 2018

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 2018 as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2018	2017	Change
	HK$'Million	*HK$'Million*	
Revenue and other income	**1,612.1**	1,258.0	+28.1%
Profit for the period	**307.8**	248.7	+23.8%
EPS (Basic) *(HK$)*	**0.454**	0.370	+22.7%
Interim dividend per share *(HK$)*	**0.22**	0.18	+22.2%

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM BUSINESS REVIEW

In the first half of 2018, China Aircraft Leasing Group Holdings Limited ("**CALC**" or the "**Company**", together with its subsidiaries, the "**Group**") took delivery of nine aircraft as it continued to explore different channels to optimise its portfolio, including new aircraft deliveries from its order book, purchase and leasebacks, and portfolio trading. The fleet size grew to 115 aircraft as at 30 June 2018, of which 111 were owned aircraft and four were managed for China Aircraft Global Limited ("**CAG**"), an investment vehicle launched in June 2018 to invest in aircraft portfolios on lease to global airlines.

ASSET-LIGHT MODEL IN FULL PLAY

With the establishment of CAG, CALC has made great strides in its transition towards an asset-light business model. This is an important strategic move that supports the Group's increasing business capacity and its continued global expansion. The pioneering model provides an optimal approach for the Group to evolve ahead of the market, achieve sustainability and thrive in this traditionally capital-intensive industry in a competitive and vibrant aviation landscape. In addition, CALC has started engaging in the aircraft trading business as part of its strategy to bolster its asset management capabilities amidst the transition.

In June 2018, CALC joined hands with three leading state-owned enterprises engaged in overseas investment, the insurance business and the aviation sector as mezzanine financiers, held at a ratio of 20% and 80% to roll out the global aircraft investment vehicle, CAG. On top of shareholder loans, the funding for CAG is accompanied by senior syndicated financing from a number of renowned international and Chinese banks. CAG's aircraft assets are expected to grow to around US$1,200 million within two years. Leveraging its efficient capabilities in global aircraft asset management and close partnerships with its aviation partners, CALC will provide aircraft and lease management service to CAG.

Tapping into the institutional investors' strong appetite for quality aircraft leasing assets with stable and long-term cash flow, CAG is a replicable model that advances the Group's capital efficiency to provide recurring support for the Group's sustainable growth. It also allows CALC, as a service provider, to increase its aircraft assets under management, and hence further strengthen the Group's position as an aircraft full value-chain solutions provider for the global aviation industry.

During the period under review, four aircraft were sold and injected into CAG, whilst another 14 aircraft are expected to be put into the vehicle by the end of the year.

Alongside its progress in establishing CAG, CALC completed the disposal of finance lease receivables for one aircraft during the period under review.

OUR FLEET

CALC maintains one of the youngest and most modern fleets in the sector, as well as one of the longest average remaining lease terms. Its fleet has an average age of 3.9 years and average remaining lease terms of approximately 8.2 years.

In addition to being one of the launch customers of the latest edition B737 MAX 10 from The Boeing Company ("**Boeing**"), CALC continued to add highly liquid models that incorporate the latest technology and deliver high efficiency and reliability in its fleet, with the delivery of its first Airbus S.A.S ("**Airbus**") A321neo aircraft during the period under review. In January 2018, CALC ordered 15 additional Airbus A320neos. As at 30 June 2018, CALC had 189 aircraft in its order book, comprising 139 Airbus and 50 Boeing aircraft, which will be delivered by 2023. Its close relationships with Original Equipment Manufacturer ("**OEM**") partners put the Group in an excellent position to address clients' aircraft requirements.

As part of its globalisation initiative, CALC continued to expand and diversify its overseas customer portfolio in the first half of 2018. Among the aircraft delivered during the period under review, four were delivered to domestic airlines and five to overseas carriers. Of the current fleet of 111 owned and four managed aircraft, mainland Chinese airlines took up approximately 69.0% and non-Chinese carriers approximately 31.0%. As a result, CALC's client base increased to 30 airlines in 14 countries and regions as at 30 June 2018.

FULL VALUE CHAIN

As part of its progressive development into an aircraft manager, the Group has sharpened its asset management capabilities by leveraging its synergy with its associate company Aircraft Recycling International Limited ("**ARI**"), a one-stop solutions provider for mid-to-old aged aircraft. During the period under review, CALC partnered with ARI to complete the redelivery, export and lease of an end-of lease Airbus A321, demonstrating the Group's distinct capabilities in aircraft full life-cycle solutions.

ARI's aircraft recycling facility in Harbin (the "**Harbin Base**"), which is also Asia's first large-scale aircraft recycling facility, commenced operation in June 2018 with an initial handling capacity of 20 aircraft per year. The Harbin Base is equipped with modern facilities and tools that utilise advanced technology. ARI strives to cover seven areas of business operation, namely mid-aged aircraft purchasing, selling, leasing, disassembling, replacing, conversion and maintenance. Together, these operations provide dynamic aircraft recycling solutions for airlines, MROs and lessors, as well as for manufacturers and distributors of aircraft components.

Meanwhile, Universal Asset Management ("**UAM**"), a wholly owned subsidiary of ARI, has demonstrated efficient transaction capabilities by leveraging its established expertise in end-of-life aircraft asset management. It is noteworthy that UAM has become the first in the world to recycle carbon fibre from commercial aircraft, extending the usability of composites from end-of-life aircraft.

OUTLOOK

Looking ahead, the Group remains optimistic about the global demand for aircraft, especially with the aircraft leasing industry resetting its gear to the east. Although the current aviation landscape is clouded by brewing trade tensions between China and the US, the Group is hopeful that the two countries will eventually work out a good solution and such chill will not create material impact to the industry in the long run. As regards concerns over rising interest rates and oil prices, the aviation industry has over the past few decades proven to be resilient to different kinds of external headwind. A sustained boom in passenger traffic, driven by emerging markets with an increasing middle-class population that yearn for air travel, coupled with the burgeoning development of low-cost-carriers, creates a favourable environment for the industry to flourish. As aircraft leasing has gone from being a niche industry to becoming more mainstream, aviation finance has seen a significant uptick, with the financing community clamouring for quality aircraft assets with long-term, stable returns and high liquidity.

In the light of such a positive industry backdrop, the Group will continue to deepen its vertical and horizontal integration to consolidate its leading position in the market. While strengthening its transaction efficiency, widening its financing base and expanding its technical know-how to solidify its position as a full value-chain aircraft solutions provider, aided by the technical expertise of ARI and UAM, CALC is seeking to manage an enlarged and diversified aircraft portfolio powered by its asset-light business model. As it channels more resources into developing its aircraft trading business, CALC is set to improve its asset management competency, amplifying its competitive advantage in order to strengthen its long-term ties with aircraft OEMs, airlines, financiers, investors and other players along the aircraft value chain.

1. RESULTS

For the six months ended 30 June 2018, the Group delivered nine aircraft and disposed five aircraft, building its fleet size to 111. Revenue and other income was HK$1,612.1 million, an increase of HK$354.1 million or 28.1% from the corresponding period last year. Profit for the period ended 30 June 2018 amounted to HK$307.8 million, an increase of HK$59.1 million or 23.8% compared with the corresponding period last year. This was mainly due to increased lease income from continued expansion of the Group's aircraft leasing business.

Total assets were HK$40,086.4 million as at 30 June 2018, compared with HK$37,994.3 million as at 31 December 2017, an increase of HK$2,092.1 million or 5.5%. The increase in assets was mainly due to the increase in pre-delivery payments ("**PDP**") made for aircraft acquisition during the current period. Total liabilities amounted to HK$36,559.4 million as at 30 June 2018, an increment of HK$1,992.2 million or 5.8% compared with HK$34,567.2 million as at 31 December 2017, which was in line with the increase in total assets.

The equity attributable to shareholders of the Company was HK$3,527.0 million as at 30 June 2018 compared with HK$3,427.2 million as at 31 December 2017, an increase of HK$99.8 million or 2.9%.

2. ANALYSIS OF INCOME AND EXPENSES

	Unaudited Six months ended 30 June **2018** *HK$'Million*	2017 *HK$'Million*	Change
Finance lease income	**432.4**	540.6	−20.0%
Operating lease income	**729.7**	340.3	114.4%
Total lease income	**1,162.1**	880.9	31.9%
Net gain from aircraft transactions	**243.0**	289.6	−16.1%
Government grants	**118.1**	49.4	139.1%
Interest income from loans to an associate	**44.8**	12.4	261.3%
Bank interest income	**7.1**	19.6	−63.8%
Sundry income	**37.0**	6.1	506.6%
Other income	**450.0**	377.1	19.3%
Total revenue and other income	**1,612.1**	1,258.0	28.1%
Total operating expenses	**(1,200.3)**	(903.9)	32.8%
Other gains/(losses)	**7.1**	(11.3)	N/A
Profit before income tax	**418.9**	342.8	22.2%
Income tax expenses	**(111.1)**	(94.1)	18.1%
Profit for the period	**307.8**	248.7	23.8%

2.1 Revenue and Other Income

For the six months ended 30 June 2018, revenue and other income amounted to HK$1,612.1 million compared with HK$1,258.0 million for the corresponding period last year, an increase of HK$354.1 million or 28.1%. This was mainly due to an increase in lease income.

Lease income from finance leases and operating leases for the six months ended 30 June 2018 was totalled HK$1,162.1 million, compared with HK$880.9 million for the six months ended 30 June 2017, an increase of HK$281.2 million or 31.9%. The decrease in finance lease income was due to disposal of 11 aircraft's finance lease receivables during the second half of 2017 and one aircraft's finance lease receivables during the six months ended 30 June 2018. The growth in operating lease income was attributable to the increase in fleet size under operating leases from 25 aircraft as at 30 June 2017 to 42 aircraft as at 30 June 2018.

The Group recognised a net gain of HK$243.0 million from aircraft transactions during the six months ended 30 June 2018 (six months ended 30 June 2017: HK$289.6 million), a decrease of HK$46.6 million or 16.1%. During the period under review, the Group completed disposal of finance lease receivables of one aircraft, disposal of one aircraft to ARI and disposal of four aircraft to CAG. During the six months ended 30 June 2017, the Group completed disposal of finance lease receivables of 10 aircraft.

Government grants for the six months ended 30 June 2018 amounted to HK$118.1 million, compared with HK$49.4 million for the six months ended 30 June 2017, an increase of HK$68.7 million or 139.1%. The increase in government grants was mainly due to increase in aircraft fleet size and speed up administrative process in approving payment of government grants.

2.2 Total Operating Expenses

During the six months ended 30 June 2018, the Group had the following operating expenses.

	Unaudited Six months ended 30 June		
	2018	2017	Change
	HK$'Million	*HK$'Million*	
Interest expenses	**697.9**	614.6	13.6%
Depreciation	**289.9**	131.4	120.6%
Other operating expenses	**212.5**	157.9	34.6%
Total operating expenses	**1,200.3**	903.9	32.8%

(a) Interest Expenses

For the six months ended 30 June 2018, interest expenses incurred by the Group amounted to HK$697.9 million compared with HK$614.6 million in the corresponding period last year, an increase of HK$83.3 million or 13.6%. The increase was mainly due to an increase of interest-bearing borrowings to finance additions of aircraft during the current period to support business expansion.

(b) Depreciation

Depreciation on the Group's aircraft under operating leases, leasehold improvements, office equipment, building and other assets for the six months ended 30 June 2018 was HK$289.9 million compared with HK$131.4 million in the corresponding period last year, an increase of HK$158.5 million or 120.6%. This was attributable to an increase in the number of aircraft under operating leases from 25 aircraft as at 30 June 2017 to 42 aircraft as at 30 June 2018.

(c) Other Operating Expenses

Other operating expenses mainly represented salaries and bonuses, professional fees related to the aircraft leasing business, and rentals and office administration expenses. The Group's globalisation strategy, which includes plans to diversify its overseas client base and expand overseas offices, led to an increase in business running costs and manpower from 152 as at 30 June 2017 to 172 as at 30 June 2018.

2.3 Income Tax Expenses

Income tax for the six months ended 30 June 2018 was HK$111.1 million (six months ended 30 June 2017: HK$94.1 million), resulting mainly from the increased profits achieved through growth in the leasing business and the net gain from aircraft transactions.

3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets

As at 30 June 2018, the Group's total assets amounted to HK$40,086.4 million compared with HK$37,994.3 million as at 31 December 2017, an increase of HK$2,092.1 million or 5.5%.

	Unaudited As at 30 June 2018 ***HK$'Million***	Audited As at 31 December 2017 *HK$'Million*	Change
Finance lease receivables – net	**12,065.4**	12,556.2	−3.9%
Property, plant and equipment	**11,743.9**	13,059.4	−10.1%
Interests in and loans to associates	**929.7**	870.2	6.8%
Cash and bank balances	**5,957.4**	7,396.2	−19.5%
Prepayments and other assets	**9,069.1**	4,021.5	125.5%
Derivative financial assets	**174.7**	90.8	92.4%
Financial asset at fair value through profit or loss	**146.2**	–	N/A
Total assets	**40,086.4**	37,994.3	5.5%

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

The majority of total assets as at 30 June 2018 represented finance lease receivables and property, plant and equipment.

Net finance lease receivables represented the present value of minimum lease payments receivable from aircraft classified as finance leases and their residual values. There was a decrease in finance lease receivables from HK$12,556.2 million as at 31 December 2017 to HK$12,065.4 million as at 30 June 2018, mainly because the Group completed disposal of finance lease receivables for one aircraft during the current period.

Property, plant and equipment mainly included the cost of aircraft classified as operating leases, net of their accumulated depreciation. Decrease in property, plant and equipment was mainly due to disposal of five aircraft during the current period.

3.1.2 Prepayments and Other Assets

Prepayments mainly represented PDP made to aircraft manufacturers for aircraft acquisition of HK$4,698.5 million (31 December 2017: HK$3,433.5 million). The increase in PDP amounts was due to the increase in aircraft purchase commitment requiring PDP during the current period.

Other assets mainly consisted of aircraft reclassified as held for sale and intended to be disposed to CAG. No such item was noted as at 31 December 2017.

3.1.3 Financial Asset at Fair Value through Profit or Loss

Balance represented fund injected through shareholder's loan from the Group to CAG for aircraft investment during the current period. The shareholder's loan from the Group representing 20% of the investment in CAG as at 30 June 2018.

3.2 Liabilities

As at 30 June 2018, the Group's total liabilities amounted to HK$36,559.4 million compared with HK$34,567.2 million as at 31 December 2017, an increase of HK$1,992.2 million or 5.8%, which was in line with the increase in total assets.

An analysis is given as follows:

	Unaudited As at 30 June 2018 *HK$'Million*	Audited As at 31 December 2017 *HK$'Million*	Change
Bank borrowings	**15,593.8**	16,458.4	−5.3%
Bonds	**8,584.2**	8,538.9	0.5%
Long-term borrowings	**5,368.7**	5,329.4	0.7%
Medium-term notes	**788.8**	798.1	−1.2%
Deferred income tax liabilities	**644.6**	544.5	18.4%
Convertible bonds	–	153.2	N/A
Interest payables	**282.3**	226.8	24.5%
Income tax payables	**8.9**	17.3	−48.6%
Derivative financial liabilities	–	0.2	N/A
Other liabilities and accruals	**5,288.1**	2,500.4	111.5%
Total liabilities	**36,559.4**	34,567.2	5.8%

3.2.1 Bank Borrowings

The analysis of bank borrowings is as follows:

	Unaudited As at 30 June 2018 *HK$'Million*	Audited As at 31 December 2017 *HK$'Million*	Change
Secured bank borrowings for aircraft acquisition financing	**11,718.7**	13,981.6	−16.2%
PDP financing	**3,053.2**	1,709.1	78.6%
Working capital borrowings	**821.9**	767.7	7.1%
Total bank borrowings	**15,593.8**	16,458.4	−5.3%

3.2.2 Convertible Bonds

In May 2018, the convertible bonds were fully redeemed upon maturity.

3.2.3 Other Liabilities and Accruals

Other liabilities and accruals mainly included deposits received from lessees, as well as bank borrowings for aircraft acquisition financing directly associated with assets reclassified as held for sale intending to be disposed to CAG as at 30 June 2018.

4. ANALYSIS OF CASH FLOWS

The following table illustrates the cash position and cash flows for the six months ended 30 June 2018:

	Unaudited Six months ended 30 June 2018 HK$'Million	2017 HK$'Million
I: Aircraft in operation		
Lease income	**1,085.4**	1,017.8
Bank interest and repayment	**(779.6)**	(764.3)
	305.8	253.5
II: Aircraft purchase and delivery		
Capital expenditure	**(3,252.3)**	(3,028.6)
Bank borrowings	**3,047.9**	1,734.4
	(204.4)	(1,294.2)
III: New aircraft not yet delivered		
PDP paid	**(1,699.3)**	(1,476.3)
PDP refunded	**448.9**	898.1
PDP financing	**1,621.0**	297.9
PDP financing interest and repayment	**(350.7)**	(742.8)
Advance payment for aircraft purchase	**(346.0)**	–
	(326.1)	(1,023.1)
IV: Net capital movement		
Proceeds from issue of new shares from exercise of share options	**–**	16.2
Dividends paid	**(284.8)**	(263.3)
Disposal of finance lease receivables and aircraft and proceeds from long-term borrowings	**1,939.9**	3,802.3
Early loan repayment on disposal of finance lease receivables and aircraft	**(1,195.0)**	(1,450.8)
Net proceeds from issuance of bonds	**–**	3,857.2
Net payments relating to interests in and loans to associates	**(14.7)**	(686.1)
Convertible bonds repurchase, interest and repayment	**(155.2)**	(156.9)
Investment to financial asset at fair value through profit or loss	**(146.2)**	–
Working capital loan net repayment and net cash used in other operating activities	**(1,258.6)**	(2,348.4)
	(1,114.6)	2,770.2
Net (decrease)/increase in cash and cash equivalents	**(1,339.3)**	706.4
Cash and cash equivalents at beginning of the period	**7,023.4**	5,840.7
Currency exchange difference on cash and cash equivalents	**11.0**	54.8
Cash and cash equivalents at end of the period	**5,695.1**	6,601.9

5. CAPITAL MANAGEMENT

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

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

For the six months ended 30 June 2018, the objectives, policies and processes for managing capital remained largely unchanged. The Group made full use of capital leverage to keep pace with aircraft delivery.

The Group monitors capital through gearing ratios:

	Unaudited As at 30 June 2018 ***HK$'Million***	Audited As at 31 December 2017 *HK$'Million*	Change
Interest-bearing debts included in total liabilities	**32,902.0**	31,278.0	5.2%
Total assets	**40,086.4**	37,994.3	5.5%
Gearing ratio	**82.1%**	82.3%	−0.2p.p.

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

6. HUMAN RESOURCES

As at 30 June 2018, staff of the Group numbered 172 (30 June 2017: 152). Total remuneration of employees for the six months ended 30 June 2018 amounted to HK$75.7 million (six months ended 30 June 2017: HK$57.4 million).

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

7. CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

7.1 Contingent Liabilities

The Group had no material contingent liabilities outstanding as at 30 June 2018 (31 December 2017: Nil).

7.2 Capital Commitments for Aircraft Acquisition and Aircraft Purchase Mandate

The Group's total aircraft purchase commitment amounted to HK$83.3 billion as at 30 June 2018 (31 December 2017: HK$76.0 billion), representing estimated total purchase costs of the aircraft contracted to be purchased and delivered, net of PDP paid.

As at 30 June 2018, the Group had 189 aircraft in its order book, comprising 139 Airbus and 50 Boeing aircraft, which will be delivered by the end of 2023.

Under the terms of a general mandate (the "**2017 Aircraft Purchase Mandate**") granted to the Directors by the shareholders of the Company on 22 May 2017, the Directors are authorised to purchase from either Airbus or Boeing, each limited to 70 new aircraft of certain types with an aggregate 2017 list price not exceeding approximately US$8.9 billion and US$8.3 billion respectively (equivalent to approximately HK$69.82 billion and HK$65.12 billion respectively). Further details of the 2017 Aircraft Purchase Mandate are set out in the circular of the Company dated 19 April 2017.

Pursuant to the 2017 Aircraft Purchase Mandate, the Group has committed to purchase a cumulative number of 50 aircraft from Boeing with an aggregate 2017 list price of approximately US$5.8 billion (equivalent to approximately HK$45.50 billion) and 70 aircraft from Airbus with an aggregate 2017 list price of approximately US$7.54 billion (equivalent to approximately HK$59.15 billion). Please refer to the Company's announcement dated 14 June 2017, 21 December 2017, 28 December 2017 and 4 January 2018 for further details.

At the 2018 annual general meeting of the Company held on 9 May 2018, shareholders of the Company granted to the Directors a new general mandate (the "**2018 Aircraft Purchase Mandate**") increasing the limits of purchase from either Airbus or Boeing, each limited to 100 new aircraft of certain types with an aggregate 2018 list price not exceeding approximately US$13 billion (equivalent to approximately HK$101.99 billion). Further details of the 2018 Aircraft Purchase Mandate are set out in the circular of the Company dated 9 April 2018.

As at the date of this announcement, the Group has not committed to purchase any aircraft pursuant to the 2018 Aircraft Purchase Mandate.

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

7.3 Shareholder Loan Commitment for Investment in CAG

The Group committed shareholder loan for investment in CAG amounted to approximately US$73.0 million (equivalent to approximately HK$572.7 million), of which US$18.6 million (equivalent to approximately HK$146.2 million) had been drawn down up to 30 June 2018. The Group's outstanding committed shareholder loan for investment in CAG as at 30 June 2018 was US$54.4 million (equivalent to approximately HK$426.5 million).

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

INTERIM CONSOLIDATED BALANCE SHEET

	Note	**Unaudited As at 30 June 2018** *HK$'000*	Audited As at 31 December 2017 *HK$'000*
ASSETS			
Property, plant and equipment		**11,743,898**	13,059,424
Interests in and loans to associates		**929,693**	870,188
Finance lease receivables – net	*5*	**12,065,386**	12,556,201
Financial asset at fair value through profit or loss	*6*	**146,167**	–
Derivative financial assets		**174,722**	90,835
Prepayments and other assets		**9,069,084**	4,021,516
Restricted cash		**262,345**	372,826
Cash and cash equivalents		**5,695,055**	7,023,359
Total assets		**40,086,350**	37,994,349
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		**67,818**	67,818
Reserves and others		**1,929,654**	1,861,658
Retained earnings		**1,529,481**	1,497,677
Total equity		**3,526,953**	3,427,153
LIABILITIES			
Deferred income tax liabilities		**644,599**	544,549
Bank borrowings	*7*	**15,593,820**	16,458,411
Long-term borrowings	*8*	**5,368,725**	5,329,396
Medium-term notes	*9*	**788,803**	798,094
Convertible bonds	*10*	**–**	153,190
Bonds	*11*	**8,584,180**	8,538,932
Derivative financial liabilities		**–**	207
Income tax payables		**8,940**	17,254
Interest payables		**282,262**	226,761
Other liabilities and accruals		**5,288,068**	2,500,402
Total liabilities		**36,559,397**	34,567,196
Total equity and liabilities		**40,086,350**	37,994,349

INTERIM CONSOLIDATED STATEMENT OF INCOME

	Note	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000
Revenue			
Finance lease income	*12*	**432,421**	540,621
Operating lease income	*12*	**729,666**	340,291
		1,162,087	880,912
Net gain from aircraft transactions	*13*	**243,021**	289,587
Other income	*14*	**207,008**	87,551
		1,612,116	1,258,050
Expenses			
Interest expenses		**(697,938)**	(614,647)
Depreciation		**(289,907)**	(131,443)
Other operating expenses		**(212,456)**	(157,850)
		(1,200,301)	(903,940)
Operating profit		**411,815**	354,110
Share of loss of an associate		**–**	(5,548)
Other gains/(losses)	*15*	**7,107**	(5,740)
Profit before income tax		**418,922**	342,822
Income tax expenses	*16*	**(111,077)**	(94,152)
Profit for the period		**307,845**	248,670
Profit attributable to shareholders of the Company		**307,845**	248,670
Earnings per share for profit attributable to shareholders of the Company (expressed in HK$ per share)			
– Basic earnings per share	*17(a)*	**0.454**	0.370
– Diluted earnings per share	*17(b)*	**0.454**	0.368

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Profit for the period	**307,845**	248,670
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss		
Share of reserves of an associate	**–**	5,389
Cash flow hedges	**77,121**	(15,709)
Currency translation differences	**9,464**	17,313
Total other comprehensive income for the period, net of tax	**86,585**	6,993
Total comprehensive income for the period	**394,430**	255,663
Total comprehensive income for the period attributable to shareholders of the Company	**394,430**	255,663

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited			
	Attributable to shareholders of the Company			
	Share capital *HK$'000*	Reserves and others *HK$'000*	Retained earnings *HK$'000*	Total equity *HK$'000*
Balance as at 1 January 2017	66,990	1,839,694	1,136,662	3,043,346
Comprehensive income				
Profit for the period	–	–	248,670	248,670
Other comprehensive income				
Share of reserves of an associate	–	5,389	–	5,389
Cash flow hedges	–	(15,709)	–	(15,709)
Currency translation differences	–	17,313	–	17,313
Total comprehensive income	–	6,993	248,670	255,663
Transactions with shareholders				
Dividends *(Note 18)*	–	–	(264,117)	(264,117)
Share option scheme:				
– Value of services	–	9,472	–	9,472
– Issue of new shares from exercise of share options	744	15,447	–	16,191
Repurchase of convertible bonds	–	(18,582)	12,541	(6,041)
Total transactions with shareholders	744	6,337	(251,576)	(244,495)
Balance as at 30 June 2017	67,734	1,853,024	1,133,756	3,054,514
Balance as at 31 December 2017	**67,818**	**1,861,658**	**1,497,677**	**3,427,153**
Change in accounting policy *(Note 4)*	**–**	**–**	**(9,785)**	**(9,785)**
Restated balance as at 1 January 2018	**67,818**	**1,861,658**	**1,487,892**	**3,417,368**
Comprehensive income				
Profit for the period	**–**	**–**	**307,845**	**307,845**
Other comprehensive income				
Cash flow hedges	**–**	**77,121**	**–**	**77,121**
Currency translation differences	**–**	**9,464**	**–**	**9,464**
Total comprehensive income	**–**	**86,585**	**307,845**	**394,430**
Transactions with shareholders				
Dividends *(Note 18)*	**–**	**–**	**(284,837)**	**(284,837)**
Buy-back of shares	**–**	**(3,487)**	**–**	**(3,487)**
Share option scheme:				
– Value of services	**–**	**3,472**	**–**	**3,472**
– Issue of new shares from exercise of share options	**–**	**7**	**–**	**7**
Transfer of reserves upon maturity of convertible bonds	**–**	**(18,581)**	**18,581**	**–**
Total transactions with shareholders	**–**	**(18,589)**	**(266,256)**	**(284,845)**
Balance as at 30 June 2018	**67,818**	**1,929,654**	**1,529,481**	**3,526,953**

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Cash flows from operating activities		
Profit after income tax	**307,845**	248,670
Adjustments for:		
– Depreciation	**289,907**	131,443
– Net gain from aircraft transactions	**(243,021)**	(289,587)
– Impairment loss of finance lease receivables	**7,367**	–
– Interest expenses	**697,938**	614,647
– Share-based payments	**3,472**	9,472
– Unrealised currency exchange (gains)/losses	**(3,714)**	3,742
– Fair value gains on interest rate and currency swaps	**(6,944)**	(4,600)
– Loss on repurchase of convertible bonds	**–**	3,055
– Share of loss of an associate	**–**	5,548
– Interest income	**(51,911)**	(32,078)
	1,000,939	690,312
Changes in working capital:		
– Finance lease receivables – net	**(453,622)**	1,965,256
– Prepayments and other assets	**(137,064)**	(67,354)
– Other liabilities and accruals	**266,501**	528,041
– Income tax payables	**(8,314)**	(34,758)
– Deferred income tax liabilities	**98,098**	37,963
Net cash flows generated from operating activities	**766,538**	3,119,460
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2,887,579)**	(2,410,801)
Proceeds from disposal of lease-attached aircraft	**1,610,645**	–
Deposits paid for acquisition of aircraft	**(1,699,344)**	(1,476,328)
Deposits refunded for acquisition of aircraft	**448,949**	691,430
Interest received	**7,142**	19,631
Net payments relating to loans to an associate	**(14,736)**	(686,137)
Investment to financial asset at fair value through profit or loss	**(146,167)**	–
Net cash flow used in investing activities	**(2,681,090)**	(3,862,205)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Cash flows from financing activities		
Proceeds from issue of new shares from exercise of share options	**7**	16,191
Proceeds from bank borrowings and long-term borrowings	**6,190,894**	4,908,856
Proceeds from termination of derivative financial instruments	**–**	32,025
Issue of bonds, net of transaction costs	**–**	3,857,191
Refinancing and repayments of bank borrowings and long-term borrowings	**(4,561,262)**	(6,374,125)
Repurchase or repayment of convertible bonds, including transaction costs	**(155,160)**	(156,899)
Interest received/(paid) in respect of derivative financial instruments	**1,666**	(15,019)
Interest paid in respect of borrowings, notes and bonds	**(720,494)**	(574,658)
Decrease in deposits pledged in respect of borrowings	**103,054**	19,254
Decrease/(Increase) in deposits pledged in respect of derivative financial instruments	**4,911**	(356)
Buy-back of shares, including transaction costs	**(3,487)**	–
Dividends paid to shareholders	**(284,837)**	(263,294)
Net cash flows generated from financing activities	**575,292**	1,449,166
Net (decrease)/increase in cash and cash equivalents	**(1,339,260)**	706,421
Cash and cash equivalents at beginning of the period	**7,023,359**	5,840,746
Currency exchange difference on cash and cash equivalents	**10,956**	54,760
Cash and cash equivalents at end of the period	**5,695,055**	6,601,927

NOTES

1 GENERAL INFORMATION

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

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

The interim condensed consolidated financial information for the six months ended 30 June 2018 ("**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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and included in the 2017 annual report of the Company.

(a) Going concern

Aircraft leasing is a capital-intensive business. As at 30 June 2018, the Group's current liabilities exceeded its current assets by HK$2,012.0 million. The Group had total capital commitments of HK$83,744.9 million mainly relating to acquisition of aircraft, of which HK$11,475.3 million is payable within one year. The Group will satisfy these capital commitments through the Group's internal resources and may need to raise additional funds through pre-delivery payments ("**PDP**") financing, new commercial aircraft bank loans, issuance of notes under the US$3,000 million medium-term note programme set up in December 2017 ("**MTN Programme**"), and other debt and capital financing, disposal of finance lease receivables and/or disposal of aircraft. In view of such circumstances, the directors of the Company have given due and careful consideration to the liquidity of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to fulfil its financial obligations and its capital commitments; and thus its ability to continue as a going concern. The directors of the Company adopted a going concern basis in preparing the consolidated financial statements based on the following assessments:

– According to the relevant aircraft purchase agreements, PDP scheduled to be paid in the next twelve months from 30 June 2018 amounted to HK$4,042.9 million. Up to the approval date of the consolidated financial statements, the Group had signed PDP financing agreements and term sheets with various commercial banks which have agreed to provide financing of HK$1,603.7 million to the Group in the next twelve months from 30 June 2018. The remaining balance of PDP amounting to HK$2,439.2 million is to be funded by internal resources, available banking facilities or additional financing.

- The new commercial aircraft bank borrowings are primarily used for the PDP financing and aircraft acquisition cost. Such aircraft acquisition borrowing will only be confirmed before delivery of the relevant aircraft and based on industry practice and prior experience, long-term aircraft borrowings will be granted by the banks if the aircraft can be leased out to airline companies. Lease agreements or letters of intent have already been signed for the aircraft scheduled for delivery in the next twelve months from 30 June 2018. The directors of the Company thus believes that long-term aircraft borrowings can be obtained or other internal resources, issuing bonds and available banking facilities can be used to settle the PDP financing and the balance payments of the aircraft acquisition costs due in the next twelve months from 30 June 2018.

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

- As at 30 June 2018, the Group had cash and cash equivalents amounting to HK$5,695.1 million. In addition, the Group set up the MTN Programme of US$3,000 million in December 2017, pursuant through which the Group may raise necessary funds as when needed. Each issuance of the note from such MTN Programme will be subject to the board of directors' approval and other external factors.

The directors of the Company have reviewed the Group's cash flow forecasts prepared by management, covering a period of not less than twelve months from 30 June 2018. The forecasts are based on a number of assumptions including aircraft delivery and leasing schedules, planned disposal of finance lease receivables and/or disposal of aircraft, internal resources, available banking facilities that have been granted or will be granted, other available sources of financing, and the amount of capital commitments.

On this basis, the directors of the Company are of the opinion that, the Group expects to have sufficient working capital to finance its operations and to meet its financial obligations, including those capital commitments in the next twelve months from 30 June 2018. Accordingly, the directors of the Company consider that the Group will be in a position to continue as a going concern and have prepared the consolidated financial statements on a going concern basis.

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 2017.

3.1 Changes in accounting policy and disclosure

(a) New and amended standards adopted by the Group

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

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

The impact of adoption of HKFRS 9 is disclosed in note 4 below. Other new and revised HKFRSs did not have a material impact on the Group's accounting policies and did not require retrospective adjustments.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018 and have not been early applied in preparing these consolidated financial statements. None of these is expected to have a material impact on the consolidated financial statements of the Group, except the following set out below:

HKFRS 16, 'Leases'

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

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2018, the Group has non-cancellable operating lease commitments of HK$22.3 million. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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

3.2 New accounting policy adopted by the Group during the six months end 30 June 2018

Non-current assets (or disposal group) held for sale

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

4 CHANGES IN ACCOUNTING POLICY

This note explains the impact of the adoption of HKFRS 9, 'Financial Instruments' on the Group's consolidated financial statements and also discloses the new accounting policy that have been applied from 1 January 2018, where it is different to that applied in prior periods.

(a) Impact on the consolidated financial statements

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

The adoption of HKFRS 9, 'Financial Instruments' from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policy is set out in note 4(b) below. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. There was no significant impact on the classification and measurements of the Group's financial assets and financial liabilities at the date of initial application of HKFRS 9. The adjustments arising from the new impairment rules are therefore not reflected in the consolidated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

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

(b) HKFRS 9 Financial Instruments – Impact of accounting policy applied from 1 January 2018

(i) Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“**FVPL**”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of income.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group’s right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For finance lease receivables and other receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the finance lease receivables and other receivables.

(ii) Derivatives and hedging

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedges reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset, both the deferred hedging gains and losses, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss.

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

5 FINANCE LEASE RECEIVABLES – NET

	Unaudited **As at** **30 June** **2018** ***HK$'000***	Audited As at 31 December 2017 *HK$'000*
Finance lease receivables	**6,261,732**	7,139,331
Guaranteed residual values	**6,378,219**	6,519,844
Unguaranteed residual values	**7,062,097**	7,284,728
Gross investment in leases	**19,702,048**	20,943,903
Less: Unearned finance income	**(7,619,340)**	(8,387,702)
Net investment in leases	**12,082,708**	12,556,201
Less: Accumulated allowance for impairment	**(17,322)**	–
Finance lease receivables – net	**12,065,386**	12,556,201

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

	Unaudited **As at** **30 June** **2018** ***HK$'000***	Audited As at 31 December 2017 *HK$'000*
Gross investment in finance leases	**19,702,048**	20,943,903
Less: Unguaranteed residual values	**(7,062,097)**	(7,284,728)
Minimum lease payments receivable	**12,639,951**	13,659,175
Less: Unearned finance income related to minimum lease payments receivable	**(4,478,626)**	(4,996,644)
Present value of minimum lease payments receivable	**8,161,325**	8,662,531

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 2018	Audited As at 31 December 2017
	HK$'000	*HK$'000*
Gross investment in finance leases		
– Not later than 1 year	**798,917**	851,211
– Later than 1 year and not later than 5 years	**3,228,416**	3,557,303
– Later than 5 years	**15,674,715**	16,535,389
	19,702,048	20,943,903

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

	Unaudited As at 30 June 2018	Audited As at 31 December 2017
	HK$'000	*HK$'000*
Present value of minimum lease payments receivable		
– Not later than 1 year	**285,062**	298,044
– Later than 1 year and not later than 5 years	**721,504**	863,357
– Later than 5 years	**7,154,759**	7,501,130
	8,161,325	8,662,531

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

	Unaudited As at 30 June 2018		Audited As at 31 December 2017	
	HK$'000	*%*	*HK$'000*	*%*
Categorised by customer in terms of lease receivables:				
Five largest airline companies	**9,083,138**	**75%**	9,314,147	74%
Other airline companies	**2,982,248**	**25%**	3,242,054	26%
Finance lease receivables – net	**12,065,386**	**100%**	12,556,201	100%

6 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited As at 30 June 2018 *HK$'000*	Audited As at 31 December 2017 *HK$'000*
Long term debt investments	**146,167**	–

CAG Bermuda 1 Limited and its subsidiaries (collectively as "**CAG Group**") are principally engaged in lease-attached aircraft portfolio investment. CAG Bermuda 1 Limited uses the fund injected through the shareholder's loan from the Group and the mezzanine financing from other investors at a ratio of 20% to 80%, together with a shareholding between the Group and other investors at the same ratio. Pursuant to shareholders' agreement and shareholder loan agreement, all investors of CAG Bermuda 1 Limited committed to invest in CAG Bermuda 1 Limited through shareholder loans according to the shareholding proportion. The Group's committed shareholder loan is approximately US$73.0 million (equivalent to approximately HK$572.7 million), of which US$18.6 million (equivalent to HK$146.2 million) had been drawn down up to 30 June 2018.

7 BANK BORROWINGS

	Unaudited As at 30 June 2018 *HK$'000*	Audited As at 31 December 2017 *HK$'000*
Secured bank borrowings for aircraft acquisition financing (a)	**11,718,744**	13,981,599
PDP financing (b)	**3,053,204**	1,709,129
Working capital borrowings (c)	**821,872**	767,683
	15,593,820	16,458,411

(a) Secured bank borrowings for aircraft acquisition financing are principally based on fixed or floating US$ LIBOR rates. As at 30 June 2018, the bank borrowings were secured by, in addition to other legal charges, the related aircraft leased to airline companies under either finance leases or operating leases, pledge of the shares in the subsidiaries owning the related aircraft, guarantees from certain companies of the Group, and pledge of deposits amounting to HK$204,444,000 (31 December 2017: HK$312,434,000).

(b) As at 30 June 2018, PDP financing of HK$1,748,912,000 (31 December 2017: HK$478,817,000) was unsecured and guaranteed by the Company. Other PDP financing was secured by certain rights and benefits in respect of the acquisition of the aircraft, and guarantees from certain companies of the Group.

(c) As at 30 June 2018, the Group had aggregate unsecured working capital borrowings of HK$821,872,000 (31 December 2017: HK$767,683,000) which were guaranteed by certain companies of the Group.

The Group has the following undrawn borrowing facilities:

	Unaudited As at 30 June 2018 ***HK$'000***	Audited As at 31 December 2017 *HK$'000*
Floating rate:		
– Expiring within one year	**–**	78,149
– Expiring beyond one year	**2,556,507**	4,162,946
	2,556,507	4,241,095

8 LONG-TERM BORROWINGS

	Unaudited As at 30 June 2018 ***HK$'000***	Audited As at 31 December 2017 *HK$'000*
Borrowings from trust plans (a)	**5,053,649**	5,018,672
Other borrowings (b)	**315,076**	310,724
	5,368,725	5,329,396

(a) As at 30 June 2018, 44 borrowings (31 December 2017: 43 borrowings) were provided to the Group by investors under trust plans or an asset-backed securities programme (both are in relation to the disposal of finance lease receivable transactions). The effective average interest rates of the long-term borrowings range from 3.5% to 7.8% (31 December 2017: 3.5% to 7.8%) per annum for remaining terms of six to 12 years (31 December 2017: six to 11 years). These long-term borrowings are secured by the shares of, and the aircraft held by the relevant subsidiaries, guaranteed by certain companies of the Group, and pledge of deposits amounting to HK$44,362,000 (31 December 2017: HK$41,969,000).

(b) As at 30 June 2018, four borrowings (31 December 2017: four borrowings) were obtained through a structured financing arrangement for four aircraft (31 December 2017: four aircraft) delivered to airlines. These borrowings bear an effective interest rate ranging from 3.9% to 5.7% (31 December 2017: 3.9% to 5.7%) per annum for their remaining terms of seven to eight years (31 December 2017: seven to eight years) and are guaranteed by the Company.

9 MEDIUM-TERM NOTES

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

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

As at 30 June 2018, after deducting the issuing cost, the total carrying amount of these notes was HK$788,803,000 (31 December 2017: HK$798,094,000).

10 CONVERTIBLE BONDS

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

	Unaudited As at 30 June 2018		
	Liability	**Equity**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Carrying value as at 1 January 2018	**153,190**	**18,581**	**171,771**
Interest accrued at effective interest rate (inclusive of arrangement fees) during the period	**7,012**	**–**	**7,012**
Interest paid (inclusive of arrangement fees) during the period	**(5,042)**	**–**	**(5,042)**
Redemption during the period	**(155,160)**	**(18,581)**	**(173,741)**
Carrying value as at 30 June 2018	**–**	**–**	**–**

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

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

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

Interest expenses on the carrying amount of the liability component were paid or accrued at the effective interest rate (inclusive of arrangement fees) of 11.8% (six months ended 30 June 2017: 11.8%) to adjust the carrying amount of the liability component to its amortised cost, being the present value of the expected future cash flows relating to periodic interest payments and principal repayment at par value at the maturity date.

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

11 BONDS

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

In August 2016, the Group issued five-year US$300 million senior unsecured bonds due in 2021, bearing coupon interest at 4.9% per annum, payable semi-annually.

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

These bonds were listed on the Stock Exchange and are guaranteed by the Company. After deducting the issuing cost, total carrying amount of these bonds as at 30 June 2018 was HK$8,584,180,000 (31 December 2017: HK$8,538,932,000).

12 LEASE INCOME AND SEGMENT INFORMATION

During the six months ended 30 June 2018, the Group was engaged in a single business segment, the provision of aircraft leasing services to airline companies in the United States, Mainland China and other countries or regions in Europe, Asia and South America. The Group leases its aircraft to airline companies under finance leases or operating leases under which it receives rentals.

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

	Unaudited			
	Six months ended 30 June			
	2018		2017	
	HK$'000	*%*	*HK$'000*	*%*
Categorised by customer in terms of lease income:				
Airline company – A	**99,840**	**9%**	106,602	12%
Airline company – B	**92,015**	**8%**	89,635	10%
Airline company – C	**83,160**	**7%**	88,493	10%
Airline company – D	**76,127**	**7%**	92,230	10%
Airline company – E	**66,770**	**6%**	66,527	8%
Other airline companies	**744,175**	**63%**	437,425	50%
Total finance and operating lease income	**1,162,087**	**100%**	880,912	100%

13 NET GAIN FROM AIRCRAFT TRANSACTIONS

The net gain from aircraft transactions for the six months ended 30 June 2017 represented the gain from disposal of the finance lease receivables of 10 aircraft. Certain wholly-owned subsidiaries of the Group signed separate contracts with the trust plans to transfer their future aircraft lease receivables under their separate aircraft lease agreements with certain airline companies to the trust plans. As the Group has transferred substantially all the risks and rewards related to the lease receivables, it de-recognised the corresponding finance lease receivables and recorded the gain from disposal of finance lease receivables in the consolidated financial statements.

The net gain from aircraft transactions for the six months ended 30 June 2018 included the gain from disposal of the finance lease receivables of one aircraft, the gain from one lease-attached aircraft disposed to a wholly-owned subsidiary of ARI and the net gain from four lease-attached aircraft disposed to CAG Group by way of transferring the share interests of those wholly-owned subsidiaries which own direct interests in the lease-attached aircraft and leases, determined by comparing the net proceeds with the relevant carrying amount of net assets less transaction costs and other expenses.

14 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Government grants (a)	**118,097**	49,407
Bank interest income	**7,142**	19,631
Interest income from loans to an associate	**44,769**	12,447
Operating lease income on office premises from a related party	**638**	637
Operating lease income on other assets from a related party	**1,320**	–
Operating lease income on office premises from an associate	**1,420**	2,371
Others	**33,622**	3,058
	207,008	87,551

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

15 OTHER GAINS/(LOSSES)

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Unrealised loss on a currency swap	**(2,445)**	(1,351)
Fair value losses on interest rate swaps	**–**	(3,921)
Realised gains on interest rate swaps	**9,389**	9,872
Currency exchange gains/(losses)	**163**	(7,285)
Loss on repurchase of convertible bonds	**–**	(3,055)
	7,107	(5,740)

16 INCOME TAX EXPENSES

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Current income tax:		
Mainland China, Hong Kong and others	**12,950**	56,189
Deferred income tax	**98,127**	37,963
	111,077	94,152

17 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 2017 and 2018.

	Unaudited Six months ended 30 June	
	2018	2017
Profit attributable to shareholders of the Company *(HK$'000)*	**307,845**	248,670
Weighted average number of ordinary shares in issue *(number of shares in thousands)*	**678,173**	672,950
Basic earnings per share *(HK$ per share)*	**0.454**	0.370

(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	
	2018	2017
Earnings		
Profit attributable to shareholders of the Company *(HK$'000)*	**307,845**	248,670
Weighted average number of ordinary shares for diluted earnings per share		
Weighted average number of ordinary shares in issue *(number of shares in thousands)*	**678,173**	672,950
Adjustment for:		
– Share options *(number of shares in thousands)*	**–**	3,605
Weighted average number of ordinary shares for diluted earnings per share *(number of shares in thousands)*	**678,173**	676,555
Diluted earnings per share *(HK$ per share)*	**0.454**	0.368

18 DIVIDENDS

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Interim dividend proposed of HK$0.22 (2017: HK$0.18) per ordinary share	**148,999**	122,072

On 24 March 2017, the Board declared a final dividend of HK$0.39 per ordinary share totalling HK$264.1 million for the year ended 31 December 2016, which was paid in June 2017.

On 25 August 2017, the Board declared an interim dividend of HK$0.18 per ordinary share totalling HK$122.1 million for the six months ended 30 June 2017, which was paid in September 2017.

On 23 March 2018, the Board declared a final dividend of HK$0.42 per ordinary share totalling HK$284.8 million for the year ended 31 December 2017, which was paid in June 2018.

On 24 August 2018, the Board declared an interim dividend of HK$0.22 per ordinary share totalling HK$149.0 million which is calculated based on 677,269,380 issued shares as at 24 August 2018. The proposed dividend is not reflected as a dividend payable in the consolidated financial statements as at 30 June 2018, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2018.

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK$0.22 per share in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: HK$0.18 per share) to shareholders whose names appear on the register of members of the Company on 12 September 2018. The interim dividend will be paid on or about 26 September 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from 11 September 2018 to 12 September 2018, both days inclusive, during which period, no transfer of shares will be registered. The record date on which the shareholders of the Company are qualified to receive the interim dividend is 12 September 2018. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 10 September 2018.

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

The Company repurchased a total of 437,000 ordinary shares of the Company at the highest price and the lowest price per share of HK$7.99 and HK$7.92 respectively on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for the six months ended 30 June 2018 at an aggregate consideration of approximately HK$3,473,000 (before expense). All the repurchased shares were subsequently cancelled on 13 July 2018 by the Company.

Save as disclosed above, during the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

The Company has adopted the principles as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange.

The Company has complied with all Code Provisions as set out in the CG Code during the six months ended 30 June 2018.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its Directors. Following specific 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 2018.

AUDIT COMMITTEE AND REVIEW OF THE FINANCIAL STATEMENTS

As at the date of this announcement, the Company's Audit Committee consisted of Mr. CHOW Kwong Fai, Edward (chairman of the Audit Committee), Mr. FAN Yan Hok, Philip, Mr. CHEOK Albert Saychuan and Mr. NIEN Van Jin, Robert, all of them are independent non-executive Directors. During the period under review, the Audit Committee has reviewed with the management team and the external auditor of the Company, PricewaterhouseCoopers ("**PwC**"), the accounting principles and practices adopted by the Group and discussed matters regarding auditing, internal control, risk management and financial reporting, including the review of the unaudited consolidated financial statements of the Group for the six months ended 30 June 2018.

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2018 have been reviewed by PwC in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information performed by the Independent Auditor of the Entity*" issued by the Hong Kong Institute of Certified Public Accountants. PwC's review report is included in the 2018 interim report to be sent to the shareholders of the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company at www.calc.com.hk and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The 2018 interim report will be dispatched to the shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 24 August 2018

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